



MIDDLE EAST ECONOMIC GROWTH BEST PRACTICES PROJECT (MEG)

Port of Beirut Assessment

Final Report
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USAID ME Bureau Office of Economic Growth Middle East Economic Growth Best Practices Project (MEG)

The Pragma Corporation
Principal Contact: Paul Davis
116 East Broad Street
Falls Church, Virginia 22046

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ACRONYMS

3PL	Third-party logistics
ACCOBAMS	Agreement on the Conservation of Cetaceans of the Black Sea and the Mediterranean Sea and contiguous Atlantic Area
ADP	Anti-drug Police
AEO	Authorized Economic Operator
AO	Authorized Operator
ASYCUDA	Automated System for CUstoms DAta
BCC	Beirut Cargo Centre
BCTC	Beirut Container Terminal Company
BDL	Banque Du Liban
BPS	Beirut Pilotage Station
BSE	Beirut Stock Exchange
CA	Clearing Agent
CAMA	Cargo Management System
CBD	Confirmation Booking Document
CBD	Customs Brigade
CFS	Container Freight Station
CMA-CGM	Compagnie Maritime d'Affrètement - Compagnie Générale Maritime
COM	Council of Ministers
CPQEB	Compagnie du Port, des Quais et des Entrepôts de Beyrouth
CSS	Container Stevedoring Services
CVA	Customs Valuation Agreement
DEV	Declaration of Elements of Valuation
DFM	Duty-Free Market
DGLC	Directorate General of the Lebanese Customs
DGS	Directorate General of General Security
DO	Delivery Order
EBRD	European Bank for Reconstruction and Development
ECF	Empty-for-city Form
EDI	Electronic Data Interchange
EH	Empty Handlers
EIB	European Investment Bank
ENS	Entry Summary Declaration
ERP	Enterprise Resource Planning
E-TSW	Electronic Trade Single Window
FGZ	FreeGoZone
FIO	Free In/Out
FZ	Free Zone
GATT	General Agreement on Tariffs and Trade
GEPB	Compagnie de Gestion et d'Exploitation du Port de Beyrouth
GIS	Geographic Information System
GS	General Security
GT	Gross Tonnage
HCC	Higher Customs Council
HSSE	Health, Safety, Security, and Environment
HPH	Hutchison Port Holdings
HS	Harmonized System

ICT	Information and Communications Technology
IDAL	Investment Development Authority of Lebanon
IFIs	International Financial Institutions
IMO	International Maritime Organization
IPM	International Port Management
IPO	Initial Public Offering
ISPS	International Ship and Port Facility Security Code
JSC	Joint-stock Company
KPIs	Key Performance Indicators
LAEC	Lebanese Atomic Energy Commission
LAF	Lebanese Armed Forces
LCL	Less than Container Load (groupage)
LFZ	Logistics Free Zone
LIA	Lebanese Industrialist Association
LOA	Length Overall
LPMA	Logistics and Port Management, Americas
LT	Long-term
MARPOL	International Convention for the Prevention of Pollution from Ships
MDS	Mobile Detection System
MEW	Ministry of Energy and Water
MI	Military Intelligence
MIM	Ministry of Interior and Municipalities
MOA	Ministry of Agriculture
MOC	Ministry of Culture
MOD	Ministry of Defense
MOE	Ministry of Environment
MOET	Ministry of Economy and Trade
MOF	Ministry of Finance
MOH	Ministry of Public Health
MOI	Ministry of Industry
MOPWT	Ministry of Public Works and Transport
MOTC	Ministry of Telecom
MSC	Mediterranean Shipping Company
MT	Medium-term
MT	Metric tons
NAJM	Arabic acronym for customs information system
NCTF	National Committee on Trade Facilitation
NTTFC	National Trade and Transport Facilitation Committee
OECD	Organization for Economic Cooperation and Development
OGAs	Other Governmental Agencies
OLD	Order of Lebanese Dentists
OLP	Order of Lebanese Physicians
OPH	Order of Lebanese Pharmacists
PA	Port Authority
PCA	Post-Clearance Audit
PCS	Port Community System
PFSO	Port Facility Security Officer
PMS	Portia Management Services
POB	Port of Beirut
POT	Port of Tripoli

PPP	Public-private Partnership
RKC	Revised Kyoto Convention
RM	Risk Management
ROO	Rules of Origin
RPMs	Radioactive Portable Monitors
PSC	Port State Control
RTG	Rubber Tired Gantry
SAD	Single Administrative Document
SAL	Société Anonyme Libanaise
SGS	Societe Generale de Surveillance
SLAs	Service Level Agreements
SPS	Sanitary and Phytosanitary
SOLAS	IMO International Convention for the Safety of Life at Seas
SOPs	Standard Operating Procedures
SSD	State Security Directorate
ST	Short-term
STS	Ship-to-Shore
TBT	Technical Barriers to Trade
TC	Temporary Committee
TEU	Twenty-foot equivalent Unit
TFA	Trade Facilitation Agreement
THC	Terminal Handling Charges
TIL	Terminal Investment Limited
TOS	Terminal Operating System
TS	Transshipping
TRIPS	Trade-related Aspects of Intellectual Property Rights Agreement
UNDOF	United Nations Disengagement Observer Force
USAID	United States Agency for International Development
VGM	Verified Gross Mass
VTMS	Vessel Tracking Management System
VTS	Vessel Traffic Services
WCO	World Customs Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

The catastrophic explosion at the Port of Beirut (POB) on August 4, 2020, has resulted in the loss of lives and a high level of injuries and affected many sectors of the economy, including sea transport, healthcare, education, housing, and businesses. The recent disastrous explosion presents an opportunity to build a better and smarter port by mainly addressing the POB governance structure to establish competitive, transparent, and efficient port operations, enabling greater private sector participation and investments, and enhancing port revenues.

Risen in importance due to the Suez Canal's frequent closures between 1956 and 1975, the POB was the most important transit port in the Middle East and North Africa before the 1975 civil war, serving as a gateway for the Levant and Gulf region. The POB was then a major contributor to GDP and job creation in the trade, transport, and logistics sectors. The POB, which was a largely privately-owned joint-stock company, was then operated as a commercial company with a high degree of efficiency and quality services. This situation changed in the early 1990s when the Temporary Committee (TC)/Compagnie de Gestion et d'Exploitation du Port de Beyrouth (GEPB) (hereinafter the "TC/GEPB") was established as the Port Authority (PA) for the POB. Although its regional importance is diminished today, the POB still stands as the largest port operation in Lebanon, serving import, export, transit, transshipment cargo, and a very limited passenger capacity. Most transit cargo is destined to Syria, Iraq, and the Gulf countries. Transshipping is mainly to other ports on the Mediterranean Sea, such as Mersin, Iskenderun, Damietta, Alexandria, and Alger.

I. POB Governance and Administration

Reforming the POB governance is a litmus test for Lebanon's political classes' will to undertake broad-based reforms that benefit the Lebanese economy and welfare of the Lebanese people. These reforms will build the international donor community's trust to support Lebanon in overcoming its current financial and economic crisis.

Retaining the current POB governance structure under the TC/GEPB, which has been operating largely as a "black box," particularly in the 1990s, should not be an option. It has been widely reported that, due to its vast and legally undefined authorities and lack of sound supervision, the TC/GEPB has been a major source of corrupt questionable practices, potential mismanagement, and misuse of port revenues for personal benefits and those of particular politicians and political parties--mainly those who were dominant during the Syrian occupation era. According to many sources, the TC/GEPB, under the sole supervision of the succeeding ministers of the Ministry of Public Works and Transport (MOPWT), appears to have made unnecessary capital investments at excessive costs that included possible kickbacks. In addition, private sector operators indicated that raised questions about the role of the TC/GEPB and potential corruption including possible has received bribes for favoring the licensing of certain port operators by the MOPWT.

Moving towards a commercially oriented landlord PA, which is the current best practice and most common model, will provide the ability to raise the necessary capital to rehabilitate and modernize the port; to eliminate state and political interference in port operations, procurements, and investments; and to follow a business case development and modernization approach. It will also allow the POB to remain flexible and dynamic for keeping pace with advancements and trends in the port industry; make commercial profit-maximizing decisions (including optimization of operations) and incentivize the PA to grow the POB business by attracting transit and transshipment cargo. The landlord PA will be responsible for infrastructure as well as safety and security in cooperation with

the harbormaster, leaving private operators to provide superstructure and operate terminals/facilities under competitively bid concessions and leases.

It would be optimal if the landlord PA's legal entity were to take the form of Société Anonyme Libanaise (SAL) - Lebanese joint-stock company. The PA could be named POB Development SAL (hereinafter "POB SAL"). It would be essential to conduct a valuation/financial assessment of the POB by an Investment Advisor for the purpose of corporatization, followed by the adoption of a law for establishing the POB SAL.¹ This would represent an important step toward gradual privatization and a full private service port model. Blocks of shares may be gradually auctioned/sold through open bids to investment funds, financial institutions, and private investors.² Development banks may also acquire shares in exchange for financing reconstruction, rehabilitation, and the POB improvements. An Initial Public Offering (IPO) at the Beirut Stock Exchange (BSE) may also be considered.

A sound governance structure will require, *inter alia*, (i) adopting and enforcing good corporate governance principles and practices and sound supervision by the Board of Directors; and (ii) strengthening regulatory measures (e.g., adoption of the draft law on competition). This will also require following transparent rules and procedures for engaging private operators through adherence of PA tendering regulations to core transparency principles in the pending draft law on public procurement and new laws to be adopted related to concessions and leasing. Like any commercial entity, the POB SAL and private operators will be subject to Lebanese commercial law and relevant regulatory authorities. Selecting members of the Board of Directors and the General Manager³ should be through an internationally reputable recruiting firm.⁴

The transition could take 1-1.5 years, provided there is strong political commitment. It is recommended that a Decision be adopted by the Council of Ministers, as soon as inaugurated, extending the TC/GEPB mandate for the duration of the transition, appointing new and independent TC members, and imposing sound supervision and financial disciplines. Further, given current uncertainties and the lack of long-term vision and strategic directions for the POB, it is not prudent to make any long-term commitment at this point related to the operations of POB. In this respect, the container terminal's tender should be placed on hold. The current management contract with Beirut Container Terminal Company should be extended for the duration of the transition.

Finally, it is highly recommended to launch an audit of the TC/GEPB. The audit needs to go back to 1991 with the aim of, *inter alia*, identifying gaps, deficiencies, and practices that contributed to failures at the POB and address these for better governance and enhanced security procedures. Equally important, the audit should cover financial aspects, including revenues, expenditures, and transfers to the treasury, as well as undertaken projects and procurements to identify any contractual corruption/kickbacks, fraud, and misuse of funds.

A detailed discussion of the proposed governance and administration structure is provided in Section A below. In contrast, a review of historical/current governance/administration aspects of the POB is provided in Annex B below. Graph I at the end of this summary exhibits the proposed POB governance structure.

¹ This can be a port sector law for Lebanon if decided to follow the same approach at other ports.

² Under SAL, there is no limitation on foreign ownership.

³ Under SAL, two-third of Board members, the Chairperson, and the General manager can be foreigners.

⁴ With increased private participation, the Board should be elected by the General Assembly/shareholders.

II. Port Development Options

In addition to accommodating projected Lebanese trade needs over the next 40 years, there are attractive transit and transshipping business opportunities that require strategic planning for port development in Lebanon. Lebanon has the potential to at least quadruple its share (to around 5% market share in the Mediterranean basin) in transshipping; and become a transshipment hub for major shipping lines such as CMA-CGM, MSC, Maersk, and others. This will increase revenue for the Lebanese ports by US\$ 175M. Other benefits of transshipping include (i) higher connectivity to multiple ports for imports and exports; (ii) reduced ocean freight rates for Lebanese imports and exports as a result of economies of scale; (iii) new routes to new markets for Lebanese exports; and (iv) enhancement in the prospect for greater transit trade.

As for transit, the Syrian reconstruction effort is estimated to require 30 million MT (mostly bulk) per year over a period of five to ten years. Syrian ports (Tartous & Latakia) altogether can handle 16 million MT annually. The remaining 14 million MT have to be supported by other ports, including Lebanese, Jordanian, and Turkish ports. It is important to make transit costs through the POB competitive with other ports and make full capacity utilization of general/bulk cargo berths. In addition to the creation of new economic and employment opportunities in the transport and logistics sector, the revenue of Lebanese ports from transit to Syria can range from US\$ 75M to 90M annually, provided that Lebanon secures 2/3 of projected transit trade.

Turning the POB into a container port only is impossible due to ship turning constraints for most quays. Converting the whole POB into a touristic port is not commercially viable, given the seasonality of this business and the current plans to develop the Jounieh Port as a major tourism hub for cruise ships. The following are the three most viable options:

1. Keep the POB Business Profile "As-Is" with improvements to infrastructure and superstructure. This option includes optimizing the use of the under-utilized non-container terminal berths⁵ and developing a small passenger/touristic terminal at the breakwater. The POB capacity (TEU and MT) will remain the same, but with increased productivity and throughput by maximizing the utilization of non-container terminals/quays. The total amount to be financed by the PA for developing the POB infrastructure will be around US\$ 162M for this option. Investment by private operators will be around US\$ 116M.
2. Expand Transshipping Business at the POB through constructing a new Container Terminal at Burj Hammoud Landfill. This option covers Option 1 and the development of a new container terminal. This will increase container capacity by around 500K TEU, at the cost of around US\$ 100M for infrastructure and US\$ 80M for the superstructure. Contracts could be granted to three container operators at the POB for Quay 16A, Quay 16B, and the new container terminal. This will increase competition and enable the significant growth in transshipping business.
3. Replace the POB with two new Ports (North and South of Beirut). This option means total shut down of the POB given the low return on port land value, congestion in the Greater Beirut Area, and pollution resulting from POB operations. These two ports would be constructed as public-private partnerships (PPP) in the form of BOT contracts. The estimated cost of constructing and

⁵ In recent years, container terminal utilization has been closed to full whereas capacity utilization of non-container berths has been at 33% due to lack for local demand for general/bulk cargo and reduced transit due to the Syrian crisis. Overall, utilization of the POB has been over 60%, which is above average by world standards. However, maximizing utilization of assets is key to increase return.

equipping each is around US\$ 600M. State contribution will be making land available, either existing state or municipal land, and/or expropriated land. It will take around three years to construct both ports. Each port should have the capacity to handle containers (1M TEU/year), around 5M MT/year of general/bulk cargo, RO-RO, and live animals. Each should have 30K MT/year of grain silo capacity. Establishing special zones for value-added industry and Third-Party Logistics at these ports will be commercially more viable than the POB, given lower land and rental costs. This option will also free up POB land, which is worth over US\$ 4B. Further, it will contribute to regional development.

That said, ongoing and planned expansions at the Port of Tripoli and the Port of Saida need to proceed regardless of any of the aforementioned options. It is also suggested that grain silos capacity (20 MT) be constructed at each of these two ports.

The ultimate choice between these options should be based on rigorous financial and economic feasibility analysis, including cost-benefit analysis, that follows-up in greater depth/detail on the preliminary analysis carried out in this paper. This should be completed in the next 3-4 months to inform dialogue among stakeholders, which should be managed by international donors. This process should result in a holistic national ports strategy and plan allocating Lebanon's limited land resources based on clear financial criteria and taking into account projected growth in import, transit, transshipment, and associated revenues.

III. Restoring and Enhancing POB Operations.

USAID MEG estimates the cost of the full restoration of the POB operations from damages resulting from the August 4 explosion at US\$ 140M:⁶ Infrastructure owned by the State (around US\$ 65M); and superstructure owned by the State (around US\$ 34M) and by private operators (US\$ 41M).⁷ These are itemized in Annex A Table A.I. The explosion did not inflict significant damage to the container terminal, which handles approximately 70% of POB total tonnage. However, this terminal has had its own pre-explosion problems, such as crane maintenance due to lack of foreign exchange access at the official rate.

The estimated POB capacity for handling non-container cargo is 12.7 million MT/year, with average annual utilization at around 4.0 million MT/year in recent years. Despite damages to quays 9 and 10 and the inoperability of the grain silos terminal, the POB has managed to continue serving bulk/general cargo after the explosion; especially that the level of such cargo dropped to around 800K MT as a result of the economic crisis and given excess berth capacity for general/bulk cargo. Most works related to restoring the POB to its previous condition can be completed within 18

⁶ If grain silos are reconstructed at 80,000 MT capacity using steel structure. If 120,000 MT is built using concrete structure this amount will be US\$ 169M.

⁷ These estimates do not cover:

- the six sunken and the two damaged commercial vessels that were at the POB at the time of explosion (no estimates have been made by any party);
- the cost of damaged goods which were at POB warehouses and yards (no estimates have been made by any party); and
- the cost of damaged/burnt goods, which were at the POB Free Zone (FZ, DFM, LFZ, and FGZ). Initial losses were estimated by POB lessees and owners of goods to be at US\$ 270M. The final figure is around US\$ 200M after owners managed to salvage some of their goods at the POB Free Zone.

months. Notwithstanding explosion damages, there are significant improvements required to build a better POB, for a total cost of around US\$ 128M (itemized in Table A.2 in Annex A).

This assessment recommends actions to fully restore POB operations after the explosion and address chronic logistical and other problems and deficiencies that existed prior to the explosion. Short, medium, and long-term recommendations (62) related to the following areas are summarized in Table I below and detailed in Section III of this report. They cover operations and logistics; removal of debris, damaged assets, and sunken vessels; judicial decisions; safety and security; grain silos, and urgent governmental decisions.

Table I – Number of Actions for Restoring and Enhancing POB Operations

Focus Area	Short-Term	Medium-Term	Long-Term	Total
A. Operations and Logistics	11	17	11	39
B. Removal of Debris, Damaged Assets, and Sunken Vessels	6	0	0	6
C. Judicial Decisions	1	0	0	1
D. Safety and Security	7	3	0	10
E. Grain Silos	2	2	0	4
F. Urgent Governmental Decisions	2	0	0	2
Total	29	22	11	62

Operations and Logistics

Resuming normal operations at the POB require rehabilitation and reconstruction of damaged quays (9 and 10), administrative buildings (TC/GEPB, customs and security agencies), and new four warehouses (two general cargo/LCL⁸ cars and dangerous goods) to replace the eleven damaged warehouses; and acquisition of new handling/stevedoring equipment for the general/bulk cargo terminals. Immediate actions to resume full customs operations of Customs at the POB, given the current need to shuttle back and forth between the POB and Beirut Airport to complete clearance of goods. In addition, upgrades and modernization of certain facilities and equipment, re-routing movement of trucks within the POB, relocating certain operations (e.g., inspection by Lebanese Armed Forces-LAF), and extending hours of operations for all entities in charge of clearance of goods will serve to increase performance and throughput of the POB. Further, modernizing the Port Community System (PCS) will enhance stakeholders' cooperation and reduce paperwork and redundancy. Recommendations are also made to improve logistics, reduce congestion at the POB, and increase operational efficiency. Please see a list of these recommendations in Table 2 below. Details are provided in Section III.I.

Table 2 – Recommended Operations and Logistics Related Actions

Time Frame	Measures
Short-Term	1. Assess the need for, and conduct if necessary, Condition Survey ⁹

⁸ LCL = Less than Container Load (groupage)

⁹ Please see Annex E for a short description of what constitutes a condition survey.

Time Frame	Measures
	<ol style="list-style-type: none"> 2. Increase hours of operations at the POB 3. Facilitate the importation of critical spare parts 4. Set up an Empty Container Depot at an optimum location 5. Construct a General Cargo/LCL Warehouse 6. Rehabilitate four buildings in the Free Zone (three industrial buildings) and the Duty-Free Market building 7. Relocate the MI inspection zone and implement risk-based targeting 8. Secure critical needs for TC/GEPB 9. Secure critical needs for Customs 10. Replace damaged general/bulk cargo equipment owned by stevedoring and trucking companies 11. Conduct a study for optimizing cargo movement within the port complex
Medium-Term	<ol style="list-style-type: none"> 12. Rehabilitate Quay 10. 13. Reconstruct the building housing General Security 14. Reconstruct the building housing LAF-Military Intelligence 15. Install fenders for Quays 9, 10, and 11. 16. Construct another General Cargo/LCL Warehouse. 17. Construct CFS/Cars Warehouse 18. Construct a Warehouse for IMO Cargo. 19. Establish a general-purpose open paved area behind Basin 3 and 4. 20. Acquire three radars and Vessel Traffic Management System (VTMS) 21. Reconstruct Logistics Free Zone Warehouses. 22. Reconstruct the FreeGoZone (cold storage facility). 23. Acquire additional equipment for general cargo handling. This could be acquired by TC/GEPB or a private stevedoring company 24. Develop a System for Archiving Port Information 25. Conduct Maintenance Dredging for Quay 1. 26. Apply smart technology at Gate 14 to facilitate entry/exit from the POB. 27. Establish a Gate/Truck Booking System. 28. Reorganize truck movements within the port complex
Long-Term	<ol style="list-style-type: none"> 29. Reconstruct Quay 9. 30. Improve road entry/exit to the POB. 31. Install fenders for Quays 13, 14, and 15. 32. Extend the current breakwater 33. Relocate Beirut Pilotage Station 34. Acquire additional tugboats 35. Construct a multi-story building for cars. 36. Designate two areas for bulk cargo handling. 37. Develop/Acquire a Modern Port Community System 38. Reduce excess crane capacity at the POB container terminal 39. Develop a maritime single window

Removal of Debris, Damaged Assets, and Sunken Vessels

Although significant progress has been made in clearing debris, much remains to be done. The removal of sunken and damaged commercial vessels will facilitate the rehabilitation of quays 9 and 10 and facilitate the resumption of quay 11 for handling general/bulk cargo. In addition, the removal of debris and damaged containers from the customs import inspection area will provide greater space for accelerating container inspection. Further, there is a need to conduct overdue maintenance

dredging at Basin 4 and Quays 1 and 3. Dredging, however, at Basin 4 is critical to resume full operations of Quays 14-15, which have been partially non-operational since 2013 due to intentional dumping of scraps, rubbers, and rocks in Basin 4 to reach a *Fait Accompli* state for shutting down these quays and using the space for further expansion of the container terminal. The following can all be completed in the short-term:

1. Remove debris and damaged containers from the customs import inspection area.
2. Complete the removal of debris at the yards of Quays 7, 8, 9, 10, 11, 12, 13, and 14.
3. Complete the removal of debris and damaged structures at the Logistics Free Zone and the FreeGoZone.
4. Remove sunken vessels.
5. Salvage metal wrecks at Basin 1 (Quay 3).
6. Conduct maintenance dredging works at Basin 4.¹⁰

Judicial Decisions

There are five seized vessels at the POB, some of which have sunk. The release of these vessels requires long-pending judicial decisions. The release of these vessels will free up quay space for accommodating more traffic. The Judiciary needs to act on these cases to release these five seized vessels at the POB and remove them from the port area.

Safety and Security

It is critical to repair the control tower, fix the Beirut Pilotage Station (BPS) tug and mooring boats, and secure temporary ones to ensure marine safety. In addition, the POB needs to adopt Standard Operating Procedures (SOPs) in line with the International Ship and Port Facility Security Code (ISPS Code) and review the roles and mandates of various security agencies. The POB also needs to establish the fire brigade, appoint a new Port Facility Security Officer (PFSO) and establish a Health Safety Security Environment (HSSE) control room. Last, there is a need to remove leaking dangerous containers (as per International Maritime Dangerous Goods (IMDG) Code) sitting in the container terminal for over one year. It is critical to implement these measures to ensure the safety and security of POB personnel and stakeholders and prevent future catastrophic incidences such as the recent fire of September 10 and the August 4 explosion.

In the short-term:

1. Repair the control tower room at the TC/GEPB.
2. Charter two tugboats for temporary relief of tugging needs.
3. Improve Security and Safety Standard Operation Procedures (SOPs).
4. Review Security and Safety Oversight and Decision- Making Processes.
5. Appoint a new Port Facility Security Officer (PFSO).
6. Remove unclaimed, high-risk IMO containers.
7. Appoint a new POB Security Officer and HSSE Team

In the medium-term:

8. Establish Fire Brigade at the POB.
9. Establish a Central HSSE Control Room.

¹⁰ This process has started with support from the Netherlands.

10. Improve Control over Dual-Use Goods and Hazardous Materials

Grain Silos

As a result of grain silos' destruction, the current practice of direct discharge of grain vessels at Quay 12 using ship cranes and yard equipment (grabs) as a temporary solution has been working, but with some drawbacks. With respect to commercial imports of grain, direct delivery from small vessels to trucks using grabs could take 3-6 days for emptying a vessel, whereas it usually takes 1-2 days if ships are discharged directly to silos via ship loaders. Ship delays increase the cost of importing. In addition, the process of using grabs could cause losses and contamination. Further, direct delivery may be problematic during bad weather conditions leading to further delays for ships and, thus, higher costs. Further, it is not practical to discharge large vessels through direct delivery. Importing via large vessels is cheaper than smaller vessels, given the economies of scale. The current temporary situation is unacceptable for stakeholders as it increases costs to all concerned. There is a need to:

In the short-term:

1. Explore other alternatives to the current direct discharge of grain vessels.
2. Acquire three mobile pneumatic ship loaders-unloaders and conveyors.

In the medium-term:

1. Acquire easy-to-install corrugated silos to provide for adequate grain storage.
2. Develop a national strategy for grain silos.

Urgent Governmental Decisions

Temporary immediate measures should be taken to allow the POB and BCTC to address current constraints that might lead to shutting down certain import operations, particularly the Container terminal where STS cranes need urgent maintenance and spare parts. Not addressing current constraints will disrupt trade, lead to a crisis and shortages in vital imports, and hinder containerized cargo exports, especially fresh produce.¹¹ Further, the 2019 parliamentary spending freeze imposed on TC/GEPB is hindering the reconstruction process. The following should be acted upon immediately:

1. Address the POB's lack of funds to import critical equipment parts.
2. Relax parliamentary decision restricting expenditures affecting TC/GEPB.

IV. Trade Facilitation

The introduction of sound trade facilitation measures is critical to accelerating cargo processing, which will free up space at the port, lower the level of congestion, reduce the need for expansion and capital investment in storage facilities, and make efficient use of port land. The average dwell time at the POB for containers is around twelve days. The actual customs clearance can take two to five days, and sometimes seven days. The time for issuing approvals by trade-related ministries/agencies can take an additional one to fifteen days, depending on the type of product as testing may be

¹¹ Since the eruption of the Syrian crisis and the closure of border crossing points in Syria for transit, Lebanon has been relying on sea transport to get its agricultural goods to markets in the Gulf countries through reefer containers (refrigerated).

required. Overall delays increased by 1.5 times during the initial weeks after the explosion. These delays have been, however, reduced to a level closer to pre-explosion. Nonetheless, clearing agents continue to have to shuttle, at some cost for traders, back and forth between the POB and Beirut Airport, where customs clearance paperwork and payments are handled. Trading delays translate to additional costs, which leads to an increase in prices for imported goods, negatively affecting Lebanese consumers' purchasing power. They also lower the competitiveness of Lebanese producers and businesses, as well as port competitiveness for attracting transit cargo.

Although the 2000 Customs Law largely reflects the WTO Customs Valuation Agreement (CVA), there is limited acceptance of transaction value, which is the main recommended method in the CVA. In addition, there is wide use of price referencing and arbitrary values, which are both prohibited in the 2000 Customs Law and the CVA. Traders report excessive over-valuation for the purpose of bribe solicitation. In addition, there is widespread undervaluation, including changing (in return for bribes) classification of goods or origin to benefit from preferential trade arrangements and for political and religious favoritism and personal connection-related reasons. Apart from undervaluation, there are reports of smuggling through the Syrian borders, through illegal points and official posts, including the POB, by falsifying the origin of goods. Further, there is high abuse of duty exemptions, especially those granted to religious organizations. In 2000, all religious sects' organizations were exempted from import duties, noting that Islamic organizations are exempted since 1955, given that they are considered public institutions. The 2019 Budget law lifted the exemptions for all religious sects, including those provided under the 1955 law; there is however an attempt to reintroduce them.

Trade facilitation measures will reduce trading costs and delays as well as corrupt practices, enhance revenues, increase public-private partnerships and cooperation with trading partners, and improve competitiveness. Comprehensive trade reforms, in line with the World Customs Organization (WCO), Revised Kyoto Convention (RKC), and the WTO agreements (especially the Trade Facilitation Agreement (TFA)), are long overdue.

These reforms will entail the following: (i) adopting a modern customs law and sub-legal acts; (ii) reforming trade policy and eliminating unjustifiable non-tariff barriers; (iii) implementing TFA-based measures (including streamlining trading requirements and procedures, digitalizing trade procedures, introducing electronic trade single window and authorized operators program, strengthening risk management and post-clearance audit, and enabling e-pay and pre-arrival processing); and (iv) strengthening institutional mechanisms such as appeals and arbitration, advance rulings, and inter-ministerial cooperation. Additional soft measures, such as allowing direct delivery of bulk/general cargo and reducing bonded storage at POB to one month (instead of six), will dramatically reduce port congestion and storage needs.

This assessment provides 44 specific trade facilitation recommendations listed in Table 3 below (short, medium, and long-term) and detailed in Section IV. The short-term measures will help get POB operations back to pre-explosion status and contribute to countering COVID-19. They will do so by accelerating the flow of food products and medical supplies via a reduction in direct interactions between the trading community and authorities.

Table 3 – Recommended Trade Facilitation Measures

Time Frame	Measures
Short-Term	<ol style="list-style-type: none"> 1. Review/Revise the Draft Customs Law to ensure consistency with the WCO Revised Kyoto Convention and the relevant WTO agreements (CVA, ROO, GATT, TFA, and TRIPS). 2. Use the information submitted by declarants to NAJM to process the declaration without the need for submission of declaration and supporting documents in original and hard copies. 3. Allow electronic access to relevant supporting documents (e.g., certificates) by trade-related ministries and agencies for approvals and issuance of visas. 4. Promote payments by bank transfers and personal checks with a bank guarantee. 5. Promote and educate the private sector on the possibility and mechanism of payments of customs dues by installments as stipulated in Articles 168 and 169 of the Customs Law. 6. Facilitate/encourage inspection at importers' premises for large importers to free up space at the POB. 7. Customs to enforce in practice the HCC decision to reduce the level of "random" cargo inspection to 5 percent. 8. Lower currently unfair FIO charges. 9. Increase transparency of POB charges. 10. Address the lack of dry ports and logistics centers in Lebanon. 11. Ensure fair and non-discrimination in the valuation of imports.
Medium-Term	<ol style="list-style-type: none"> 12. Adopt a new law on customs and its implementing regulations and procedures. 13. Transition to the latest AYSCUDA World (AW) version. 14. Develop and implement within AW pre-arrival processing. 15. Strengthen Customs Risk Management (RM) capabilities. 16. Establish an Authorized Economic Operators (AEO) program. 17. Develop a blueprint for a national electronic trade single window. 18. Map and streamline/optimize all trade and customs procedures. 19. Set legal time limits for various trade transactions. 20. Introduce integrated border management. 21. Adopt special procedures for perishable goods. 22. Apply WTO valuation rules. 23. Adopt a mechanism for private sector participation and public-private consultations. 24. Operationalize the Customs Arbitration Commission. 25. Establish an Independent Administrative Appeal process. 26. Allow direct appeals at all levels. 27. Expedite legal proceedings at the customs court. 28. Establish a National Committee on Trade Facilitation.
Long-Term	<ol style="list-style-type: none"> 29. Implement electronic trade single window. 30. Develop Trade Information Portal. 31. Develop risk management capabilities of OGAs. 32. Enable integrated risk management. 33. Develop Post-Clearance Audit (PCA) capabilities. 34. Link PCA and RM. 35. Develop compliance measurement capabilities. 36. Introduce advance rulings for origin, classification, and valuation.

Time Frame	Measures
	37. Introduce electronic payments. 38. Establish administrative appeals for OGAs. 39. Enhance Customs-to-Customs cooperation with other trading partners. 40. Enable Mutual recognition. 41. Develop an Enterprise Resource planning system for Customs. 42. Establish an Electronic Document Management System. 43. Develop an electronic case management system. 44. Establish an Offence Module lined with AW to the case management system

The POB assessment report consists of four sections and six annexes:

- Section I discusses port reform, governance, and administration and required reforms in moving towards commercially oriented port authority.
- Section II discusses the business case for port development options and lays down alternatives for port development and expansion of transit and transshipping business.
- Section III discusses measures to restore and enhance POB operations and introduce improvements to increase port performance and throughput.
- Section IV discusses proposed trade facilitation measures to reduce trading delays and costs and corrupt practices and improve port efficiency.
- Annex A summarizes the damage assessment of port assets and estimated recovery costs.
- Annex B provides a detailed description of historical and current port governance and administration.
- Annex C details the roles of private sector stakeholders engaged at the POB.
- Annex D summarizes the role of military and security agencies at the POB.
- Annex E provides a short description of the Condition Survey.
- Annex F provides a mapping of import and export clearance processes and the role of trade-related ministries and agencies at the POB and in the cargo clearance process.

Graph I - POB Development SAL

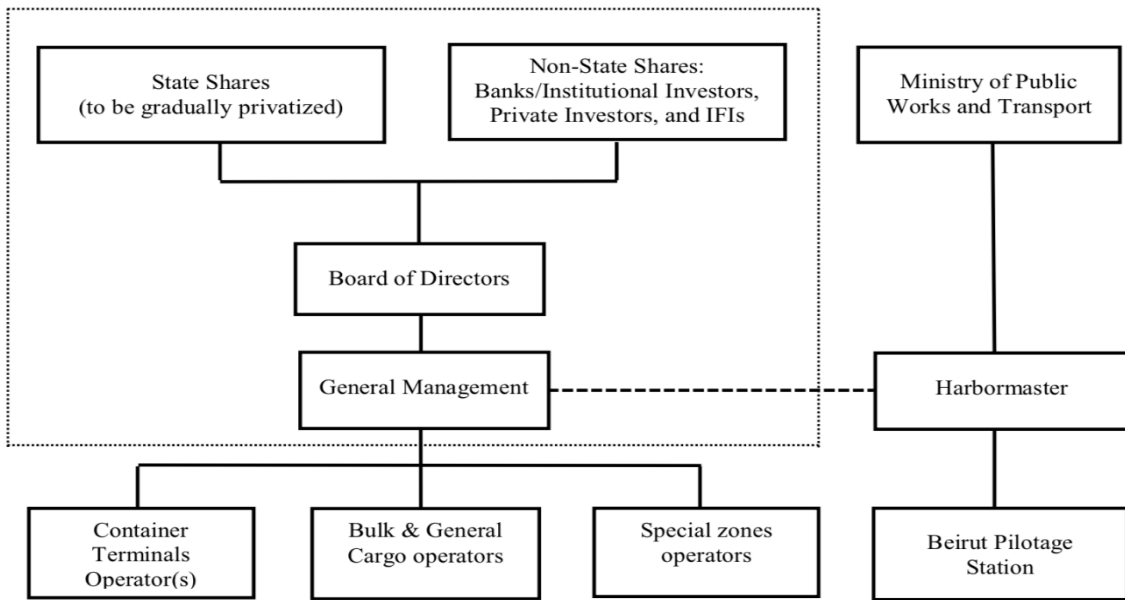


Figure 1 – Existing Map of the Port of Beirut



Source: USAID MEG based on Google Map

Figure 2 – Recommended Development of the Port of Beirut



Source: USAID MEG based on Google Map

PORT OF BEIRUT ASSESSMENT

The August 4, 2020, catastrophic explosion at the Port of Beirut (POB) has resulted in the loss of lives and a high level of injuries and affected many sectors of the economy, including sea transport, healthcare, education, housing, and businesses. The recent disastrous explosion, however, presents a significant opportunity to address the current legal and regulatory problems associated with POB governance and administration for establishing competitive, transparent and efficient port operations; and enabling greater private sector participation and investments to (i) modernize port operations and improve services; (ii) promote, develop, increase and expand the port business, especially transshipping and transit; (iii) enable safe and speedy handling of cargo; (iv) enhance port performance and throughput; (v) increase port revenues; and (vi) create new economic and employment opportunities in the trade, transport, and logistics sectors. In other words, Lebanon should aim to rebuild a better and smarter port.

The POB stands today as the largest port operation in Lebanon, serving import, export, transit, and transshipment cargo, and with a very limited passenger capacity. Most transit cargo is destined to Syria, Iraq, and Gulf countries. Transshipping is mainly to other ports on the Mediterranean Sea, such as Mersin, Iskenderun, Damietta, Alexandria, and Alger. Prior to the Lebanese civil war, the POB was the number one transit port in the Middle East and North Africa (MENA) region, serving as a transit hub and gateway for the Levant and Gulf region. The POB has risen in importance back then as a result of frequent closures of the Suez Canal between 1956 and 1975. The POB was then a major contributor to GDP and job creation in the trade, transport, and logistics sectors. The POB, which was a large privately-owned company, was then operated as a commercial company with a high degree of efficiency and quality services. This situation changed in the early 1990s when the TC/GEPB was established.

I. PORT REFORM, GOVERNANCE, AND ADMINISTRATION

Retaining the current POB governance structure, under the Temporary Committee (TC)/Compagnie de Gestion et d'Exploitation du Port de Beyrouth (GEPB) (hereinafter the "TC/GEPB"), should not be an option in the long run. The TC/GEPB has been operating largely as a "black box," particularly in the 1990s. It has been widely reported that, due to its vast and legally undefined authorities and lack of sound supervision, it is suspected that the TC/GEPB has been a major source of corrupt practices and misuse of port revenues for personal benefit, and of particular politicians and political parties, mainly those who were dominant during the Syrian occupation era. According to many sources, the TC/GEPB, with the approval and sole supervision of the succeeding ministers of the Ministry of Public Works and Transport (MOPWT), appears to have made unnecessary capital investments at excessive costs (i.e., above normal/actual) that included possible kickbacks. Private sector operators also indicated that the TC/GEPB may have received bribes for favoring the licensing of certain port operators by the MOPWT Land and Maritime Directorate.

The TC/GEPB, technically the Port Authority (PA), does not rise to the level of a best-practice landlord port from a legal standpoint or governance and operations structure. In fact, it is fair to note that the TC/GEPB does not even have a defined or clear legal status. Operationally, the TC/GEPB has engaged a private operator under a management/maintenance contract for the container terminal and private stevedoring companies for general and bulk cargo handling. These types of engagements of private sector actors fall under the tool port model, given that the superstructure is provided by both the TC/GEPB and the private sector. In contrast, under the landlord port model, the superstructure is fully provided by the private sector. Further, the TC/GEPB collects all port dues; under the landlord port model, private operators collect dues and provide the PA its share based on agreements. Please see Annex C for a summary of private sector stakeholders engaged at the POB.

Under a landlord port model, the PA will be responsible for the investments in and maintenance of public infrastructure within the port area, on land as well as on water, including, for example, berths/quays, public roads, and navigable channel depth in the port basin. On the other hand, under the landlord port model, the private operators will be responsible for providing superstructure and operating quays and associated yards, equipment, and facilities, including storage and Container Freight Stations (CFS) operations.

Moving towards a commercially oriented PA will allow the POB to raise the necessary capital to rehabilitate and modernize the port, eliminate state and political interference in the operations and investments of the POB, and follow a business case development and modernization approach. These commercial operations features will allow the PA to keep pace with international advancements in the port industry, make commercial decisions that maximize profits, and remain flexible and dynamic in responding to developments and trends in the sea/port transport sector. A commercially oriented approach will incentivize the PA to grow the POB business by attracting transit and transshipment cargo and cutting operational costs.

It is suggested that the legal entity for the landlord PA takes the form of Société Anonyme Libanaise (SAL) - a Lebanese joint-stock company. A suggested name of the PA could be POB Development SAL (hereinafter "POB SAL"). It would be essential to conduct a valuation/financial assessment of the POB by an Investment Advisor for the purpose of corporatization and adopt a law for establishing the POB SAL.¹² This is an important step towards gradual privatization and a full private service port

¹² This can be a port sector law for Lebanon if decided to follow the same approach at other ports.

model. Blocks of shares may be gradually auctioned/sold through open bids to investment funds, financial institutions, and private investors.¹³ Development banks may also acquire shares in exchange for financing reconstruction, rehabilitation, and the POB improvements. An Initial Public Offering (IPO) at the Beirut Stock Exchange (BSE) may also be considered.

A sound governance structure will require, *inter alia*, (i) adopting and enforcing good corporate governance principles and practices and sound supervision by the Board of Directors; (ii) strengthening regulatory measures (including the adoption of the draft law on competition); and (iii) following transparent rules and procedures for engaging private operators through adherence of POB SAL tendering regulations to the principles in the pending draft law on public procurement, and new laws to be drafted and adopted related to concessions and leasing. Like any commercial entity, the POB SAL and private operators will be subject to Lebanese commercial law and relevant regulatory authorities. Selecting members of the Board of Directors and the General Manager¹⁴ should be through an internationally reputable recruiting firm.¹⁵

Until the new governance structure is put in place and a POB SAL is established (on the short-medium run), it is recommended that a Decision be adopted by the Council of Ministers, as soon as inaugurated, extending the TC/GEPB mandate by 1.5 years, appointing new independent TC members, and imposing sound supervision and financial disciplines.

Further, given current uncertainties and the lack of long-term vision and strategic directions for the POB, it is not prudent to make any long-term commitment at this point related to the operations of POB. In this respect, the container terminal's tender should be placed on hold, and the current management contract with Beirut Container Terminal Company should be extended for 1.5 years.

A detailed discussion of the proposed governance and administration structure is provided in Section A below. A detailed review of the historical and current governance and administration of the POB is provided in Annex B below.

1.1 Overview of Port Models

There are different types of port models: "public service," "tool," "landlord," and "private service."

The landlord port model is the predominant model worldwide. Generally, under this model, the state is responsible for providing the infrastructure, and the private sector provides and operates the superstructure. Most of the world's large and medium-sized ports of national significance operate under a landlord port model. These include New York, Rotterdam, Antwerp, Varna, Constanta, Gdansk, and Riga. World experience demonstrates that the private sector's full engagement in all port operations leads to greater efficiency and profitability.

In a landlord port model, the Port Authority (PA), often an autonomous public institution or a joint-stock company, owns the port and is responsible for statutory and technical¹⁶ regulatory functions. The PA shares and coordinates with the Harbormaster some regulatory responsibilities related to

¹³ Under SAL, there is no limitation on foreign ownership.

¹⁴ Under SAL, 2/3 of Board members, the Chairperson, and the General manager can be foreigners.

¹⁵ With increased private participation, the Board should be elected by the General Assembly/shareholders.

¹⁶ These includes maintaining Health Safety Security Environment (HSSE) protection and highest quality standards for infrastructure, equipment, and operations.

safety, security, and environmental concerns. The PA may own or have the right, via concession or trusteeship, to use and exploit port land.

The PA provides marine infrastructure and assets (e.g., breakwaters and navigational access channels) and is also responsible for dredging activities and the provision of multimodal transport connectivity, such as roads and rails where they exist. Operational infrastructure facilities (e.g., quay walls, yards, and common facilities such as utilities) are usually provided and managed by the PA. The construction of all of these assets can be contracted to private construction companies. The operational infrastructure can also be part of an arrangement with private operators.

Port and terminal operations (including cargo handling, stevedoring, logistics, storage warehouses, open storage areas, freight processing, pilotage, mooring, and towage), as well as construction and operations of special zones, are handled by private entities. These entities are usually granted by the PA as long-term concessions or, depending on the type of activities for which the entity is to be contracted, leases or management and maintenance contracts for a defined period (often 20-30 years with options to extend). The PA can also grant concessions to private entities to build, renovate, expand, and operate new facilities.¹⁷ Such long periods are needed for private operators to recoup their investments in facilities (buildings, offices, warehouses, equipment, ICT systems, and infrastructure development). The arrangements with private operators may vary from one facility to another.

The private operator constructs and maintains its superstructure (e.g., buildings, cargo sheds, offices, and workshops), and the private operator provides all equipment, including terminal handling equipment. An example of such an arrangement is granting an international terminal operator the full power to operate and maintain the container terminal, with the responsibility to provide all necessary equipment (including cranes).

The tool port model engages private operators in some port operations using equipment provided by the PA. In contrast, a public service port relies on the PA to conduct all principal operations of the port using public labor. In either case (whether a public service model or a tool model), the PA is a public entity. Although the PA under the landlord model can also be a public entity, the port labor is private. (Contrast this to the landlord port model, discussed *infra*, wherein private operators employ port labor. Also, note that, although not common, some landlord ports have designated a private labor pool).

Table 4 summarizes key aspects related to port operations models.

¹⁷ The arrangements with container terminal operators or investors in port development and expansion tend to be 25-30 years.

Table 4 – Port Operations Models

Aspects/Models	Public Service	Tool	Landlord	Private Service	POB
Land ownership	Public	Public	Public	Private or long-term concession or lease ¹⁸	Public
Infrastructure	Public	Public	Public	Private	Public
Superstructure	Public	Public	Private	Private	Mixed
Port authority	Public	Public	Mostly Public or Mixed	Private	Undefined ¹⁹
Port labor	Public	Mixed	Private	Private	Mixed
Port operations	Public	Mixed	Private	Private	Mixed
Logistics functions	Public	Mixed	Private	Private	Mixed
Other functions: Bunkering, Pilotage, Towage, Mooring & unmooring	Public	Mixed	Mixed	Mixed	Mixed
Infrastructure maintenance & development	Public	Public	Mixed	Private	Public
Security & safety / ISPS	Public	Public	Mixed	Mixed	Public
Coordination of port activities and operators	Public	Public	Public	Private	Public

Under the landlord model, ownership, port administration, and marine activities are undertaken by state or quasi state-owned entities.

In a landlord port model, the PA normally generates its revenues from charges and fees for (i) rental, tenure/lease, and concessions granted to private entities; (ii) vessel dues on calling ships; and (iii) any services (e.g., utilities, bunkering, garbage collection) provided by the PA to private operators. Charges agreed between the PA and the private entities depend upon the relevant facility's size and the associated business volume, taking into account a reasonable return on investment for private operators and investors. These can be fixed rental charges, charges per handled container, the annual rate per square meter, and/or a percentage of the revenues collected by private operators. Charges may also be indexed to a reasonable inflation rate.

Establishing the PA in the form of a joint-stock company (with 100% state ownership initially) is becoming increasingly popular for landlord ports. Under this scenario, the PA operates pursuant to

¹⁸ Land lease can be from various entities including from the State, municipalities, or legal or natural persons.

¹⁹ It can be said that it is quasi-public.

the host country's commercial law, and it follows a market-based approach. For example, the PA at the Port of Rotterdam is a Public Limited Company NV²⁰ (unlisted) owned by the State (30 percent) and the municipality of Rotterdam (70 percent). Another example is the Port of Tallinn, Estonia (listed), wherein the state owns 67 percent of the joint-stock company. The remaining 33 percent of the shares are owned by institutional investors (such as investment funds and pension funds), as well as the private sector. Table 5 below provides a summary of port governance features.

Corporatization, and preferably, eventual privatization of a PA, will make the PA more independent and autonomous, both financially and functionally. Infrastructure investment for port modernization and expansion will be demand-driven, based on business case development approach and commercial considerations. The PA will work to balance the supply and demand for port services for enabling greater economic efficiency. A corporatized PA, operating as a landlord model, tends to maximize revenue from port assets, ensure competitive pricing, increase efficiency, enable competition, and rationalize operations. This is because the PA's supervisory board and executive director (including all of the PA's corporate officers) will be bound to act in the sole interest of the "corporatized PA" (i.e., the corporation) and will be free from political influence. Their performance will be assessed based upon whether they can cause the corporation to increase port business and revenues, as well as whether they can affect greater operational efficiency and higher throughput. In other words, management will be bound to meet specific Key Performance Indicators ("KPIs"), including business and revenue growth targets, as well as trade, transit, and transshipment volumes.

The PA's success under the landlord model depends on many factors, including the following:

- Competent and ethical board of directors and professional management independent from political influence and interference.
- Non-discriminatory and transparent recruiting and hiring procedures.
- Strong corporate culture with a clear vision, values, and practices.
- Professional, accountable, and transparent corporate governance.
- Proportionate regulatory oversight.
- Authority and empowerment to negotiate and sign long-term lease or concession contracts with private operators exclusive of state or political interference, except in the limited instance of judicial intervention, after the proper application of relevant law and due process.
- Transparent concession, leasing, and procurement regulations based on international standards and best practices.

Table 5 – Port Governance Features

Key Features	POB	Various EU Ports
I. Land ownership	State	<ul style="list-style-type: none"> ➤ Most are State-owned. ➤ Some are mixed state and municipal. ➤ A few owned by the port authority, maritime domain (no owner), or mixed (state, municipal, legal entities, private)

²⁰ This is the Dutch form for a joint-stock company.

Key Features	POB	Various EU Ports
2. Port authority rights over port land exploitation	TC/GEPB with the right to exploit port land by virtue of Council of Ministers Decision	<ul style="list-style-type: none"> ➤ Most granted by concessions, lease, or trusteeship. ➤ A few own lands.
3. Operations model	Mostly a tool port with a few features of a landlord port (e.g., some superstructure owned by the private sector)	<ul style="list-style-type: none"> ➤ Most are landlord ports. ➤ Some are public service or tool ports (mainly in some new EU members), and ➤ Many are private service ports in the UK.
4. Tools for contracting port land	Lease	<ul style="list-style-type: none"> ➤ Most are leases or concessions. ➤ None (in case of public service port)
5. Tools for subcontracting operations	Management/maintenance contract Lease	<ul style="list-style-type: none"> ➤ Concessions. ➤ Management contract (normally for tool port).
6. Port authority ownership	TC/GEPB appointed by Council of Ministers	<ul style="list-style-type: none"> ➤ Most are State. ➤ Others are mixed: state and municipal (e.g., Rotterdam Port); state with funds (state property, sovereign, investment, and pension) and private investors.
7. Port authority legal form	No legal status. TC/GEPB appointed by Council of Ministers	<ul style="list-style-type: none"> ➤ Most are public institutions (under state and/or municipal control), public limited company, or joint-stock company (e.g., Poland and Romania) ➤ A few are state-owned enterprises or not for profit legal entities; statutory bodies/trust ports also exist.
8. Supervisory body	None. Minister of MOPWT supervises the TC/GEPB	<ul style="list-style-type: none"> ➤ Most are mixed: state, municipality, regional government, employees, the business community, and/or the port community. ➤ Others are semi-independent, including any of the above and independent members. ➤ Only Rotterdam Port is fully independent.

The role of the PA under the landlord port model would be to carry out, in a commercial manner, all public sector services and operations, including the following activities:

- Optimize the use of port land through sound economic exploitation of port assets.
- Ensure sustainable development, management, and operation of the port.
- Plan port expansion, modernization, and development.

- Perform management and maintenance functions of the port domain, common port facilities, and basic port infrastructure.
- Develop port infrastructure and access channels.
- Promote port development and attract investments.
- Expand port business and attract cargo traffic.
- Award concessions and leases to private operators.
- Outsource certain port activities to the private sector, including expansion and construction.
- Supervise port operators through key performance indicator obligations under concession agreements and other contracts.
- Ensure safe and smooth handling of cargo.
- Maintain health, safety, security, and environmental protection in the port.
- Police port traffic, including the control over entry and exit of cargo to/from the port.

In the landlord port model, the port authority usually acts as a regulatory body for port operations. This can operate to balance the interests of port customers (e.g., traders and shipping lines) on the one hand, and private port operators, on the other hand. The PA must develop and is empowered to enforce port regulations, where applicable, by the Harbormaster. Private operators are normally motivated to maximize profit, providing substandard or delayed services to port customers or engaging in monopolistic, anti-competitive, or collusive behavior, including unfair or discriminatory charges or price-fixing. As such, regulatory oversight is crucial to protect the rights of port customers. The national consumer protection or competition agency can also have a role in protecting port customers. In addition, the PA acts as a technical regulator to ensure adherence to quality standards for infrastructure, equipment, and services, as well as for HSSE protection. The PA and the harbormaster both have shared responsibilities in ensuring adherence to safety, security, and environmental regulations and international conventions that the country is a party to. The Harbormaster has additional regulatory responsibilities related to marine safety.

1.2 Transformation of the POB toward Better Governance and Administration

The August 4, 2020, catastrophic explosion at the POB has resulted in the loss of lives and a high level of injuries and affected many sectors of the economy, including sea transport, healthcare, education, housing, security, and businesses. The recent disastrous explosion, however, presents a significant opportunity to address the current legal and regulatory problems associated with POB governance and administration for establishing competitive, transparent and efficient port operations to enable greater private sector participation and investments to (i) modernize port operations and improve services; (ii) promote, develop, increase and expand port business; (iii) enable safe and speedy handling of cargo; (iv) enhance port performance and throughout; and (v) increase port revenues. In other words, Lebanon should aim to rebuild a better and smarter port.

Retaining the current POB governance structure, under the Temporary Committee (TC)/*Compagnie de Gestion et d'Exploitation du Port de Beyrouth* (GEPB) (hereinafter the "TC/GEPB") should not be an option in the long run. The TC/GEPB has been operating largely as a "black box," particularly in the 1990s. It has been widely reported that, due to its vast and legally undefined authorities and lack of sound supervision, it is suspected that the TC/GEPB has been a major source of corrupt practices and misuse of port revenues for personal benefit, and of particular politicians and political parties, particularly those that were dominant during the Syrian occupation era. According to many sources, the TC/GEPB, with the approval of the succeeding ministers of the Ministry of Public Works and Transport (MOPWT), appears to have made unnecessary capital investments at the excessive expense (i.e., above normal/actual costs) that included possible kickbacks. Private sector operators

also indicated that the TC/GEPB may have received bribes for favoring the licensing of certain port operators by the MOPWT Land and Maritime Directorate. Annex B on the *POB Historic and Current Port Governance and Administration* provides more details.

The TC/GEPB, technically as a Port Authority (PA), does not rise to the level of a best-practice landlord port from a legal standpoint or governance and operations structure. In fact, it is fair to note that the TC/GEPB does not even have a defined or clear legal status. Operationally, the TC/GEPB has engaged a private operator under a management/maintenance contract for the container terminal and private stevedoring companies for general and bulk cargo handling. These types of engagements of private sector actors fall under the tool port model, given that the superstructure is provided by both the TC/GEPB and the private sector. In contrast, under the landlord port model, the superstructure is fully provided by the private sector. Further, the TC/GEPB collects all port dues; under the landlord port model, private operators collect dues and provide the PA its share thereof based on agreements.

As a landlord port model, the PA will be responsible for the investments in and maintenance of public infrastructure within the port area, on land and water, including, for example, public roads and navigable channel depth in the port basin. In addition, the POB should be responsible for its own financing for investments within the port area; therefore, it must operate as a private company to allow it to most efficiently obtain funds/finance for investments within the port area. The port management should be subject to KPIs, including traffic growth, revenue, and profit. A periodic review of performance should be conducted and should carry the potential replacement of relevant management for lack of performance or any uncovered misconduct.

Moving towards Commercial Operations and Eventual Privatization

Moving toward a commercially oriented PA will allow the POB to raise the capital necessary to rehabilitate and modernize the port, eliminate state and political interference in the operations and investments of the POB, and follow a business case development and modernization approach. These commercial operation features will allow the PA to keep pace with international advancements in the port industry, make commercial decisions that maximize profits, and remain flexible and dynamic in responding to developments and trends in the sea/port transport sector. A commercially oriented approach will incentivize the PA to grow the POB business by attracting transit and transshipment cargo and cutting down on operational costs.

As noted above, PAs operating under the landlord model are mostly owned by the state or mixed state and municipal entities. A very few have private ownership of shares. It is recommended that Lebanon move towards private ownership of its PA through gradual open auctions (or private sales) of blocks of shares. Lebanon should also consider allowing ownership of shares by interested international financial organizations to finance the reconstruction/rehabilitation of the POB.

Ideally, the POB should become a private service port. Moving toward the landlord model can serve as a key reform step for Lebanon's port sector, and ultimately toward eventual privatization. Port governance reforms should be undertaken in the short and medium-term (e.g., within one year) to transition the POB to a landlord PA and to corporatize it by its assuming the legal form of Société Anonyme Libanaise (SAL) - Lebanese Joint-stock Company (JSC). A suggested name of the PA could be POB Development SAL²¹ (hereinafter "POB SAL"). This is an important step towards the gradual

²¹ Key SAL features:

- No restrictions on foreign ownership of shares in the port sector

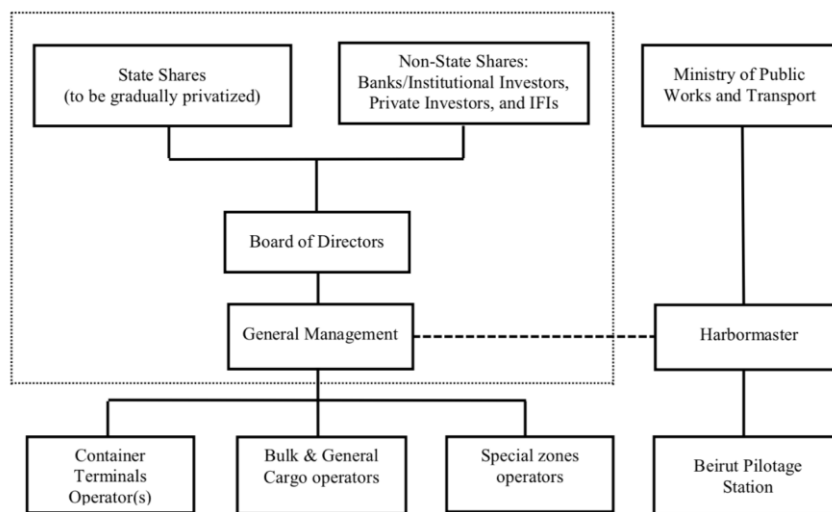
privatization of the POB.²² Blocks of shares may be auctioned (or otherwise sold through open bids) to investment funds and private investors. In addition, IFIs/development banks may acquire shares in exchange for financing reconstruction, rehabilitation, improvements, and expansion of the POB. Aiming for full privatization of the POB is premature, given the lack of strong political will and general public support.

Generally speaking, Lebanon may be no different than many countries wherein resistance to the privatization of valuable strategic assets, such as ports, is strong. Prior to the 1990s,²³ the POB governance and management was largely aligned with the landlord port model. The positive experience of the POB during the 1960-1990 period should be stressed to build support for the proposed transition. Private sector efficiency, commercially driven operations, and the business case port development approach will increase government revenues from the POB and contribute to increasing the Lebanese economy's competitiveness.

The Lebanese Government will earn revenue from the sale of state shares in the POB SAL, which can be used to lower the Government's debt burden. Further, additional revenues will be gained from dividends paid on remaining state shares and profit tax paid by the POB SAL.

Turning the POB into a landlord port will require detailed assessments (including financial/valuation and technical), corporatization of the POB, and adopting a specific law to establish the POB SAL. Graph I at the end of the executive summary (replicated below) exhibits the proposed POB governance structure.

POB Development SAL



- Members of Board of Directors are 3 to 12, of whom one third must be Lebanese
- Chairperson is elected by members of the Board and can at the same time (but not necessarily) be the General Manager
- The Chairperson and the General Manager can be foreigners
- Profit tax is 17%

²² This might include the possibility of an IPO (Initial Public Offering) at the Beirut Stock Exchange (BSE), thus, strengthening Lebanon's capital markets.

²³ Prior to the 1990s, the POB was largely a private service port, wherein a joint-stock company (GEPB SAL) with majority shares owned by private parties was granted in 1960 by the Lebanese Parliament a concession for the administration and exploitation of the POB.

POB SAL Law

The law establishing the POB SAL as the PA should include provisions related to the following:

- The terms and duration of the concession granted to the PA by the Lebanese Parliament (preferably no less than 50 years with options to extend).
- The granting of legal authority to the POB to independently grant sub-concessions, leases, management contracts, and other forms of contracting to operate and develop the POB without the need to obtain the government's approval or the parliament.
- The governance structure of the POB SAL, including general assembly, the board of directors, general management, and the establishment of a transparent process in the Articles of Organization²⁴ for forming the Board of Directors (Supervision Board), which should be independent. The number of members should be 9, whereby at least three should be foreign nationals who have served on boards of similar companies; members of the Board should be selected through a professional and independent recruitment company, preferably international, with demonstrably relevant experience.²⁵
- Clear recruiting procedures for selecting a General Manager (CEO), COO, and CFO based on merits, qualifications, competence, integrity. It is recommended that the General Manager have extensive international experience in port development and operations. It is preferred that any member of the Board Directors not be the General Manager to enable greater accountability.
- The financial decisions by the POB SAL should be made based on financial thresholds, and consonant with international best practice: Investments and divestitures below X amount need the approval of executive management, between X and Y amounts, the approval of the Board of Directors; above Y amount the approval of shareholders (General Assembly).
- Clear functions of the company and the role/mandate of the Board of Directors.
- The type of rental dues that can be collected by the POB.
- A provision prohibiting changing the use or exploitation of port land for activities other than those related to sea transport and associated operations.

Additionally, this model should be made applicable to other Lebanese ports to ensure a level playing field and enable fair competition. In this vein, a port law covering all Lebanese ports should be adopted.²⁶

Governance

The POB should have an Executive (General Management) Board (CEO, CFO, COO), managing the port administration as well as the port area, and a Supervisory Board that controls the Executive Board. Professionalizing the Board of Directors by selecting Non-Executive Directors who are independent and competent professionals is key to enabling good governance and sound corporate decisions. Fundamentally, the Non-Executive Directors' role should be to provide creative contributions and improvements to the Board (and, by extension, to the POB SAL) by providing

²⁴ This should be valid only while the POB is initially fully owned by the State. With increased private participation, the Board of Directors should be voted by the General Assembly.

²⁵ With reduced state shares on the long run, the General Assembly/shareholders may elect the Board of Directors.

²⁶ The GulfTainer concession ending in 2038 at the Port of Tripoli can be folded under (inherited by) the new company for the Port of Tripoli.

dispassionate and objective criticism from an international best practice point of view, devoid of Lebanese partisan or sectarian concerns.

Ideally, under no circumstances should the Government of Lebanon, political parties, or politicians be involved in selecting or hiring members of the board of directors, management, or POB employees. In addition, the Government of Lebanon should not be involved in the operational decisions of the PA.

The hiring of POB SAL mid-level management and employees should be based on commercial needs and considerations and an open and non-discriminatory recruiting policy.

A corporate code of conduct and safeguards should be enacted to prevent discriminatory practices and political interference and favoritism in granting leases and concessions, awarding contracts, and hiring. Misconduct should subject members of the board of directors and general management to firing.

Regulatory Aspects

Presently, most domestic private operators at the POB are licensed by the MOPWT to qualify for their performing operations at the POB. These include licenses to ship agents, stevedores, and ship chandlers and equipment registration. These licensing requirements should be eliminated. Contracting private parties by the POB should be based on commercial needs through open tenders whereby selection is made based on offerors' proposals and on professional competence, qualifications, past experience, as well as a professional certification (e.g., FIATA for shipping agent).

The POB should set clear performance indicators in its contracts with private operators who will design, invest, install and operate all the superstructure on port land, according to what has been agreed in the relevant concession/lease agreement. Under the landlord port arrangement, the PA should not be involved in financing, operating, or investing in the superstructure. An operator should commit itself, for example, to handle a certain volume of cargo within a fixed period of time, and the applicable contract should provide that any eventual mal performance may be sanctioned (financially) by the POB. In other words, the PA's primary job should be to ensure the quality and safety of services rendered by private operators.

From the point of view of ensuring that competition is as robust as circumstances permit, it is desirable that, where possible, more than one private operator be engaged in a specific activity or operation (e.g., stevedoring). The operations of different quays may be provided to different operators. A new container terminal's operation may be provided to an operator who is different from the one operating a previously existing container terminal. In addition to enabling competition, this will increase transshipment business. Even where competition may not be possible (e.g., pilotage), all operators should be subject to Lebanon's anti-monopoly/competition legislation and the competition authority's jurisdiction. While it is true that, at present, Lebanon cannot be said to have any sound legislation on competition, a draft law on competition has been prepared. It is important that Lebanon adopts such a law in the near future and establishes an independent competition agency for administering and enforcing this law.

According to Lebanese law, all operators at the POB should be subject, like any commercial enterprise, to authorized supervisory and inspection bodies.

Engagement of Private Sector

Under current Lebanese law, public institutions in Lebanon have their own procurement and tendering procedures. This needs to change such that these entities are made subject to prevailing procurement legislation. With the World Bank's help, a new modern public procurement law is presently being considered by the Lebanese Parliament. This law must be adopted in the near future and be followed by the adoption of implementing regulations and procedures and the development of e-procurement. Although some may argue that the POB SAL should not be subject to any public procurement regime, at the very least, the law establishing this company and giving it concessionary rights should indicate that, although it can have its procurement procedures as a commercial entity, these should follow the principles in the national procurement legislation, including transparency and competition.

Contracts that are concluded between the POB SAL and the private operator should, at least ideally, include a commitment from each operator to perform at a certain level based on norms of quay utilization and land use, as well as investments to be made by such operators/companies (related performance indicators should also be included). Relevant regulatory structures should allow contracts to specify different tariff types, depending on the type of engagement. Charges agreed between the PA, and the private entities should depend on the size of the relevant facility and business, taking into account a reasonable return on the investment made by private operators. These can be fixed rental charges, charges per handled container, the annual rate per square meter, and/or percentage of revenues collected by private operators. Charges may also be indexed to a reasonable inflation rate. In addition, the POB SAL should be permitted to charge vessel dues and for services provided to private operators (e.g., freshwater, utilities, bunkering, and garbage collection).

Article No. 89 of the Lebanese Constitution states that no contract or concession for exploiting the country's natural resources, public utility service, or a monopoly may be granted except by virtue of a specific law and for a limited period. There is no law on concessions in Lebanon that lays out the procedures for granting concessions. It is recommended that such law be drafted and adopted, taking into account OECD and EBRD guidelines and principles for sound concession law. Similarly, a law on leasing should be developed and adopted. In its port regulations, the POB should follow the principles laid out in national legislation concerning concessions and leasing.

MOPWT Role

The role of MOPWT should be focused on (i) development of transport and port policies relating to maritime infrastructure, coastline defenses, port entrances, aids to navigation, navigable sea routes and canals, planning and developing existing and new port areas and port-to-hinterland connections (roads, railways, waterways, pipelines); (ii) preparation of transport and port laws and sub legislation reflecting relevant provisions of conventions (such as SOLAS, MARPOL, UNCLOS; and (iii) negotiating bilateral and regional maritime agreements, in coordination with the Ministry of Foreign Affairs.

Harbormaster

The harbormaster, appointed by the Ministry of Transport and Public Works, should operate independently from the Executive Board. However, it should have a strong and healthy relationship with the POB SAL management and coordinate security and safety matters. Best practice suggests that the employment of staff of the Harbormaster's office should be made by the POB, which in addition pays the salary of the Harbormaster. The Harbormaster is responsible for the safe shipping

traffic/navigation, arrival, and departure of the vessels, as well as environmental measures for shipping traffic within the Port area in accordance with port regulations developed by the POB.

The harbormaster's main functions should include all legal and operational tasks relating to vessel management's safety and efficiency within the boundaries of the port area, entrance channel, and anchorage area. It should include the allocation of berths and coordination of all services necessary to berth and un-berth a vessel, as well as pilotage, towage, mooring and unmooring, and vessel traffic services (VTS). The harbormaster should have a leading role in reacting rapidly to crises within the port, such as collisions, groundings, fires, explosions, natural disasters, or the discharge of pollutants. Because of the POB's general safety aspects that can affect the city or area around it, the harbormaster's function has a public character.

The harbormaster's office will be expected to develop contingency plans and ensure that the equipment and support needed to deal with these emergencies are available. Furthermore, the harbormaster should be in charge of ensuring compliance with ISPS Health Safety Security and Environment standards as well as national legislation and international conventions related to these issues to which Lebanon is a party. Finally, the Harbormaster should coordinate with Lebanese security agencies on issues in the field of criminal law violations (environmental, drug offenses, immigration control, smuggling of arms, etc.). The PA (POB Development SAL) shares and coordinates with the Harbormaster some regulatory responsibilities related to safety, security, and environmental concerns.

The interaction among these entities should be through regular meetings, electronic sharing of information, joint HSSE drills, and access to the recommended control room under this assessment.

Port Marketing

Port marketing and promotion are a logical extension of the port management function and aim to promote the entire port complex's advantages to attract new clients and promote its business offering nationally and internationally. This broad marketing differs from customer-oriented marketing aimed at attracting specific clients and cargoes for specific terminals or services, which is often done by these facilities' operators.

I.3 Transitional Steps

The transformation process towards a landlord port model may take 1 to 1.5 years. In the meantime, consultations need to start among stakeholders under the guidance of international development banks and financial institutions (e.g., World Bank, EBRD, EIB) and development agencies to (i) support the development of the legal and regulatory framework; (ii) conduct detailed assessments (including financial/valuation and technical) by an internationally recognized investment advisory firm; and (iii) establish the POB SAL through corporatization. Further, it is important to extend current contractual arrangements between the TC/GEPB and private operators, including BCTC, for 1.5 years. It is preferable that the new Council of Ministers, as soon as it is installed, adopt a decision replacing the current members of the Temporary Committee with independent and competent members and subject its procurement and contracting to prevailing national legislation.

II. THE BUSINESS CASE FOR PORT DEVELOPMENT OPTIONS²⁷

In addition to accommodating projected Lebanese trade (import and export) needs over the next 40 years, there are tremendous transit and transshipping business opportunities that require strategic planning for port development in Lebanon.

Transshipping

Lebanon's share is 1.25% of the current estimated transshipping business of 31M TEUs in the Mediterranean basin. Lebanon has the potential to at least quadruple its share (around 5% market share) in transshipping and become a major transshipment hub for major shipping lines such as CMA-CGM, MSC, Maersk, and others. This will increase revenue for the Lebanese ports by US\$ 175M. Other benefits of transshipping include (i) higher connectivity to multiple ports for imports and exports, (ii) reduced ocean freight rates for Lebanese imports and exports as a result of economies of scale, (iii) new routes to new markets for Lebanese exports, and (iv) enhancement in the prospect for greater transit trade.

Looking into the transshipment business for the POB from a shipping line perspective, containers are discharged in POB by a mainliner or feeder vessel and loaded on another vessel later. "Hub and spoke" service network is for loading to other feeder vessels, while the "relay" service network is for loading to other mother vessels. Either way, these containers do not leave the port facility. This difference in liner services adds to the complexity of the hub port selection process, on the one hand, while offering opportunities for the POB to attract more of this business. The current transshipment volumes at POB are mainly based on "hub and spoke" networks with a large feeder segment linkage. The POB needs to offer more berthing windows for feeders by using berth 15 as an option to attract more volumes. Moreover, a dedicated transshipment hub to one shipping line at POB and/or POT expansion options would encourage more volumes via the relay network that usually handles larger transshipment volumes between mother vessels.

Both networks are needed at POB with equal importance for sustainable transshipment growth volumes. Moving from the current single operator model towards multiple operators with shipping lines' participation would ensure the shift from a feeder port to a regional hub model. Given a dedicated terminal, shipping lines would be interested in using POB as their backyard to store empty containers for large backlog shipments via Europe-Asia Route while connecting POB along the major Mediterranean relay ports of Port Said, Marsaxlokk Malta, Piraeus, Tangiers, and Algeciras.

Transit

The Syrian reconstruction effort is estimated to need 30 million MT (mostly bulk) per year over a period of 5 to 10 years from the date of launching broad-based reconstruction. Syrian ports (Tartous and Latakia) have the capacity to handle 16 million MT annually. The remaining 14 million MT have to be supported by other ports, including Lebanese, Jordanian, and Turkish ports. Therefore, transit is an important business for Lebanon, given its proximity to various destination points in Syria except for Aleppo, where Lebanese ports will need to compete with Iskenderun, Turkey, and possibly Aqaba, Jordan, for South Syria. It is important to make transit costs through the POB competitive with other ports and make effective use of underutilized general/bulk cargo berths.²⁸ In addition to

²⁷ All financial data and estimates are collected/estimated based on best available data. Detailed valuation and ROI analysis should be conducted taking into account value of all assets, depreciation, forecasting, etc,

²⁸ The level of capacity utilization has been around 33 percent.

the creation of new economic and employment opportunities in the transport and logistics sector, the revenue of Lebanese ports from transit to Syria can range from US\$ 75M to 90M annually, provided that Lebanon secures 2/3 of projected transit trade.

Options for Port Development

Turning the POB into a container port only is not possible due to ship turning constraints for most quays, in addition to the need for keeping non-container quays, which are a valuable and important resource for the POB. Turning the whole POB into a touristic port is not commercially viable given the seasonality of this business, leading to underutilization of assets, and the current plans to develop the Jounieh Port as a major tourism hub for cruise ships.

The following are the three most viable options:

1. Keep the POB Business Profile “As-Is” with improvements to infrastructure and superstructure for increasing port competitiveness. This option includes optimizing the use of the under-utilized non-container terminal berths and developing a passenger/touristic terminal at the breakwater.
2. Expand Transshipping Business at the POB through constructing a new Container Terminal at Burj Hammoud Landfill.
3. Replace the POB with two new Ports (North and South of Beirut) given land value at the POB, pollution, and congestion.

To handle projected Lebanese trade and position to benefit from the transit and transshipping opportunities, the major Lebanese ports need to have all together at least 3M TEU/year and 12M MT/year capacity for general and bulk cargo. Table 6 below shows existing, planned, and suggested cargo capacity at major Lebanese ports and proposed ports.

Table 6 – Existing, Planned, and Suggested Cargo Capacity at Major Lebanese Ports (in millions)

Port/Capacity	POB		POT		New Port (N. of Beirut)		New Port (S. of Beirut)	
	TEU	MT	TEU	MT	TEU	MT	TEU	MT
Current	1.3	12.7	0.35	4.0	0	0	0	0
Planned	0	0	0.65	0	0	0	0	0
Suggested	0.5	0	0	0	1.0	5	1.0	5
Total	1.0	12.7	1.0	4.0	1.0	5	1.0	5

Option I – POB “AS IS” with Improvements:

If it is decided to move forward with this option, there will be a need to:

- Reconstruct and rehabilitate the POB as discussed above at a cost of US\$ 140M, of which PA share can be US\$ 65M.
- Introduce improvements as discussed above at a cost of US\$ 128M, of which PA share can be US\$ 91M.
- Enhance the utilization of non-container berths through designation to private operators and setting KPIs.

- Relocate the passenger terminal to the breakwater and create a small touristic port at a cost of US\$ 6M for infrastructure for PA and US\$ 4 M for facilities and equipment to be provided by private operators.

The total amount to be financed by the PA for the POB will be around US\$ 162M for this option. Investment by private operators will be around US\$ 116M. The POB capacity (TEU and MT) will remain the same, but with increased productivity and throughput by maximizing the utilization of non-container terminals/quays.

This option will fall short of meeting the recommended 3M TEU by 500K TEU.

Option 2 - Construct a New Container Terminal for the POB at the Burj Hammoud Landfill:

This option covers Option 1 and the construction of a new container terminal at the Burj Hammoud Landfill. Investing in a new container terminal of 500K TEU capacity at the Burj Hammoud Landfill at a cost of around US\$ 100M for infrastructure by the PA will be close to the recommended TEU of 3 million (in conjunction with the POT). The superstructure for this terminal will be provided by the private sector (around US\$ 80M).

Contracts can be granted to three container operators at the POB for Quay 16A, Quay 16B, and the new container terminal at Burj Hammoud landfill. This will increase competition and enable the significant growth in transshipping business.

Option 3 - Replace the POB with two New Ports North and South of Beirut:

This option is to completely shut down the POB given the low return on the value of port land (current return is estimated at 2.25% of the value of land not taking into account plant and equipment), congestion in the Greater Beirut Area, and pollution resulting from port operations. Lebanon should then consider developing two new ports, North and South of Beirut (as far as 45 km in each direction). Each port should have the capacity to handle containers (1M TEU/year), around 5M MT/year of general and bulk cargo, RO-RO, and live animals. Each of the two ports should have 30K MT/year of grain silo capacity. Establishing special zones for value-added industry and Third-Party Logistics (3PL) at these two ports may also be considered. It will be commercially more viable than the POB given lower land and rental costs. These two ports would be constructed as public-private partnerships (PPP) in the form of BOT contracts. The estimated cost of constructing and equipping each port is around US\$ 600M. The Government of Lebanon's contribution will be to make land available for the projects, which could be either existing state or municipal land and/or expropriated land. It is estimated that it will take around three years to construct a new port.

In conjunction with the POT, these two ports will meet the recommended 3M TEU and 12M MT capacities.

Maps of the existing and proposed configuration are provided, respectively, in Figure 1 and Figure 2.

Way Forward in Deciding on the Appropriate Option:

These three options would need to be discussed among stakeholders in the public and private sectors. This process will need to start immediately and be managed by international development banks, financial institutions, and donor agencies to make appropriate decisions on the way forward within the next 3-6 months.

The ultimate choice between these three options should be based on a rigorous financial and economic feasibility analysis, including cost-benefit analysis, that follows-up in greater depth/detail on the preliminary analysis carried out in this paper. This should be completed in the next 3-4 months to inform the aforementioned dialogue. This process should result in a holistic national ports strategy and plan allocating Lebanon's limited land resources based on clear financial criteria and taking into account projected growth in import, transit, transshipment, and associated revenues.

The current low level of trade due to the economic downturn (resulting from LBP value, low purchasing power, access to foreign currency, and frozen monetary assets) is expected to continue for at least the next three years or perhaps longer if the Lebanese Government does not implement sound reforms to enable economic recovery and growth. The POB, with existing conditions, can easily handle the current and projected low level of trade over the next 2-3 years. This provides a window for restructuring/development of the port sector in Lebanon.

Special considerations grain silos and livestock

Grain Silos

The grain silos at the POB should be reconstructed to provide quayside storage of 40K MT capacity. The silos should be closer to Quay 8 than those in the original location, constraining operations at Quays 7 and 9. The 40K MT steel silos will take half the area used by the concrete silos of 120 MT capacity. Having the silos closer to Quay 8 will allow quicker discharge of grain vessels and faster turnaround of ships. The Ministry of Economy and Trade (MOET) will need to construct around 40K MT silos for long-term storage outside the POB. These should be complemented by constructing silos at the POT and Port of Saida of 20K MT capacity each. In the event two new ports are constructed to replace the POB, each will need to have a 30K MT capacity. In the meantime, grain imports at the POB have been handled through direct discharge using ship cranes and grabs. The process of grain discharge can be significantly accelerated by acquiring mobile pneumatic ship loaders-unloaders and conveyors, noting that the use of grabs may cause contamination and is not suitable under certain weather conditions (rain, wind).

Live Animals

As for the import of live animals, it is strongly recommended that this business be removed from the POB mainly due to a bad odor that usually spreads within at least 1 Km radius from the POB. This area is densely populated. Most imported live animals are destined to farms in Bekaa (30%), South (30%), and North (15%), with 25% destined to Beirut and Mount Lebanon. One option would be to move the import of live animals to the Port of Saida²⁹ or Jiyeh Jetty³⁰, both central to these imports' final destination. The cost of truck transport will increase by \$40-\$60 for Bekaa and North. This is further discussed in II.3.1.1.

Generally speaking, given its location in the heart of the Capital and surrounded by highly populated areas, it is recommended that dusty and dirty cargo be avoided at the POB. For example, clinkers can be handled by the Port of Chekka (South of Tripoli) and the Jiyeh Jetty, which are both near the locations of the two major cement clinkers plants.

²⁹ Planned Quay 8 under phase 2 is more suitable than the current Port of Saida as it is around 1 Km from Saida old city and relatively away from dense residential areas.

³⁰ This port is not close to any residential areas and very close to the seashore highway.

II.1 Overview of Current Traffic at POB and POT

The Port of Beirut (POB) stands today as the largest port operations in Lebanon, serving cargo import, export, transit, and transshipment, and with a very limited passenger capacity. Most transit cargo is destined to Syria, Iraq, and GCC. Transshipping is mainly to other ports on the Mediterranean Sea, such as Mersin, Iskenderun, Damietta, Alexandria, and Alger. It is important to note that, prior to the Lebanese civil war, the POB was the number one transit port in the MENA region, serving as a transit hub and gateway for the Levant and Gulf region. The POB has risen in importance back then as a result of frequent closures of the Suez Canal between 1956 and 1975. The POB was then a major contributor to GDP and job creation in the transport and logistics sector. The POB, a large privately-owned company, was then operated as a commercial company with a high degree of efficiency and quality services. This situation changed in the early 1990s when the TC/GEPB was established.

The average tonnage handled annually by the POB during the period 2014-2018 was around 8.4 million MT. This dropped by 57% in 2020 to an estimated 3.6 million MT over the full year. The drop was mainly caused by the economic downturn in Lebanon, particularly the devaluation of LBP, access to foreign currency, and frozen funds. Trade at this level is expected to continue for at least the next 2-3 years or perhaps longer if reforms are not implemented to enable economic recovery. Despite the damage caused by the explosion, the POB continues to handle the majority of Lebanon's current trade needs. The average number of passengers during the period 2014-2018 is 6,900. There was no passenger traffic in 2020. Table 8 below summarizes cargo traffic flow through the POB.

For comparison, the average cargo traffic through the Port of Tripoli (POT) during the period 2014-2018 was around 1.8 million MT. The level of trade at the POT is expected to reach around 2.0 million MT in 2020. This increase of 10% is mainly due to transit by road to Syria and a slight 4% increase in export through the POT. The level of imports decreased by 2% in 2020 from 2019. However, container traffic increased after the August 4 explosion, particularly when LCL containers were redirected from the POB to the POT following the destruction of relevant warehouses at the POB.

Container Traffic at the POB

Although the POB Container was operating at full quay capacity (1.3 million TEU) in 2019, its equipment capacity (based on the number of STS and RTG cranes) is around 2 million TEU. In fact, the POB has an excess capacity mismatch between its STS cranes and quay length, with crane density being far higher than is required for the available quay length if all STS cranes are used.

Around 70% of traffic through the POB is containerized. The rest is bulk, general cargo, live animals, and RO-RO (vehicles). Given that the container terminal was not damaged due to the August 4 explosion, it continues to handle current container volumes, which are, as indicated above, lower than normal at the present time.

A six-year average (2014-2019) container volumes shows local TEU at 65%, transit TEU at 1%, and transshipment TEU at 34%. Starting 2020, the sharp decline in local volumes due to the economic crisis and currency devaluation changed the balance to 52% local TEU, 46% transshipment TEU, and 2% transit. It is worth noting that transit cargo was over 6% before the Syrian crisis. Transit business is important, as it gives a high return for port container freight station operations (CFS), terminal handling charges, and port dues. At the CFS, containers in transit are stripped and loaded into open or box trailers to retain the empty containers on-site at the port.

Non-Container Traffic at the POB

The estimated POB capacity for handling non-container cargo is 12.7 million MT/year. This capacity was mainly put in place to handle transit trade before the civil war. The average utilization during the period 2014-2019 was 4.0 million MT. The expected non-container trade at the POB in 2020 is estimated at 800K MT. Again, this drop is mainly the result of the economic crisis. Although two quays (9 and 10) were significantly damaged and Quay 8 (grain imports) is non-operational (damage to equipment) as a result of the explosion, there is a significant unutilized capacity of non-container quays, which can allow the POB to continue handling non-container cargo at current or higher levels. The ongoing dredging/cleanup of Basin 4, supported by the Government of the Netherlands, will enable Quays 13-15 to operate at full capacity in the near term. These quays will easily compensate for damaged Quays 9 and 10, which need significant reconstruction/rehabilitation.

With respect to imports, the POB handles an average of 30% bulk, general cargo, RO-RO, and live animals from the total yearly volumes. Table 7 below shows the six main products that make up over 90% of POB non-containerized volumes. Cereals constituted in 2019 the highest percentage (32%) of imports of non-containerized goods.

Table 7 – Breakdown of General/Bulk Cargo Imports at the POB

Type of Cargo	2019	2020 ³¹
Total General/Bulk Cargo (MT)	1,878,065	1,033,191
Cereals (MT/percentage of total)	812,510 (43%)	591,386 (57%)
Iron and Steel (MT/percentage of total)	605,302 (32%)	163,703 (16%)
Live Animals (MT/percentage of total)	125,912 (7%)	97,391 (9%)
Edible Vegetables (MT/percentage of total)	89,235 (5%)	47,202 (5%)
Animal Feed (MT/percentage of total)	78,059 (4%)	66,455 (6%)
Vehicles Tonnage (MT/percentage of total)	68,042 (4%)	17,196 (2%)
Live Animals (QTY)	497,970	340,795
Vehicles Import-Export RO-RO (QTY)	33,457	15,213
Vehicles Containerized/box (QTY)	37,868	16,749

There are only limited exports of general/bulk cargo at the POB, mainly small quantities of scrap metals and, rarely, fruits. Most exports (e.g., fruits, vegetables, oils) are containerized at the POB warehouses (essentially the CFS-Container Freight Station) or exporters' premises, taking advantage of low shipping costs resulting from returned empty containers leaving the port. The export of containerized general cargo was around 827K MT in 2019 and around 450K MT in 2020 (up to September 2020).

Methods of measuring the productivity of general cargo/bulk berths cannot be well defined without thorough analysis due to the large number of variables that have to be considered. These include, *inter alia*, type of cargo, available space behind the quay for cargo operations, customs procedures and inspections, availability of trucks, and gate efficiency. A general rule that is used as a basis for non-container berth productivity is the tonnage volume in metric tons (MT) of cargo handled per meter of the quay. This, in a port the size of POB, should be around 4,000 MT/year per linear meter of quay

³¹ Up to September 2020.

length. Quays 5 to 15 provide a total berth length of 3,187 m.³² In theory, and provided that import demand is high enough and that other soft trade facilitation measures are in place to allow imports and exports to move quickly, these quays have the capacity to handle 12.7 million MT/year.

Reported figures for 2019 show 1.87 million MT of bulk cargo imports and 2.1 million MT of non-bulk (non-container) imports, i.e., a total of 4.0 million MT of imports, plus 150,000 MT of non-container exports. Adding these figures together gives a rate of about 1,300 MT/linear meter of quay length per year or around 33% of what could be expected at an 'efficient' port.

As an example of a similar terminal, the general/bulk cargo berths at the government-run Ma'alla Terminal in Aden, Yemen, handles around 3 million MT/year over 750m of main bulk/general cargo berths, i.e., at a rate of around 4000 MT/year.

This underutilization (capacity utilization has been around 33%) on non-container berths at the POB is mainly due to many factors preceding the explosion at the POB, including:

- Low local demand in the domestic market for non-container cargo
- Hindrance of operations at Basin 3 berths (7, 8, and 9) due to the proximity of Grain Silos and warehouses and export inspection near these quays
- Sunken vessels at non-container quays
- Shallow water at basin 4 due to dumping creating access challenges to the berths

Moreover, efficiency levels are low due to having stevedoring sub-contractors working on the quays and sharing operations. This results in high levels of duplication of staff and equipment, safety issues, inefficient use of a land area, low levels of berth utilization, congestion, compounded by the proximity of warehouses to the berths.

Currently, there is reduced transit trade and very limited TS of non-container cargo at the POB. Transshipping bulk/general cargo, particularly for new cars, should be considered to maximize the use of the POB non-container assets. Lebanon should consider the experience of the Moroccan Port of Tangier-Med with respect to RO-RO transshipping of vehicles. Designating terminals for different types of cargo and providing them to different competing private operators through concessions or lease arrangements will incentivize them to develop bulk and general cargo business at the POB.

³² Basin 1 (quays 1 and 2) are used by LAF and quays 3 and 4 by naval vessels and UNIFIL, and quay 6 is used by UNIFIL and provides quay space for the Beirut Pilotage Station.

Table 8 – Traffic Flow at the POB (2014-2020)

Year	No. Ships	No. Passengers	Import Goods non-containers (million MT)	Export Goods (million MT) ³³	Transit		Free Zone: Local		Free Zone: Transit		Import / Export Vehicles (number)	TEU local In/out/full/MTY	TEU TS	Total Container Throughput (TEU)	Total Goods in million MT ³⁴
					Container (TEU)	Non-Container (MT)	Container (TEU)	Non-Container (MT)	Container (TEU)	Non-Container (MT)					
2020 ³⁵	1,460	0	0.62	0.45	13,867	21,951	23	466	119	1,191	3,981	330,505	257,002	587,507	2.70
2019	2,132	8,359	1.87	0.83	23,035	2,243	117	1,376	619	3,222	45,462	734,645	494,436	1,229,081	6.52
2018	2,242	6,622	2.33	0.93	19,514	734	183	1,758	799	2,986	68,000	874,609	431,146	1,305,755	7.98
2017	2,261	6,167	2.21	1.13	8,914	1,009	221	2,207	476	1,631	103,000	897,787	407,251	1,305,038	8.66
2016	2,252	4,715	3.2	1.04	4,646	1,751	102	2,358	322	1,703	111,000	855,877	291,342	1,147,219	8.74
2015	1,901	8,554	2.86	1.08	376	959	40	2,286	76	2,190	112,000	766,280	364,020	1,130,300	8.22
2014	1,962	6,835	3.13	0.98	540	244	6	3,143	25	6,203	92,000	765,147	445,886	1,211,033	8.28
Avg ³⁶	2,124	6,579	2.75	1.03	6,798	939	110	2,350	340	2,943	97,200	831,940	387,929	1,219,869	8.38

³³ Mainly containerized calculated in TEU full out.

³⁴ Both containers and general/bulk cargo.

³⁵ Up to September 2020.

³⁶ Average for period 2014-2018. 2019 and 2020 are not considered given abnormal conditions.

II.2 POB and POT Revenues

Port of Beirut

The revenues and profits of the POB and transfers to treasury during the period 2014-2019 are shown in Table 9 below. The average annual revenue over the 2014-2018 period was around US\$240 M. The drop in 2019 and 2020 was mainly caused by the economic crisis.

Table 9 – POB Revenues, Profits, and Transfers to the Treasury (in millions of US\$)³⁷

Year	Revenue	Profit	Transfers to Treasury
2020	87 ³⁸		
2019	199		150 ³⁹
2018	231		
2017	246 ⁴⁰	124	194 ⁴¹
2016	245 ⁴²	128	90
2015	243	90	59
2014	220	77	54

Source: TC/GEPB

The estimated revenue per type of cargo at the POB is shown in Table 10 below.

Table 10 – Revenue per Type of Cargo at the POB in 2019 (US\$)

Type	Amount	Percentage
Container Terminal Handling Charges/Storage	144,084,855	72.31 ⁴³
General Cargo ⁴⁴	25,948,400	13.02
Steel	2,500,000	1.25
Animal feed	2,250,000	1.13
Cereals	2,400,000	1.20
Live Animals	750,000	0.38
Passengers	100,000	0.05
Other Bulk & General	790,000	0.40

³⁷ Profit and transfer to treasury figures after 2017 are not known.

³⁸ Estimate for 2020. The TC/GEPB reported US\$65 million as of end of September 2020, noting that the collection is LBP and converted to US\$ using 1 US\$ = 1500 LBP

³⁹ This might be including 2018-2019 transfers.

⁴⁰ The TC/GEPB reports US\$ 313 million in 2017 which actually includes a European Investment Bank (EIB) loan for the amount of US\$67 million.

⁴¹ Partly includes money from the EIB loans in 2016 and 2017.

⁴² The TC/GEPB reports US\$ 278 million in 2016 which actually includes a European Investment Bank (EIB) loan for the amount of US\$33 million.

⁴³ Transshipping is 17% of total revenue in 2019.

⁴⁴ Include vehicles.

Type	Amount	Percentage
Berthing	11,490,000	5.77
Others ⁴⁵	8,955,000	4.49
Total	199,268,255	100.00

The main revenue of the POB is mainly generated from the container terminal, which constitutes around 70% of total port revenue. Around 2% of the total revenue is, in addition, generated by container storage. The average revenue (2014-2018) from container transshipping is 15% of total container revenue and went up to 24% in 2019, noting that transshipping TEUs constituted around 32% of total TEUs during the period 2014-2018. If General/Bulk Cargo handling capacity is fully utilized, the POB revenue could increase by US\$105 million, particularly general cargo, which constitutes 13% of total port revenue versus 4% for bulk cargo. The revenue from transshipping is a little higher than the general bulk cargo.

The total area of POB is 1.2 M m² excluding quays 1-4, which are occupied by LAF and naval ships. The areas occupied by container and non-container terminals and related facilities are respectively around 500K m². The POB annual profit was estimated at US\$90M, of which US\$65M is from container operations. The current and potential annual returns per square meter are described in Table 11 below. There is a potential to increase the annual profitability of the POB by around US\$ 55M, without any additional investment in infrastructure, by maximizing utilization of the non-container cargo capacity, increasing transit and transshipping businesses, and enabling greater operational efficiency.

Table 11 – Annual Return per Square Meter (US\$)

Land Assets	Current Return	Potential Return
POB (overall) ⁴⁶	90	145
Container	130	150
Non-Container	50	130
Average lease of land in the area	90-144	90-144
Average return based on land value (POB)	2.25%	3.63%
Average return based on land value (container)	3.25%	3.75%
Average return based on land value (non-container)	1.25%	3.25%

Source: computer by USAID MEG based on reasonable assumptions

The current average charge per TEU for TS is low relative to other ports on the Mediterranean Sea. The current policy is designed to attract TS traffic. Increasing the current fees would lead to a higher return provided that volumes can be maintained.

Revenues on container business are highest with local volumes as many operations are required (including yard charges, double handling, the movement to inspection yard, gate charges), then transit, then transshipment. Dues on local and some transit volumes include port dues⁴⁷ and cargo handling, storage, value-added services such as CFS operations, and groupage, while transshipment relies on a

⁴⁵ Included rents from POB Free Zone.

⁴⁶ This return is high per square meter due to high port dues to enable some return on high land value.

⁴⁷ At the POB, the port dues are fixed charges per container or MT (for bulk and general cargo) for the use of port infrastructure. These fixed charges vary from one type of bulk and general cargo to another.

relatively fixed handling fee as terminal handling charges per box. The revenue ratio from local TEU vs. transshipment box is estimated at 3:1. This might seem to be a poor bargain for the port. Still, looking at 2020, POB incurred losses on local volumes due to Lebanon’s own market dynamics, while transshipment charges are based on cargo volumes and reflect market supply and demand in other countries. This model allows revenue safety while working towards more transit volumes that have both the benefits of high returns and larger market volumes. In addition, providing container transshipment services at a port can have the effects of lowering ocean freight rates to the port thanks to greater competition between and volumes for the lines, increasing service frequency, and raising the terminal equipment utilization.

Port of Tripoli

The POT revenues and profits during the period 2014-2019 are shown in Table 12 below. All revenues of POT, a public entity, remain in a special account. There are no transfers to the treasury. The average annual revenue over the 2014-2018 period was around US\$ 15M. The economic crisis mainly caused the drop in 2020. An important source of revenue at the POT is foreign ship maintenance and cleaning, especially livestock vessels.

**Table 12 – POT Revenues, Profits, and Transfers to the Treasury
(in millions of US\$)**

Year	Revenue	Profit
2020	13 ⁴⁸	
2019	15	4
2018	17	4
2017	17	5
2016	15	3.5
2015	14	3
2014	11	3

Source: POT

Although the total area designated for the POT is 2M m², the current area used by the POT for cargo handling is around 300K m². The approximate average annual profit by the POT is estimated at around US\$ 3.75M. The annual return per square meter at the POT is slightly less than 1%, noting that the POT tariffs are 50%⁴⁹ lower than the POB and the capacity utilization of the container POT is at 20% of 300K TEUs. If the current container terminal is used at full capacity, the potential return can be around 3.33% without increasing the current port tariffs. To achieve this, the POT would need two additional STS cranes⁵⁰ and 5 RTGs at a cost of US\$ 33-35 M (excluding the one currently being shipped to the port by Gultainer, the current concessionaire). Making the port tariffs rate the same, the POB will increase the annual return per square meter of land to over 5%.

II.3 Port Development Options

There are many development options for POB.

⁴⁸ Estimate for 2020. The POT reported US\$9.4 million as of end of September 2020.

⁴⁹ Designed to attract cargo traffic.

⁵⁰ One STS is being shipped to the POT by Gultainer.

There are proposals to turn the POB into a tourist port. This would not be a viable project given the seasonality of tourism in the region, leading to the under-utilization of assets. This option would also reduce the prospects of executing the plans for developing the Port of Jounieh exclusively for tourism.

The option of turning the POB into a container terminal and a passenger terminal is also not viable because Basins 1, 2, and 3 cannot handle container ships. In addition, removing non-container cargo from the POB will face strong political opposition.

Using the port land for establishing a special economic zone is not viable as it will not be attractive due to high levels of rents for economic operators engaged in value-added activities. This was one of the reasons for the lack of success of the Logistics Free Zone at the POB in the development of value-added production.

This section discusses the three most viable options (see Figure 2 in the Executive Summary):

1. Keep the POB Business Profile As-Is with Improvements in Infrastructure and Superstructure to increase port competitiveness. This option includes optimizing the use of the non-container terminal berths and developing a passenger/touristic terminal to the breakwater.
2. Expand Transshipment Business at the POB through constructing a new Container Terminal at Burj Hammoud Landfill.
3. Replace the POB with two Ports (North and South of Beirut) given the value of the land at the POB, pollution, and congestion.

Expanding the transit business is also important. Improving road and rail transport connectivity between Lebanon and other neighboring countries will increase transit development prospects. The following major projects are on-going or planned:

- Pan Arab Highway to Damascus. This is almost complete (90%).
- Rail tunnels linking Beirut with Bekaa Valley, giving onward connectivity to Syria. The Parliament passed a law concerning this project in 2020.
- Rail link between Beirut and Tripoli with a further connection to Syria and other Arab countries. (still under consideration).

The Syrian reconstruction effort is estimated to need 30 million MT (mostly bulk) per year over a period of 5 to 10 years from the date of launching broad-based reconstruction. Syrian ports (Tartous and Latakia) have the capacity to handle 16 million MT annually. The remaining 14 million MT has to be supported by other ports, including Lebanese and Turkish ports. Therefore, transit is an important business for Lebanon, given its proximity to various destination points in Syria except for Aleppo, where they will need to compete with Iskenderun, Turkey, and possibly Aqaba, Jordan. It is important to make transit costs through the POB competitive with other ports and make effective use of underutilized berths. In addition to the creation of new economic and employment opportunities in the transport and logistics sector, the revenue of Lebanese ports from transit to Syria can range from US\$ 75M to 90M annually, provided that Lebanon secures 2/3 of projected transit trade.

II.3.1 Keeping POB Business Profile “As Is” with Improvements in Infrastructure and Superstructure

Building a better and smarter port will increase the POB competitiveness, create new economic and employment opportunities, and contribute to economic growth.

The total reconstruction/rehabilitation cost for the POB is estimated at US\$ 140 M, made up of:

- Infrastructure owned by the State (around US\$ 65M).
- Superstructure owned by the State (around US\$ 34M), which could be provided by private operators under a landlord model.
- Superstructure and equipment owned by private operators (US\$ 41 M)

Please see Table A.1 under Annex A for the list of damages resulting from the August 4 explosion.

In addition to rehabilitating/reconstructing damaged facilities due to the August 4 Explosion, the proposed improvements Table A.2 under Annex 2 need to be considered to improve the current port performance and throughput and facilitate trade by lowering costs and reducing delays.

Suggested improvements to the POB will cost around US\$ 128M. The total cost for the PA (TC/GEPB now, POB SAL later) to improve and further expand the infrastructure and common facilities is around US\$ 91M, including extending the breakwater north of Quay 16B (US\$ 51M). Private operators, under the landlord model, will need to spend around US\$ 37M to achieve the suggested improvements.

The total finance needs for the Port Authority (PA), acting as Landlord, is approximately US\$ 156M. The landlord PA can partially secure the financing of the infrastructure reconstruction, rehabilitation, and improvements through selling off excess equipment (STs and RTGs), estimated to have a value of US\$ 60 million. Some of these could be sold to the POT container operator to increase container capacity there or to the operator of the proposed new container terminal at the POB (see II.3.2 below). The remaining amount may be financed from development banks/international financial institutions or private parties in exchange for shares in the ownership of the PA, proposed to be a joint-stock company.

Repairs/rehabilitation of the damaged superstructure, and provision of new superstructure and equipment, will be financed by private operators who will be granted concessions and leases by the PA for operating various quays/terminals.

This option also includes optimizing the non-container assets to maximize utilization and return and moving the passenger terminal from Quay 5 to the breakwater and building a new modern passenger/touristic terminal (US\$10 M).

II.3.1.1 Maximizing the Utilization of Non-Container Assets at the POB

It is clear that the potential capacity of the general cargo berths at the POB is far higher than the existing throughput. The non-container quays and associated port land area are hugely valuable and an important resource for the port and the country. The level of utilization should be greatly increased to generate higher revenues. Measures to decrease dwell time for all types of cargo, increase productivity and drive down costs could attract more of this type of cargo to the port, reduce the costs of imports and exports, further develop transshipping or transit business and benefit the national economy.

Transshipping bulk/general cargo, particularly new cars, should be considered to maximize the use of the POB non-container assets.



The following are suggestions for maximizing the use of non-container assets at the POB:

- Free up Quays 5 and 6 by moving the passenger terminal to the breakwater and BPS to Quay 3.
- The Container Terminal has been using the yard of Quay 15 given its adjacent location. Once the dredging of Basin 4 is completed, this quay can be considered as a lay-by berth for handling smaller container feeder vessels using mobile harbor cranes.
- Dedicate quays for different types of businesses. This will attract private specialized non-container operators to use these quays for import, export, transit, and/or transshipping of bulk and general cargo, including RO-RO vehicles. These operators will bring dedicated modern equipment for respective quays, which will increase productivity. In addition, they will have an interest in growing businesses in their respective areas by using their quays as a hub. This will increase port revenues and create new job opportunities, while the economies of scale can be expected to reduce the costs of imports for Lebanese consumers.
- These quays or terminals (a combination of quays) should be provided to different private operators with KPIs, including cargo growth. These private operators will operate based on commercial interests while being subject to sound regulatory measures, including safeguards for ensuring competition, protecting the interest of port customers, and providing high quality and safe services.

The designations of the ten general/bulk cargo quays in Table 13 below are designed to enable greater competition and efficiency, full port utilization, economies of scale, and equipment optimization. More importantly, it is essential to attract relatively large vessels (e.g., Handymax vessels up to 60K MT) to benefit from economies of scale by reducing shipping tonnage costs. It is important to avoid using the POB for handling dirty/dusty cargo, such as livestock and clinker.⁵¹

⁵¹ Cement clinkers can be handled by the Port of Chekka (South of Tripoli) and the Jiyeh Jetty which are both near the locations of the two major cement clinker plants.

Table 13 – Recommended Designation of POB Non-Container Quays⁵²

Designation	Supporting facilities
Quay 5: Multipurpose quay, including RO-RO, given to one operator to serve the Lebanese market and transit.	An open and paved area for general purpose cargo behind Basin 2, with one or more sheds to meet the operator’s requirements
Quay 6: Multipurpose quay, including RO-RO, given to one operator to serve the Lebanese market, transit, and transshipping.	An open and paved area for general purpose cargo behind Basin 2, with one or more sheds to meet the operator’s requirements.
Quay 7: Dedicated to general cargo for the Lebanese market, and transit	A warehouse of 10,000 m ² is needed for CFS/general operations to be constructed in the yard behind Quay 7. This can also be used for LCL/groupage
Quay 8: Dedicated to handling bulk grain	Quay 8 will need to remain for grain storage because of the suitability of its draft (13 m) for accommodating large grain ships.
Quay 9: Dedicated to general cargo for the Lebanese market, and transit	A warehouse of 10,000 m ² is needed for CFS/general operations to be constructed in the yard behind Quay 9. This can also be used for LCL/groupage
Quays 10 and 11: Dedicated to bulk cargo and given as one terminal to one operator to serve the Lebanese market/transit.	Quays 10 is the safest (weather-wise) and should be dedicated to mainly the local market to ensure import security for the domestic market. The bulk yard behind these quays might include an open shed.
Quay 12: Designated RO-RO quay for transshipping	A multi-deck car park (maximum four levels) in the yard behind basins 3 and 4. It will block the bulk quays and yards at Basin 3 and 4 from city views
Quays 13 and 14: Dedicated to bulk cargo and given as one terminal to one operator to serve the Lebanese market for transit and transshipping	Quays 13 and 14 are selected, given that they are visually away from the city limits. The bulk yard behind these quays needs to include an open shed.

Private operators will provide the superstructure (warehouses, sheds, equipment) for all these terminals under a landlord model with no cost to the government.

Finally, a policy for maximizing direct delivery of non-container cargo should be adopted and enforced to reduce congestion at the POB. In addition, the policy of allowing temporary storage at the POB general cargo yard for six months should be reduced to one month.

Grain Silos

The grain silos at the POB should be reconstructed to provide quayside storage of 40K MT capacity. The silos should be closer to Quay 8 than those in the original location, constraining operations at Quays 7 and 9. The 40K MT steel silos will take half the area used by the concrete silos of 120 MT

⁵² This designation takes into account vessel size and need in terms of draft. Some of the quays can be designated differently. There is no one possible configuration.

capacity. Having the silos closer to Quay 8 will allow quicker discharge of grain vessels and faster turnaround of ships. The Ministry of Economy and Trade will need to construct around 40K MT silos for long-term storage outside the POB. These should be complemented by constructing silos at the POT and Port of Saida of 20K MT capacity each.

Livestock

As for livestock, it is strongly recommended that this business be removed from the POB mainly due to bad odor within at least 1 Km radius from the POB. This area is densely populated.

Livestock, cattle (70%), and sheep (30%) constitute approximately 7% of the total non-container cargo tonnage. The estimated total revenue per year for port charges to POB is low - approximately US\$ 750K. No handling fees are charged by the port as traders perform unloading themselves. Approximately 500,000 live animals were delivered at POB in 2019. Most are destined to farms in Bekaa and South and some to farms in the North:

- 30% to Bekaa
- 30% to the South
- 25% to Beirut and Mount Lebanon
- 15% to the North

The POB has been experiencing higher than the normal import of sheep due to the Central Bank's support on providing 85% of foreign exchange at the official bank rate. Some traders are abusing this subsidy and benefiting from currency exchange from re-exporting sheep to Syria, GCC, and even Turkey. While livestock import is not preferred to occur at a port located in the heart of Capital, the cost of truck delivery to destinations dictates the process today. Solutions to relocate livestock operations to other ports of Saida or Tripoli have to consider inland trucking charges.

It has been estimated that the cost of transport from the Port of Saida, in lieu of the POB, to existing destinations in Lebanon will increase by approximately \$40-\$60 per truck (24 cows or 100 sheep per truck) except for the South.⁵³ The Port of Saida could be a better alternative, especially with the phase 2 new port expansion and a dedicated quay for livestock operations provided an adequate draft of 12 meters is maintained. This is mainly due to Saida's proximity to 85% of Lebanon's total volumes, excluding the 15% for the North. Issues on proximity to Saida old city under UNESCO World Heritage need to be studied to determine the viability of such an option. Planned Quay 8 under phase 2 is more suitable than the current Port of Saida as it is around 1 Km from Saida old city and relatively away from dense residential areas.

Alternatively, the most suitable location in terms of market proximity, neighborhood, quay length, and an adequate draft would be Jiyeh Port/Jetty (34 Km South of Beirut near the Jiyeh power generation plant), which is currently being used by the SIBLINE cement factory. This port is not close to any residential areas and very close to the seashore highway. Normally, only one ship calls on this port every three months for shipping cement clinker.

⁵³ Truck owners of cattle and farm owners do not appear to have any objections to this arrangement.

II.3.1.2 Relocating the Passenger Terminal to Attract Cruise Ships and Promote Tourism

The POB's passenger terminal is a 600 m² facility located next to Quay 5 in its second basin. Quay 5 has a depth of 8 m and an overall length of 204 m. These characteristics do not allow the terminal to receive large passenger vessels currently operating in the Mediterranean Sea. The largest passenger ship calling the POB had LOA of 130 m. On the other hand, the neighboring port in Cyprus (Lemesos Port) receive calls by ships with an average LOA of 270 m and a draught of 9-10 m, capable of carrying an average of 2,600 passengers. At Lemesos Port, around 220 large cruise ships have visited the port annually in recent years, some of which carry 5,000 passengers. The port has a modern 6,800 m² passenger terminal. The distance from Cyprus to Lebanon is around 245 km that would provide an opportunity to attract a share of the vessels calling Lemesos Port.

In 2019, the passenger terminal generated a revenue slightly less than US\$ 100,000, handling a total of 8,359 passengers. The fees collected at the terminal were as follows:

- A tax paid per each tourist/passenger arriving or departing
- Passenger lounge, safe-keeping storage fee
- Passenger lounge storage package per day
- Berthing dues and vessel dues

Although a passenger terminal may not be an important source of revenue for the POB, it can positively impact the overall economy and create new economic and employment opportunities. The terminal can serve as a regional hub for cruise ships. It can support businesses such as hotels, restaurants, shopping malls, clubs, rentals, taxis, yacht clubs, water sport, etc. In designing the passenger terminal at POB, it is important to consider a number of factors:

- Offering competitive packages with regional competition from large tourist centers such and Cyprus and Turkey
- Improving the image of POB after the explosion
- Promoting Beirut as a tourist destination and an east Mediterranean hub

Quay 5 is too short, even if reconstructed with a deeper depth alongside. Other quays are surrounded by cargo handling facilities, far from suitable passenger gates, and are not appropriate for a tourist terminal. Therefore, the passenger berth is proposed to be relocated to a new quay (440-meter length) at the breakwater (depth alongside 14.0 m) that is far from port operations and adjacent to a planned future marina. This will free up Quay 5 for bulk/general cargo.

As the business grows, the quay on the breakwater could be extended to provide up to 1Km of additional quay length. This will require widening the breakwater and paving it.

The site for the new quay will require some rehabilitation, estimated at US\$ 6 million. Next to the quay, a new passenger terminal would be built, providing an area of 5,000 m², to include duty-free shops, gift and retail shops, restaurants, and bars open to the general public⁵⁴ besides passengers. The estimated cost for the new terminal is US\$ 4 million with facilities (restaurants, shops, etc.) that could be accessible by the public throughout the year.

The total annual revenue from this terminal is estimated at around US\$ 3 million per year from vessel dues, passenger tax, storage, and facility leases.

⁵⁴ Except for the duty-free area.

The passenger terminal can be a totally separate entity from the POB and granted a separate concession or remain part of the POB SAL.

11.3.2 Expanding Transshipping Business at the POB through Constructing a New Container Terminal at Burj Hammoud Landfill

The current container terminal (Quay 16) has reached a maximum capacity of 1.3 M TEU. The current POB container capacity is more than sufficient to serve local market needs, particularly if the size of the container storage yard is increased through (i) taking over the state land that was used by the fish market and slaughterhouse; and (ii) introducing trade facilitation measures to reduce dwell time.

Lebanon can increase transshipping and transit business by constructing a second container terminal at the POB. This will position Lebanon to increase its share in the Mediterranean basin transshipping business. Lebanon's share is 1.25% of the current estimated transshipping business of 31M TEUs. Lebanon has the potential to at least quadruple its share (around 5% market share) in transshipping and become a major transshipment hub for major shipping lines such as CMA-CGM, MSC, Maersk, and others. This will increase revenue for the Lebanese ports by US\$ 175 M.

Looking into the transshipment business for POB from a shipping line perspective, containers are discharged in POB by a mainliner or feeder vessel and loaded on another vessel later. "Hub and spoke" service network is for loading to other feeder vessels, while the "relay" service network is for loading to other mother vessels. Either way, these containers do not leave the port facility. This difference in liner services adds to the complexity of the hub port selection process, on the one hand, while offering opportunities for the POB to attract more of this business. The current transshipment volumes at POB are mainly based on a hub and spoke networks with a large feeder segment linkage. The POB needs to offer more berthing windows for feeders by using berth 15 as an option to attract more volumes. Moreover, a dedicated transshipment hub to one shipping line at POB and/or POT expansion options would encourage more volumes via the relay network that usually handles larger transshipment volumes between mother vessels. Both networks are needed at POB with equal importance for sustainable transshipment growth volumes. Moving from the current single operator model towards multiple operators with shipping lines' participation would ensure the shift from a feeder port to a regional hub model. Given a dedicated terminal, shipping lines would be interested in using the POB as their backyard to store empty containers for large backlog shipments via Europe-Asia Route while connecting POB along the major Mediterranean relay ports of Port Said, Marsaxlokk Malta, Piraeus, Tangiers, and Algeciras.

In addition to generating additional revenue through higher Terminal Handling Charges (THC), transshipping leads to additional economic benefits, including:

- Improving connectivity to multiple ports for imports and exports. There are over 50 ports connected to POB today due to its TS services
- Moving toward a regional transshipping hub
- Shorter transit time for shipments
- Reduced Ocean Freight Rates as a result of economies of scale
- Providing new routes to new markets for Lebanese exports
- Creating new jobs at the POB
- Achieving Economies of scale (larger volumes)
- Enhancing prospects for handling greater transit business
- Enhancing prospects for multi-modal transport

Transshipped containers are discharged at the POB by mother or feeder vessels and loaded on another mother/feeder later. These containers do not leave the port facility. The services provided for transshipment traffic result in port dues being charged twice for both mother and feeder vessels, discharging and loading container charges, and storage charges. The average per TEU charges (port dues and THC) can range from US\$ 85-US\$ 95.

This will require a new container terminal largely dedicated to TS to be constructed. Converting basins 1, 2, or 3 into a container terminal is not possible given the distance between quays at these basins and the breakwater, which, at around 230m, is inadequate for vessel turning. Feeder ships require at least 270m, and mainline ships 450-500m. Although turning Basin 4 into a container terminal is theoretically possible, it will not add much capacity and will lead to shutting down three non-container quays (13, 14, and 15), two of which are important for handling increased general cargo tonnages in the long run. In addition, this will reduce the turning basin space for main container ships as well as for cruise ships. Further, ongoing dredging works at Basin 4, supported by the Netherlands, is essential to free up these quays and to compensate for the loss of the non-operational quays (8, 9, and 10) as a result of the explosion. In addition to technical challenges, there is strong political opposition to converting Basin 4 into a container terminal.

An optimum location for a new container terminal is the North-West Landfill at Burj Hammoud. See Plan below. The area is 300K m² on which a quay of 440-500 meters can be built. The construction of the infrastructure of this new terminal will take around two years at a cost of around US\$ 100M. Private operators will provide the superstructure. The annual capacity of this new terminal will be around 500K TEUs. The land required can be leased from the Burj Hammoud municipality. Another option is to grant shares to this municipality in the POB Development SAL. The estimated revenue from this terminal is US\$75 M, with an approximate EBITDA of US\$32 M annually.

Under a landlord model, the infrastructure will be provided by the POB SAL, which can contract the construction through an open bid to a private company. A concession can then be granted through an open international tender to a container terminal operator or an international shipping line to use as a transshipping hub. This new terminal can be operated by a different operator than the one selected for the existing container terminal.⁵⁵ This will create more competition and has the potential to attract multiple shipping lines to use the POB for transshipment services. The new terminal would add value to the overall port financial performance and increase the rate of return per square meter of land value.

The currently un-used STS (5) and RTG (15) cranes at the current container terminal can be sold to the concessionaire at the new terminal. The value of these cranes is around US\$ 60 Million.

II.3.3 Replacing the Port of Beirut with two Ports (North and South of Beirut)

Many ports around the world were established on the edges of major cities, are now surrounded by city developments, and suffer from road congestion and difficulties in moving cargoes through the city to and from the port. Notable examples are Port Rashid in Dubai, which opened in 1973. The government made the decision in 1980 to construct new port facilities some 50km away at Jebel Ali, and in 1991 all port traffic was moved by decree to Jebel Ali. This was initially met with resistance from the local trading community, but the port has since, with excellent transport links between Jebel Ali and Dubai

⁵⁵ Even for the current container terminal operations two operators can each be given a concession to respectively operate Quay 16A (around 600 m) and Quay 16B (around 500m)

city, resulted in Jebel Ali becoming one of the world's main container ports, currently No. 11 in the Top 100 List of these ports.

Another prime example is the London Docklands. London Docks covered hundreds of hectares of valuable land on the edge of the River Thames, which was released for later development when the docks closed in the late 1960s, and port operations were located downriver. The development of the Thames Gateway on the north bank of the river, on a 'brownfield' site, is now a model of how a container terminal can be made highly efficient thanks to excellent road and rail transport links to other parts of the UK and the European continent. It is adjacent to a competitive free zone and logistics complex as part of the terminal site. Meanwhile, London Docklands has been developed as a residential and commercial area of huge value, providing homes and businesses with waterfront living that is highly sought after.

Other examples include the Port of Genoa (Italy), the Port of Riga (Latvia), and the Port of Ilyichevsk (Odessa region, Ukraine), near Odessa City, which has been gradually handling cargo traditionally flowing through the Odessa Port at the Odessa City. There is also an ongoing effort to move chemicals and fuel terminals from the Odessa Port to another location.

Given the cost of land on which the Port of Beirut is situated, it has been argued that the Government of Lebanon could generate a much higher return from leasing or selling the port land for development. A conservative estimate of land value is around US\$ 4 billion, excluding the quays (3 and 4) used for naval forces and quays 1 and 2 used by LAF, where land belongs to Solidere.

It is further evidence that the location of the POB is the cause of significant traffic congestion in the Greater Beirut Area, estimated at around 5% of total traffic. This adds substantially to pollution levels in the city, caused by trucks and port equipment. Further, the shipping of live animals at the POB result in an odor, polluting the air and impacting health and comfort as far as Achrafieh and other neighborhoods within at least a 1 km radius.

If the decision is taken to sell the POB land,⁵⁶ then Lebanon should consider developing two new ports, North and South of Beirut (as far as 45 km in each direction). Each port should have the capacity to handle containers (1M TEU), around 5M MT of general and bulk cargo, RO-RO, and live animals. Each of the two ports should have 30K MT of grain silo capacity, in addition to long-term storage by MOET of 40K MT inland and 20K MT silos at the POT. Establishing special zones for value-added industry and 3PL at these two ports may also be considered and will be commercially more viable than the POB given lower land and rental costs.

The ports should have an adequate draft (16-17.5m) to handle super post Panamax vessels, be sited well away from residential areas, adequate connectivity to seashore highway, and offer reasonable land costs.

These two ports would be constructed as public-private partnerships (PPP) in the form of BOT contracts. The estimated cost of constructing and equipping each port is around US\$ 600M. The Government of Lebanon's contribution will be to make land available for the projects, which could be either existing state or municipal land and/or expropriated land. It is estimated that it will take around three years to construct a new port.

⁵⁶ The land can be used by private parties to develop hotels, sea resorts, private marinas, shopping centers, residential and commercial buildings.

It is expected that two newly built modern and efficient ports will yield a higher annual return than the POB, reduce trading costs and create new economic and employment opportunities outside the Greater Beirut Area. This will also constitute an important step toward decentralization. As with Jebel Ali, each port will attract new development, where the area near the port can be designed and built to modern environmental and living standards while providing residents and the workforce with easy access to the City of Beirut.

Ongoing (from 350K TEU to 650K TEU) and planned (to around 1M TEU) expansion of container capacity at the POT will raise total national capacity for Lebanon to around 3M TEU, and about 12 million MT total capacity for general/bulk cargo. In addition to accommodating projected Lebanese trade needs over the next 40 years, this will position Lebanon to benefit from potential transit and transshipping opportunities. Similarly, the current expansion of the Port of Saida should continue as planned.⁵⁷

Way Forward:

These three options would need to be discussed among stakeholders in the public and private sectors. This process will need to start immediately and be managed by international development banks, financial institutions, and donor agencies to make appropriate decisions on the way forward within the next 3-6 months.

The ultimate choice between these three options should be based on a rigorous financial and economic feasibility analysis, including cost-benefit analysis, that follows-up in greater depth/detail on the preliminary analysis carried out in this paper. This should be completed in the next 3-4 months to inform the aforementioned dialogue. This process should result in a holistic national ports strategy and plan allocating Lebanon's limited land resources based on clear financial criteria and taking into account projected growth in import, transit, transshipment, and associated revenues.

The current low level of trade due to the economic downturn (resulting from LPB value, low purchasing power, access to foreign currency, and frozen monetary assets) is expected to continue for at least the next three years or perhaps longer if the Lebanese Government does not implement sound reforms to enable economic recovery and growth. The POB, with existing conditions, can easily handle the current and projected low level of trade over the next 2-3 years. This provides a window for restructuring/development of the port sector in Lebanon.

⁵⁷ A new port in Saida is under development to attract bigger ships, stimulate RO-RO, General Cargo, Steel, Wood, Agriculture, oil & gas base for offshore supply vessels to serve exploration sites. The port is 500 meters away from the current port. Three berths are envisaged with 590 m length and 10 m draft suitable for Handy-size vessels. Phase I was completed in 2018 at a cost of US\$ 19M and a projected phase 2 is planned to bring the port fully operational at an estimated additional investment of US\$ 56M.

III. ACTIONS FOR FULLY RESTORING AND ENHANCING OPERATIONS AT THE POB

This assessment outlines recommended actions (short, medium, and long-term)⁵⁸ that need to be taken to fully restore operations at the Port of Beirut (POB) after the catastrophic August 4 Explosion. In addition, it offers recommendations to enhance operations at the POB, aimed at addressing chronic problems and deficiencies that existed at the POB prior to the August 4 explosion. Table 14 provides the number of recommendations (62) in various areas of focus.

Table 14 – Number of Actions for Restoring and Enhancing POB Operations

Focus Area	Short-Term	Medium-Term	Long-Term	Total
G. Operations and Logistics	11	17	11	39
H. Removal of Debris, Damaged Assets, and Sunken Vessels	6	0	0	6
I. Judicial Decisions	1	0	0	1
J. Safety and Security	7	3	0	10
K. Grain Silos	2	2	0	4
L. Urgent Governmental Decisions	2	0	0	2
Total	29	22	11	62

Operations and Logistics.

Resuming normal operations at the POB require rehabilitation and reconstruction of damaged quays (9 and 10), administrative buildings (TC/GEPB, customs and security agencies), and new four warehouses (two general cargo/LCL⁵⁹, cars, and dangerous goods) to replace the eleven damaged warehouses; and acquisition of new handling/stevedoring equipment for the general/bulk cargo terminals. Immediate actions to resume full customs operations of Customs at the POB, given the current need to shuttle back and forth between the POB and Beirut Airport to complete clearance of goods. In addition, upgrades and modernization of certain facilities and equipment, re-routing movement of trucks within POB, relocating certain operations (e.g., inspection by Lebanese Armed Forces-LAF), and extending hours of operations for all entities in charge of clearance of goods will serve to increase performance and throughput of the POB. Further, modernizing the Port Community System (PCS) will enhance cooperation among stakeholders and reduce paperwork and redundancy. Recommendations are also made to improve logistics, reduce congestion at the POB, and increase operational efficiency. Please see a list of these recommendations in Table 15.

⁵⁸ Short-Term is up to 4 months; Medium-Term is up to 18 months; and Long-Term is up to 36-48 months. Work toward implementing short, medium, and long-term actions may start immediately.

⁵⁹ LCL = Less than Container Load (groupage)

Table 15 – Recommended Operations and Logistics Related Actions

Time Frame	Measures
Short-Term	<ol style="list-style-type: none"> 1. Assess the need for, and conduct if necessary, Condition Survey 2. Increase hours of operations at the POB 3. Facilitate the importation of critical spare parts 4. Set up an Empty Container Depot at an optimum location 5. Construct a General Cargo/LCL Warehouse 6. Rehabilitate four buildings in the Free Zone (three industrial buildings) and the Duty-Free Market building 7. Relocate the MI inspection zone and implement risk-based targeting 8. Secure critical needs for TC/GEPB 9. Secure critical needs for Customs 10. Replace damaged general/bulk cargo equipment owned by stevedoring and trucking companies 11. Conduct a study for optimizing cargo movement within the port complex
Medium-Term	<ol style="list-style-type: none"> 12. Rehabilitate Quay 10. 13. Reconstruct the building housing General Security 14. Reconstruct the building housing LAF-Military Intelligence 15. Install fenders for Quays 9, 10, and 11. 16. Construct another General Cargo/LCL Warehouse. 17. Construct CFS/Cars Warehouse 18. Construct a Warehouse for IMO Cargo. 19. Establish a general-purpose open paved area behind Basin 3 and 4. 20. Acquire three radars and Vessel Traffic Management System (VTMS) 21. Reconstruct Logistics Free Zone Warehouses. 22. Reconstruct the FreeGoZone (cold storage facility). 23. Acquire additional equipment for general cargo handling. This could be acquired by TC/GEPB or a private stevedoring company 24. Develop a System for Archiving Port Information 25. Conduct Maintenance Dredging for Quay 1. 26. Apply smart technology at Gate 14 to facilitate entry/exit from the POB. 27. Establish a Gate/Truck Booking System. 28. Reorganize truck movements within the port complex
Long-Term	<ol style="list-style-type: none"> 29. Reconstruct Quay 9. 30. Improve road entry/exit to the POB. 31. Install fenders for Quays 13, 14, and 15. 32. Extend the current breakwater 33. Relocate Beirut Pilotage Station 34. Acquire additional tugboats 35. Construct a multi-story building for cars. 36. Designate two areas for bulk cargo handling. 37. Develop/Acquire a Modern Port Community System 38. Reduce excess crane capacity at the POB container terminal 39. Develop a maritime single window

Removal of Debris, Damaged Assets, and Sunken Vessels.

Although significant progress has been made in clearing debris, much remains to be done. The removal of sunken and damaged commercial vessels will facilitate the rehabilitation of quays 9 and 10 and

facilitate the resumption of quay 11 for handling general/bulk cargo. In addition, the removal of debris and damaged containers from the customs import inspection area will provide greater space for accelerating container inspection. Further, there is a need to conduct overdue maintenance dredging at Basin 4 and Quays 1 and 3. Dredging, however, at Basin 4 is critical to resume full operations of Quays 14-15, which have been partially non-operational since 2013 due to intentional dumping of scraps, rubbers, and rocks in Basin 4 with the aim of reaching a *Fait Accompli* state for shutting down these quays and using the space for further expansion of the container terminal. The following can all be completed in the short-term:

1. Remove debris and damaged containers from the customs import inspection area.
2. Complete the removal of debris at the yards of Quays 7, 8, 9, 10, 11, 12, 13, and 14.
3. Complete the removal of debris and damaged structures at the Logistics Free Zone and the FreeGoZone.
4. Remove sunken vessels.
5. Salvage metal wrecks at Basin 1 (Quay 3).
6. Conduct maintenance dredging works at Basin 4.⁶⁰

Judicial Decisions.

There are five seized vessels at the POB, some of which have sunk. The release of these vessels requires long-pending judicial decisions. The release of these vessels will free up quay space for accommodating more traffic. The Judiciary needs to act on these cases to release these five seized vessels at the POB and remove them from the port area.

Safety and Security.

It is critical to repair the control tower, fix the Beirut Pilotage Station (BPS) tug and mooring boats, and secure temporary ones to ensure marine safety. In addition, the POB needs to adopt Standard Operating Procedures (SOPs) in line with the International Ship and Port Facility Security Code (ISPS Code) and review the roles and mandates of various security agencies. The POB also needs to establish a fire brigade, appoint a new Port Facility Security Officer (PFSO) and establish a Health Safety Security Environment (HSSE) control room. Last, there is a need to remove leaking dangerous cargo (as per International Maritime Dangerous Goods (IMDG) Code), which has been sitting in the container terminal for over one year. It is critical to implement these measures to ensure the safety and security of POB personnel and stakeholders and prevent future catastrophic incidences such as the recent fire of September 10 and the August 4 explosion.

In the short-term:

1. Repair the control tower room at the TC/GEPB.
2. Charter two tugboats for temporary relief of tugging needs.
3. Improve Security and Safety Standard Operation Procedures (SOPs).
4. Review Security and Safety Oversight and Decision- Making Processes.
5. Appoint a new Port Facility Security Officer (PFSO).
6. Remove unclaimed, high-risk IMO containers.
7. Appoint a new POB Security Officer and HSSE Team

⁶⁰ This process has started with the support from the Netherlands.

In the medium-term:

8. Establish Fire Brigade at the POB.
9. Establish a Central HSSE Control Room.
10. Improve Control over Dual-Use Goods and Hazardous Materials

Grain Silos

The current practice of direct discharge of grain vessels at Quay 12 using ship cranes and yard equipment (grabs) as a temporary solution has been working, but with some drawbacks. With respect to commercial imports of grain, direct delivery from small vessels to trucks using grabs could take 3-6 days to empty a vessel, whereas it takes 1-2 days if ships are discharged directly to silos via ship loaders. Ship delays increase the cost of importing. In addition, the process of using grabs could cause losses and contamination. Further, direct delivery may be problematic during bad weather conditions leading to further delays for ships and, thus, higher costs. Further, it is not practical to discharge large vessels through direct delivery. Importing via large vessels is cheaper than smaller vessels, given the economies of scale. The current temporary situation is unacceptable for stakeholders as it increases costs to all concerned. There is a need to:

In the short-term:

1. Explore other alternatives to the current direct discharge of grain vessels.
2. Acquire three mobile pneumatic ship loaders-unloaders and conveyors.

In the medium-term:

1. Acquire easy-to-install corrugated silos to provide for adequate grain storage.
2. Develop a national strategy for grain silos.

Urgent Governmental Decisions.

Temporary immediate measures should be taken to allow the POB and BCTC to address current constraints that might lead to shutting down certain import operations, particularly the Container terminal where STS cranes need urgent maintenance and spare parts. Not addressing current constraints will disrupt trade, lead to a crisis and shortages in vital imports, and hinder containerized cargo exports, especially fresh produce.⁶¹ Further, the 2019 parliamentary spending freeze imposed on TC/GEPB is hindering the reconstruction process. The following should be acted upon immediately:

1. Address the POB's lack of funds to import critical equipment parts.
2. Relax parliamentary decision restricting expenditures affecting TC/GEPB.

III.1 Operations and Logistics

Short-Term:

- I. Assess the need for and conduct, if necessary, a Condition Survey.** It is not clear whether or not a complete condition survey has been conducted. A condition survey is needed for basins 3 and 4 of the Port of Beirut (POB) to examine the port infrastructure's structural integrity. The condition survey generally consists of three types of surveys related to Sea Ports: topographic, bathymetric,

⁶¹ Since the eruption of the Syrian crisis and the closure of border crossing points in Syria for transit, Lebanon has been relying on sea transport to get its agricultural goods to markets in the Gulf countries through reefer containers (refrigerated).

and geotechnical surveys. A Condition Survey is necessary to identify invisible structural damage to ensure the operational safety of the POB and avert any potential quay collapse, which may lead to a new catastrophe. The total estimated cost is approximately US\$ 1M. There is a need to determine whether or not a complete survey has been conducted. Existing information from previous partial surveys, such as the bathymetric chart drawn up by the British Royal Navy Ship HMS Enterprise, should be considered.

2. **Increase hours of operations at the POB.** Currently, cargo clearance at the POB takes place from 8:30 AM to 3:30 PM) which is insufficient to address the demand for services. A new schedule from 8:00 AM-8:00 PM, seven days per week, should be adopted to process cargo more quickly. Almost all major ports worldwide operate 24 hours per day, seven days a week (24-7), year-round, and allocate a longer timeframe for clearing goods. This should apply to TC/GEPB administration, Customs, OGAs, and all private sector operators at the POB. This change will reduce the need for extensive storage facilities and capital investments for port expansion in the foreseen future.
3. **Address the issue of importing critical spare parts for maintaining STS cranes.** The current container terminal crane handling capacity is running at below 50% capacity. This is not due to the August 4 explosion but rather to the lack of regular maintenance. Nine out of the 16 STS cranes and 12 out of 51 RTG cranes are not operational and require maintenance (estimates around US\$ 5M). According to the contract between BCTC and TC/GEPB, it is the responsibility of BCTC to ensure its maintenance. For almost one year, BCTC has refused to be paid based on the official exchange rate of 1500 LL. Given that foreign exchange for importing parts can only be obtained at the black-market rate, BCTC has not been able to maintain the equipment. Further, BCTC is overburdened by the number of excessive and unnecessary equipment at the container terminal (e.g., 16 STS cranes vs. need for 10 STS cranes). There is a high risk that these remaining STS cranes will stop operating in the coming months due to a lack of maintenance. Although some container traffic could be redirected to Tripoli, the current capacity there is around 300,000 TEU when the POB was handling 1.3M TEU annually.

In addition, 12 out of 51 RTGs need repair at a cost of US\$ 3M. This repair can be deferred given the excess supply of RTG cranes at the POB.

Further, BCTC indicated the need to inspect the conditions of all STS after the August 4 explosion. This will cost around US\$ 1.5M.

Thus, the total need for maintaining the STS cranes is around US\$ 3.5M. An appropriate solution is immediately needed to address this major problem.

4. **Set up an Empty Container Depot at an optimum location.** Options include (i) the old and decommissioned slaughterhouse and fish market⁶² between Quay 16 and Beirut River. The State reportedly owns this area and (ii) reclaimed land (97,000 m²) belonging to Bourj Hammoud Municipality right across the Beirut River from Quay 16. The dry port would need to be declared as a custom bonded area and used as a Container Freight Station (CFS), containerized used cars, and/or depot for empty containers. This could be done within two months at a low cost (US\$ 2M).

⁶² The slaughterhouse and fish market are no longer operational. They are situated between Quay 16 and Beirut River. The land there is owned by the State.

- 5. Construct a General Cargo/LCL Warehouse.** Pre-explosion, Lebanon had at the POB around 75,000 sqm of storage warehouses for general cargo and vehicles, which almost all were destroyed. However, the actual need is around 20,000 m² for handling general cargo and less than container load (LCL) - groupage. It is recommended that, in the short-term, a shed/warehouse of 10,000 m² capacity with partitions for different types of cargo be constructed. This could take 3-4 months to construct at a cost of US\$ 3M. This should be located between Basin 3 and Basin 4. Suggested specifications include demountable metal structures for dry cargo, 15 meters high, four floors, with forklifts as well as safety equipment – alarms, fire extinguishers, and proper ventilation. This warehouse should be located around 100 m away from quays to allow better handling and reduce congestion at the time of ship unloading.

The POB must adhere to IMO rules requiring direct delivery of hazardous goods without the need for any storage at the POB. However, a small warehouse (5000 m²) is required. See item 22 below. The adoption of trade facilitation measures will also reduce the need for long storage needs at the POB. Further, Customs should reduce the grace period for storing cargo at the POB from six months to one month. In other words, the POB should not be used as a storage facility.

Note that LCL containers are currently being directed to the Port of Tripoli for release, causing additional delays due to rerouting.

- 6. Rehabilitate four buildings in the Free Zone (three industrial buildings) and the Duty-Free Market building.** These facilities are essential to start again, given that the operations of businesses have halted, and people working there are temporarily unemployed. A glass dome is needed for the DFM building, and repairs are required for the FZ and DM, including doors, windows, dividers, and electrical works. A one km fence needs to be rehabilitated, given the current high level of theft from the Free Zone by individuals infiltrating the damaged wall. The total estimated cost for the FZ is around US\$ 1M, and the DFM is US\$ 400K.
- 7. Relocate the MI inspection zone and implement risk-based targeting.** Lebanese Armed Forces (LAF) - Military Intelligence (MI) operates an inspection area within the POB before exiting Gate 14. Cargo exiting the port is subject to inspection by the MI consisting of documentary checks and/or physical inspection of cargo. Given the LAF inspection area's inconvenient location, it is reported that these checks cause major congestions and delays complicating movement for cargo exiting the POB and complicates movements within the POB. This process could take up to 20 minutes per truck. The MI inspection area is recommended to be relocated to a more convenient venue, and risk-based targeting to reduce 100% inspections.

8. Secure the following critical needs for TC/GEPB:

As a result of the August 4 explosion, the following are needed:

- Rehabilitation of the four administration buildings at POB (US\$ 1.5M). Until restoration is completed, GEPB needs 30 prefab houses at a total cost of US\$ 270K. In addition, barbed wires for security (4000 m and four iron gates) until walls are rehabilitated (US\$ 200K).
- The container terminal operator “BCTC” building also requires restoration with an additional US\$ 200K. Restoration includes cladding, windows and window frames, false ceilings, doors, lights, and furniture, mainly cabinets.
- TC/GEPB office equipment: 30 laptops with licensed software, six photocopiers, and scanners, as well as servers. (US\$ 100K)
- POB water reservoir (water tower) (US\$ 250K)

- POB Gas station (US\$ 500K)
- Damaged TC/GEPB vehicles, including five SUVs, five passenger busses, and five pickup units with flip-flops 5 tons (US\$ 400K)
- Monitoring devices, cameras, control room CCTV, private watchtowers-cameras (US\$ 400K). This includes a tier I control room with minimal network and backup for all gates connected at a central control room.⁶³
- New Jersey blocks – 300 m made of plastic, required for safety (US\$ 75K)

TC/GEPB have indicated needs for the following to be acquired on the short to medium run to enhance operations at the POB:

- Two power generators (total 1000 KVA – 1 MW) to strengthen the POB Power Station and spare parts (US\$ 400K)
- Reach all basket crane with 25 m reach. (US\$ 35K)
- Large crawler: one unit 300 Tons, ten units 160 Tons, two units 25 Tons (brand new no information on prices, replacing current old crawlers with similar ones “P&H 1980” in Lebanon or imported old = (total US\$ 3M).
- Six mobile harbor cranes at three general cargo quays (10, 11, and 12) and yard handling bulk cargo. (US\$ 15M)

9. Secure the following critical needs for Customs:

As a result of the August 4 explosion, the following are needed:

- Customs Building - Reconstruct Warehouse 19 for use by Customs. The debris has been fully cleared at this warehouse. A steel structure with panels can be put in place within three months. The costs are approximately US\$ 800K. This is critical to resume full customs operations at the POB and eliminate the need for services at the Beirut Airport.
- Customs Equipment/Furniture - Install necessary ICT equipment, networks, and furniture at the reconstructed Warehouse 19 to enable processing of declarations and payments at the POB instead of Beirut Airport. The number of staff that were operating at the Port was around 100. Costs are estimated to be around US\$ 300K.
- Import Inspection Yard - Complete the Customs Import inspection yard's clean-up to speed up the container inspection process. Not all debris and damaged containers have been removed as of date. The cost is around US\$ 50K.
- Export Inspection Yard - Build a shed and Port-a-Cabin at the original Quay 6 and move back operations there from a temporary location at Quay 13 (behind the X-ray machine). The cost is around US\$ 200K.
- Non-Intrusive Devices - Acquire new radiation and X-ray scanners. Specifically, there is a need to replace the two damaged Radioactive Portable Monitors (RPMs) at the cost of around US\$ 120/unit (total US\$ 240K)

Apart from the aforementioned, which were the result of the explosion, there is a need to acquire:

- Two additional RPMs at an approximate cost of US\$ 240K
- At least one X-ray container/vehicle inspection scanner at a cost of around US\$ 5M/unit

⁶³ TC/GEPB claims that these existed before, and were damaged as a result of, the explosion.

These RPMs and X-ray scanner will need to be received and operated by the Lebanese Customs. It is important to note that the Italian Government recently donated to Lebanese Customs two used (10-year-old) x-ray scanners.

10. Replace damaged general/bulk cargo equipment owned by stevedoring and trucking companies:

Table 16 below lists damaged general/bulk cargo equipment. These are all owned by private sector stevedoring and trucking companies.

Table 16 – Damaged General/Bulk Cargo Equipment

Items	Approximate Cost (US\$)
35 mobile cranes for steel: capacity 50 to 300 tons	6M
12 mobile cranes for general cargo: capacity 25 tons	1.5M
34 forklifts 1.5 to 10 tones	1.3M
30 trucks	2.6M
78 trailers	3.5M
7 tractors	750K
2 water cisterns	270K

11. Conduct a Study for Optimizing cargo movement within the port complex. Reorganize routing of trucks within the POB for optimal movement of cargo and lowering the level of congestion. The approximate cost is around US\$ 100K.

Medium-Term:

12. Rehabilitate Quay 10. This quay was the most important general cargo quay at the POB, given its length of 450 meters. Further, Quay 10 sustains winter/weather conditions better than Basin 4 quays, which are more exposed to North Wind and waves above 4.5 meters. The explosion caused significant damage to parts of this quay. The yard incurred minor damage from debris and needs cleaning. The total estimated costs for both quay and its yard are US\$ 8M. It can take around one year to rehabilitate.

13. Reconstruct the building housing General Security. The previous building was old and destroyed beyond repair. The approximate cost for reconstructing and equipping is around US\$ 500K.

14. Reconstruct the building housing LAF-Military Intelligence. The previous building (small) was old and destroyed beyond repair. The approximate cost for reconstructing and equipping is around US\$ 250K.

15. Install fenders for Quays 9, 10, and 11. The estimated costs are US\$ 1M. The installation of fenders can only be performed for Quays 9 and 10 after completing works at these two quays.

16. Construct another General Cargo/LCL Warehouse. Another warehouse of 10,000 m² should be built within one year at the same cost of US\$ 3M also between Basin 3 and Basin 4. This warehouse should be located around 100 m away from quays to allow better handling and reduce congestion at the time of ship unloading.

- 17. Construct CFS/Cars Warehouse.** This would be a warehouse for stripping secondhand cars arriving in containers. The approximate cost is US\$ 3M.
- 18. Construct a Warehouse for IMO Cargo.** There is a need to construct one warehouse (5,000 m²) for IMO dangerous goods with special equipment for handling fire, including extinguishers. This warehouse should be located around 300 m away from quays behind the two-general cargo/LCL warehouses. The approximate cost is US\$ 3M.
- 19. Establish a general purpose open paved area behind Basin 3 and 4.** In modern ports, with the growing percentage of cargoes carried in containers as more goods are moved from breakbulk to containers, the requirement is for large areas of paved open storage space, with the containers providing storage for the goods. Special project cargoes need paved storage areas until they can be removed from the port. Imported vehicles also need large, paved areas for storage, and often for added value activities, until these can be moved to the consignee. Estimated costs are US\$ 2 million for a 10,000 m² area.
- 20. Acquire three radars and Vessel Traffic Management System (VTMS).** These were damaged during the Israeli-Hezbollah conflict and needed to be acquired by MOPWT and installed under the responsibility of Harbormaster. The total cost is around US\$ 2M. Currently, the POB uses Vessel Traffic Services (VTS) that are based on Marine VHF radio and marine traffic. The VTS normally integrates information from sources such as radar, Automatic Identification System (AIS), and closed-circuit television sites in a command-and-control room. The absence of vital equipment such as radars, control room hardware, closed-circuit television sites, and VTMS undermines VTS at POB. Recently, the French Government installed AIS for the POB.
- 21. Reconstruct Free Logistics Zone Warehouses.** The construction of the Free Logistics Zone warehouses is more complicated given the held up on insurance claims by private owners of these warehouses. It will take 6-12 months to reconstruct the Logistics Free Zone. The estimated costs for rebuilding LFZ are US\$ 16M. Some owners of warehouses which have managed to secure funding have started to reconstruct some of the warehouses. It is important to get the LFZ up and running again, given that businesses located in the LFZ are not operating, leaving many people who were working there temporarily unemployed.
- 22. Reconstruct the FreeGoZone (cold storage facility).** The FreeGoZone for cold logistics services is one of the severely damaged warehouses in the LFZ and the only cold storage facility within the POB area. It has 5000 palette positions with average yearly volumes of 4000 TEUs. Dry, chilled, and frozen cargo are stored at the FreeGoZone (e.g., imported meat and fish, exported agricultural produce, re-export). Transit cargo (10 TEUs) for United Nations Disengagement Observer Force (UNDOF) is stored at the FreeGoZone on a monthly basis. McDonald is an import client of 300 TEUs per year. A third-party logistics (3PL) example for re-export includes pharmaceuticals from the Gulf Region, especially during the hot season. The reconstruction will also take around one year at a cost of around US\$ 6M. The FreeGoZone reconstruction is also pending compensation by insurance companies.
- 23. Acquire additional equipment for general/bulk cargo handling.** This could be acquired by TC/GEPB or private stevedoring companies:
- Forklifts: ten units for 3 Tons and five units for 5 Tons. (total cost around US\$ 750K)
 - Small Bulldozers: five units BOB Cats (total cost around US\$ 125K)
 - Weighbridge (around US\$ 180K)
 - One mobile truck scale (around US\$ 70K)

- 24. Develop a System for Archiving Port Information.** TC/GEPB has a data room, but none exists for the overall port. The cost of an off-the-shelf software/data room, its adaptation, and installation is around US\$ 300K. This would also be useful for providing information to interested investors.
- 25. Conduct Maintenance Dredging for Quay 1.** Sedimentation from vessel movement created a sand trap and a shallow quay that requires dredging at this quay. The cost is approximately US\$ 100K for the removal of around 20,000 m³.
- 26. Apply smart technology at Gate 14 to facilitate entry/exit from the POB.** Entry and exit for trucks through the main gate present a major constraint, with long truck queues at this gate at peak times (10:00 to 13:00). Gate 14 has multiple lines, yet only one exit line is usually in operations. Roadside inspections carried out by LAF personnel on the main arterial road's curve and near Gate 14 are further causes of delay. These vary in frequency, are not predictable, and can override customs inspections on security grounds. They often create queues of trucks that can extend for several hundreds of meters and hinder traffic circulation in the port. A review of the procedures at in-and-out gates, and the introduction of smart technology such as Automatic Number Plate Recognition (ANPR) using optical character readers for trucks and other vehicles, linked with electronic data on trucks, cargoes, and other vehicles, can be used to dramatically cut the time needed for trucks to enter and leave the port. The estimated cost is US\$ 500K.
- 27. Establish a Gate/Truck Booking System.** Entry and exit for trucks through the main gate are described as being a major constraint, with long truck queues at this gate at peak times (10:00 to 13:00). Gate 14 has multiple lines, yet only one exit line is usually in operations. Roadside inspections carried out by LAF personnel on the curve of the main arterial road and near Gate 14 are further causes of delay. These vary in frequency, are not predictable, and can override customs inspections on the grounds of security. They often create queues of trucks that can extend for several hundreds of meters and hinder traffic circulation in the port. A review of the procedures at in-and-out gates, and the introduction of smart technology such as Automatic Number Plate Recognition (ANPR) using optical character readers for trucks and other vehicles, linked with electronic data on trucks, cargoes, and other vehicles, can be used to dramatically cut the time needed for trucks to enter and leave the port. The approximate cost is \$400K.
- 28. Reorganize Truck Movements within the Port.** Internal roads serving several areas of the port are narrow and congested. Internal road traffic flow patterns have been very slow, and the road system at the main eastern gate is poorly designed and configured. It is too narrow and severely congested with trucks parked at the side of the road. The lengths of the route-operating cycles for trucks between quays, yards, and gates for different cargo types need to be reduced. In addition, the potential for accidents to occur using the pre-explosion road layout has been high, with a need to establish safer truck routes at the soonest. Taking advantage of additional space that can be made available by removing unnecessary warehouses, the road system can be completely reviewed. Redesigning the road network to provide the most efficient access routes between quays, inspection points, and gates can bring massive benefits. Roads can also be widened to provide safer transit routes for trucks and port equipment, taking into account new warehouses' locations. The approximate for re-organizing the road system is US\$ 4M.

Long-Term:

- 29. Reconstruct Quay 9.** In addition to the removal of sunken vessels (Abou Karim I), the explosion caused significant damage to Quay 9 and its yard. The reconstruction of Quay 9 falls under TC/GEPB (port authority) as a management contract of concession agreements (in case decided for

general cargo terminals) they do not normally cover infrastructure works. The cost for the quay and its yard is estimated at US\$ 29M. The implementation can take 12 to 18 months.

- 30. Improve Road Entry/Exit to the POB.** Beirut's main highway system interface is badly laid out and affects traffic flow patterns in the area. Four lanes of the highway connect to a single-entry road leading to gate 14 and exit from the same gate is also through a single lane leading to the highway. With road congestion inside and outside the port boundary and delays passing through entry-exit gates, the average driver can only make two working trips in one day, increasing transport costs to merchants. It is recommended to widen the road connecting gate 14 with the highway to at least two lanes, either way, to allow smoother truck operations with less road congestion. The estimated cost is around US\$ 700K.
- 31. Install fenders for Quays 13, 14, and 15.** The estimated costs are US\$ 500K. The installation of fenders can only be performed after the removal of Basin 4 debris.
- 32. Extend the current breakwater.** POB is referred to as a summer port (container terminal) due to high waves (4 m) at quay 16 in winter. This hinders all year-round operations. An extension to the breakwater would better prepare the container terminal for the future. The cost is estimated at US\$ 50M. A feasibility study at a cost of US\$ 1M is required before launching construction to ensure appropriate conditions of seabed.
- 33. Relocate Beirut Pilotage Station.** By cleaning the breakwater from sunk ships (see Section C below), then BPS can be relocated there (if LAF approves) from Quay 6. Another option is to relocate the BPS from Quay 6 to Quay 3. This will free up Quay 6 for additional bulk cargo capacity. The estimated cost is US\$ 1M in case of relocating to the breakwater and US\$ 200K for relocating to Quay 3.
- 34. Acquire additional tugboats.** In the long-term, the POB needs two tugboats, 35m size (twin engines with 200-3400HP-BP45) at a total cost of US\$ 9M.
- 35. Construct a multi-story building for cars.** An area of 10,000 m² for constructing a multi-story (four) deck building for storing imported new vehicles. The estimated cost is US\$ 12M.
- 36. Designate two areas for bulk cargo handling.** These would be open areas with proper equipment for handling special bulk cargo such as iron handling equipment. The estimated cost is around US\$ 4M.
- 37. Develop/Acquire a Modern Port Community System.** To improve data sharing among port stakeholders and reduce paperwork and duplicative work, the POB needs to have a modern Port Community System (PCS). This will require upgrading the current Terminal Operating System (TOS) to NAVIS⁶⁴ N4 and linking to the information system of the TC/GEPB, Customs, shipping agents, freight forwarders, clearing agents, the Harbormaster, and the other operators providing services at the Terminal. The estimated cost is US\$ 2-3M.
- 38. Reduce excess crane capacity at the POB container terminal.** A factor that also affects terminal operations is the distance between the cranes. Crane spacing at Quay 16 is a short 70 meters on 1,100m of the quay. World average spacing is 140m, around double the spacing in Beirut. Spacing in

⁶⁴ Navis is a leading US IT company specializing in container terminal operations.

Asian ports, which are generally recognized to be more efficient, is 115m on average. For a busy terminal such as Beirut in 2019, a spacing of 100m between the cranes could be considered optimal. Ideally, Beirut would have 10-11 STS cranes available for container handling over the available quay length, supported by 25-28 RTGs, with a working yard area of 48,000 m². Having too many STS cranes and RTGs represents an over-investment in very expensive resources that require potentially inefficient expenditure on their maintenance if they are all being operated. If they are not being operated, the equipment will deteriorate over time and need to be refurbished when brought back into use. Consideration should be given to selling some of these cranes to the Tripoli Port or move to a new container terminal at the POB or elsewhere if decided to move in this direction. More specifics will be provided by Mid-November.

39. Develop a Maritime Single Window. Maritime Single Window allows the exchange of information in real-time between the port of origin and the port of destination as well as any transit port. This will provide reliable information to allow for pre-arrival processing, strengthen risk management, and prevent smuggling. MSW is most common among EU countries and between the EU and countries with an Association Agreement (AA) with the EU. Although Lebanon has not committed under its AA with the EU to integrate into the EU MSW, it is recommended that Lebanon develops MSW in the long run. This could cost around US\$ 3M.

III.2 Removal of Debris, Damaged Assets, and Sunken Vessels

Short-Term:

- 1. Remove debris and damaged containers from the customs import inspection area.** This will create space for accelerating container inspection.
- 2. Complete the removal of debris at the yards of Quays 7, 8, 9, 10, 11, 12, 13, and 14.** In addition to the removal of debris, paving and marking are required for Quays 7, 8, and 10. This will enable these quays to function more productively within four months except for Quays 9 and 10, which require additional works as mentioned above. The approximate costs for removal of debris, paving, and marking are around US\$ 2M, except for Quays 9 and 10, where the amount is included in the estimated costs for their rehabilitation and reconstruction.
- 3. Complete the removal of debris and damaged structures at the Logistics Free Zone and the FreeGoZone.** This will prepare the area for reconstructing them.
- 4. Remove sunken vessels.** Sunken/damaged vessels: such wrecks hinder port operations and significantly reduce port capacity at the berths. These include:
 - Sunken fuel leaking passenger vessel. This was sunk at Quay 9 and shifted to the waters of Quay 11.
 - Sunken Abou Karim I, a seized vessel in 2016 (Quay 9). See Judicial Decisions below.
 - Damaged Vessel MEROSTAR, which had 5000 tons of grain on board (Quay 10).
 - Damaged Vessel RAOUF H, which had 5000 tons of grain on board (Quay 10).
 - Sunken Vessels Blue Dawn, a seized passenger Vessel in 2018. (at the breakwater). See Judicial Decisions below.
 - Sunken Vessels without papers/owners: two sunken barges and one tugboat (breakwater).
 - Sunken tugboat Shark, privately-owned (breakwater).
 - Sunken barge with winch owned by Abourjeili port maintenance (breakwater).

Note that all vessels and boats were sunk at the breakwater before the August 4 explosion.

The LAF, with the support of UNIFIL/other foreign military, can help in this process. The total costs are estimated at around US\$ 2M as it requires the rental of 1,000 tons floating crane.

- 5. Salvage metal wrecks at Basin 1 (Quay 3).** Some metal wrecks need to be salvaged at Basin 1 (Quay 3), used by naval vessels. These have been dumped there for many years by unknown parties, including remnants from the civil war. The estimated cost is US\$ 200K for removing around 50,000 m³.

Conduct maintenance dredging works at Basin 4. The estimated volume to be removed is 150,000 m³ including the turning basin.⁶⁵ The approximate estimated cost is around US\$ 1.8M, including trucking of debris. This can be completed within four months. However, this process could potentially cause some traffic jams to transport the debris to a designated location outside the POB. On the other hand, this effort would offset damages to Basin 3 by creating a fully functional quay wall of 1050 meters at Basin 4.

III.3 Judicial Decisions

- I. Act on the release of five seized vessels at the POB.** There are five seized vessels at the POB, which require judicial decisions to remove them from the POB and allow for more berthing space. Some of these were sunk as a result of the explosion (Abou Karim I and Blue Dawn—see above). These are:
 - Seized Vessel NELORE on November 22, 2018, due to commercial disputes. It was sold abroad, while in dispute, and renamed to Abou Karim II. Still pending Lebanese judicial decision to be released.
 - Seized Vessel Abou Karim I in 2016 due to commercial disputes, by the decision of the court as requested by MEAB Bank/FRANSABANK and other parties. This vessel has been sunk as a result of the explosion. No judicial decision has been made concerning this vessel.
 - Seized Vessel Abou Karim III in 2016 due to commercial disputes by the decision of the court as requested by MEAB Bank.
 - Seized passenger vessel Blue Dawn on December 4, 2018. This vessel has been sunk, and no judicial decision yet to release it.
 - Seized tanker used for private bunkering AMADEOII on June 24, 2020. This tanker is pending arrangements and sale for scrapping.

III.4 Safety and Security

Short-term:

- I. Repair the control tower room at the TC/GEPB.** The Control Tower Room located at the TC/GEPB main building was damaged as a result of the explosion. Immediate repairs and equipment replacement are needed before winter to make sure the POB can effectively manage and secure safe entry of vessels at anchorage area for berthing at the POB as well as fuel tanker vessels destined to unload at sea station through pipelines to private fuel storage facilities North of the POB. Estimated costs are around US\$ 200K.

⁶⁵ The debris at Basin 4 were not the result of the August 4 explosion. TC/GEPB wanted in 2013 to reclaim Basin 4 and expand the container terminal by throwing garbage and scrap into Basin 4, kill its operations and claim later the need to better utilize it as an extension to the container terminal.

2. **Charter two tugboats for temporary relief of tugging needs.** To enable safe berthing of vessels, the Beirut Pilotage Station, a privately-owned company, incurred damage to its equipment as a result of the August 4 explosion. The BPS currently needs:

- Engine repair for two tugboats (estimated at a total of US \$ 300K)
- Miscellaneous repairs to all five tugboats, including windows, doors, ceilings, generators, electric cables, electronic equipment, and furniture. (total around US\$ 200K)
- Engine repair for two pilot boats (estimated at a total of US\$ 40K)
- Seven new mooring boats: two on the short-run (US\$ 400K) and five on LT (US\$ 1M)
- BPS Office repairs (around US\$ 80K)

Although BPS has its own insurance policy, insurance companies' payments are pending the outcome of the investigation.⁶⁶

Lebanon does not have dry/floating docking stations for repairing vessels and boats. These will have to be transported to Cyprus, Turkey (Tuzla), or Egypt (Port Said) for repair.

In the Short-Term, MOPWT and/or TC/GEPB, to ensure marine safety, should step in and work with PBS to arrange the chartering of two tugboats and one pilot boat from neighboring countries, temporarily deploying them at the POB. The estimated rental cost is US\$ 700K.

3. **Improve Security and Safety Standard Operation Procedures (SOPs).** Conduct a detailed review of existing security and safety SOPs and align with ISPS code. Provide extensive training to relevant POB personnel and security agencies.
4. **Review Security and Safety Oversight and Decision-Making Processes.** It is critical to examine the role of various port stakeholders concerning existing security and safety and revise the mandate with clear authority and responsibilities, including eliminating unnecessary redundancy. This should be supported with a legal framework for accountability.
5. **Appoint a new Port Facility Security Officer (PFSO).** The POB is considered a Level 2-certified International Ship and Port Facility Security Code (ISPS) with a designated Port Facility Security Officer (PFSO) responsible for the effective security of cargo and cargo handling equipment at the POB, supervision of cargo handling, and general port security. The PFSO implements the POB port facilities security plan. The PFSO has been arrested as a result of the August 4 explosion. TC/GEPB must appoint a replacement with relevant certifications.
6. **Remove unclaimed, high-risk IMO containers.** There are 42 unclaimed IMO containers (hazardous and dangerous goods) that are stuck at the POB container terminal and scattered harmful and dangerous substances scattered throughout the POB. Some of these containers are leaking and considered dangerous to operators. GEPB estimated US\$ 3.6M to remove and destroy this cargo safely based on an offer from a German company. All scattered hazardous and harmful substances at the POB have been collected and stored in 10 additional containers. There are 52 containers that are now ready to be removed by German firm Combi Lift.

⁶⁶ Insurance companies have refused to compensate damages resulting from the August 4 explosion, pending the investigation outcome as this will determine whether or not the explosion cause falls under individual insurance policy coverage (accident, terrorism act, etc.).

- 7. Appoint a new POB Security Officer and HSSE Team.** The TC/GEPB needs to immediately act on hiring a new Port Facility Security Office, given the importance of this position and a very small HSSE team as per the ISPS Code. Given the current hiring freeze imposed in 2019 by the Parliament, the TC/GEPB may consider appointing existing qualified staff at the POB for these positions.

Medium-Term:

- 8. Establish Fire Brigade at the POB.** This will require constructing fire Station Construction (500 m²) and the acquisition of fire-fighting equipment, including two fire trucks, as well as one ambulance and an onsite medical room (two doctors and four nurses). The overall estimated cost is US\$ 1.6M, excluding operational costs.
- 9. Establish a Central HSSE Control Room.** This room should monitor land and water perimeters/gates and internal operations of the POB. It should be accessible by all security agencies at the POB. In addition to enabling greater cooperation and coordination among security agencies and maintaining security at the POB, it will relax double inspections at the gates by security agencies, reduce port congestion, and facilitate trade. Further, it will increase compliance with the International Ship and Port Facility Security (ISPS) code. The cost is estimated at US\$ 8M.
- 10. Improve Control over Dual-Use Goods and Hazardous Materials.** There is a need to establish (i) a list of controlled dual-use goods⁶⁷ and substances and hazardous materials (including volumes, level of purity) that are permitted to be received at the POB; and (ii) sound control and screening procedures for these types of cargoes. Effective risk profiles should be developed for these types of cargoes and integrated into Najm (ASYCUDA World) – Customs Information System- for targeting relevant trade transactions. Capacity building of Lebanese Customs and relevant control agencies needs to be developed to identify these goods and take appropriate actions. Online access to lists of dual-use goods allows importers to check whether goods they wish to import are restricted should be developed. Lists of such goods should be updated regularly to keep pace with changes in technology. Current import/export licensing requirements should be expanded to cover all items on these lists.

III.5 Grain Silos

Short-Term:

- 1. Explore other alternatives to the current direct discharge of grain vessels.** The current practice of direct discharge of grain vessels at Quay 12 using ship cranes and yard equipment (grabs) as a temporary solution has been working. The process, however, has some drawbacks. Post-explosion, WFP, and private traders use Quay 12, under the MOET silos employees' supervision, for direct discharge, using ships' cranes and grabs, of grain from ships to trucks for delivery to in-city storage silos and warehouses associated with mills. Within Beirut's city limits, there are over ten mills with a grain capacity storage exceeding 50 MT, which is 40% of the total capacity of the POB destroyed. It is important to note there is some contamination risk (e.g., dust) in using grabs and possible wastage. In addition, grabs cannot be used during certain weather conditions (rain or wind), which may complicate this process.

⁶⁷ Following the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies of 1996.

WFP tends not to use POB facilities for storing grains. WFP vessels normally stay at the quay for around one month. They are used as floating storage where WFP discharges grain from these vessels as needed directly onto trucks for final delivery. Thus, WFP is not concerned with the need for any storage at the POB. Note that this process is actually causing a problem for the POB at this point, given that the quay is occupied for an extended period and causing delays in berthing for other vessels. Essentially, this is undermining effective berth utilization.

With respect to commercial imports of grain, direct delivery from small vessels to trucks using grabs could take 3-6 days to empty a vessel, whereas it takes 1-2 days if ships are discharged directly to silos via ship loaders. Ship delays increase the cost of importing. In addition, the process of using grabs could cause losses and contamination. Further, direct delivery may be problematic during bad weather conditions leading to further delays for ships and, thus, higher costs. Further, it is not practical to discharge large vessels through direct delivery. Importing via large vessels is cheaper than smaller vessels, given the economies of scale. The current situation is unacceptable for stakeholders as it increases costs to all concerned.

2. **Acquire three mobile pneumatic ship loaders-unloaders and conveyors.** This will significantly accelerate the grain discharge process at Quay 12. The total cost around US\$ 750 K with 160 MT/hour capacity.

Medium-Term:

3. **Acquire easy-to-install corrugated silos to provide for adequate grain storage.** Until silos are built by MOET using resources from the Kuwaiti Fund, launch the process of contracting the erection of corrugated steel sheet silos of capacity 40,000 MT to support adequate interim storage for grain at the POB. This will ensure minimum food security needs for the country in conjunction with direct discharge at POB Quay 12 and an increase in import of grain through direct discharge at the Port of Tripoli. This process involves the simple assembly of ready-made silos that could be erected within 4-6 months. The estimated cost is around US\$ 6M. In addition, two-grain loaders/unloaders with a capacity of 600 MT/hour or above need to be acquired. The cost will depend on specs, height, and distance from quay to silos. The total estimated costs are US\$ 2M.
4. **Develop a national strategy for grain silos.** In consultation with stakeholders and the funding agency (currently Kuwait Fund for Arab Economic Development),⁶⁸ MOET needs to decide whether steel or concrete silos should be constructed and their capacity in MT. If the same capacity as before (120,000 MT), the steel option will cost around US\$ 17M, whereas the concrete option will cost around US\$ 40M. If it is decided to keep long-term storage at the POB (120K MT), the new silos should be pushed back from their original location by 50 meters. If it is, however, recommended that only interim storage remains at the POB (around 40K MT) to be constructed as corrugated steel close to Quay 8 to eliminate prior operational constraints to Quays 7 and 9. It is suggested that MOET consider constructing 40K MT silos outside the POB. It is also suggested that grain silos of 20 MT capacity each be constructed at the POT and Saida Port.

It is important to consider the tradeoffs between steel and concrete silos. Table 17 shows the advantages and disadvantages of these two options. Excluding land, the construction of 40,000 MT

⁶⁸ A US\$ 30M loan. Our sources indicate that the process of disbursing these funds is still at very early stages where studies are being conducted to be followed by open tenders for construction. The process is estimated to take 2-3 years before any silos are constructed.

concrete grain silos is around US\$14 M versus US\$ 6M for steel. Actual construction could take 2-3 years.

A national strategy for grain silos should be developed. It should consider all aforementioned and the possible option of constructing two new ports to replace the POB.

Table 17 – Advantages and Disadvantages of Steel vs. Concrete Silos

Silos Type	Advantages	Disadvantages
Concrete	<ul style="list-style-type: none"> ➤ Less land area ➤ Better quality of grain for long term storage, especially near the sea ➤ Less maintenance ➤ Fewer loaders, unloaders, belts required ➤ Lifespan is average around 100 years and can be higher 	<ul style="list-style-type: none"> ➤ Long time construction ➤ 3-times more expensive than steel silos ➤ Construction is prone to mistakes
Steel	<ul style="list-style-type: none"> ➤ Can be operational within one year ➤ Easy to expand ➤ Fasted unloading operations to trucks ➤ Cheaper to construct and can be easily replaced 	<ul style="list-style-type: none"> ➤ High maintenance, especially when close to the sea ➤ Much bigger land space required ➤ Lower storage quality for long term storage ➤ Lifespan is 30-40 years

III.6 Governmental Actions

Short-Term:

1. **Address the POB's lack of funds to import critical equipment and spare parts.** The POB revenue is in USD paid at the official exchange rate of 1500 L.L. while the actual black-market rate is above 8000 L.L. for securing foreign exchange to import necessary critical equipment, spare parts, and other essential items. This is affecting infrastructure works and superstructure replacement and maintenance at the POB. Addressing this critical problem is important to prevent the stoppage of operations, which will (i) lead to trade disruption and a crisis due to shortages in vital imports; and (ii) hinder exports of containerized cargo, especially fresh produce.⁶⁹ This major problem needs to be immediately addressed.
2. **Relax parliamentary decision restricting expenditures affecting TC/GEPB.** The Lebanese Parliament prohibited in the 2019 budget the TC/GEPB from making any expenditures except for paying salaries. This decision must be, at least partially, relaxed to allow TC/GEPB to undertake critical works and acquire the necessary equipment. The Parliament needs to simultaneously impose a certain level of supervision through relevant authorities to ensure transparency and safeguard against any misuse of funds and corrupt practices.

⁶⁹ Since the eruption of the Syrian crisis and the closure of border crossing points in Syria for transit, Lebanon has been relying on sea transport to get its agricultural goods to markets in the Gulf countries through reefer containers (refrigerated).

IV. TRADE FACILITATION

The introduction of sound trade facilitation measures at the POB is critical to accelerate cargo processing, which will free up space at the port, lower the level of congestion, and reduce the need for expansion and capital investment. The average dwell time at the POB for containers is around 12 days. The actual customs clearance is around two days. If an inspection is required, the process can go up to 5 days and sometimes seven days in case the container is moved to the customs inspection area on Friday. The time for issuing “visas” (approvals) by trade-related ministries/agencies takes 1 to 15 days, depending on the type of product as testing may be required. As a result of the August 4 explosion, overall delays increased by 1.5 times during the initial weeks after the explosion. These delays have been, however, reduced to a level closer to pre-explosion. Nonetheless, clearing agents continue to have to shuttle, at some cost for traders, back and forth between the POB and Beirut Airport, where customs clearance paperwork and payments are handled. Trading delays translate to additional costs, which lead to an increase in prices for imported goods, negatively affecting the purchasing power of Lebanese consumers and lowering the competitiveness of Lebanese producers and businesses as well as port competitiveness for attracting transit and transshipping cargo. Further, high dwell time leads to greater congestion at the POB and requires greater investments in storage facilities and inefficient use of port land.

Although the 2000 Customs Law largely reflects the World Trade Organization (WTO) Customs Valuation Agreement (CVA), there is limited acceptance of the transaction value, which is the main recommended method in the CVA. In addition, there is wide use of price referencing and arbitrary values, which are both prohibited in the 2000 Customs Law and the CVA. Traders report excessive over-valuation for the purpose of bribe solicitation. In addition, there is widespread undervaluation, including changing (possibly in return for bribes) classification of goods or origin with the purpose of benefiting from preferential trade arrangements and for political and religious favoritism and personal connection. Apart from undervaluation, there are reports of smuggling through the Syrian borders, through illegal points and official posts, including the POB, by falsifying the origin of goods.

Implementation of the WTO Trade Facilitation Agreement (TFA) will reduce trading costs and delays, and corrupt practices, and improve competitiveness. The TFA contains around 37 substantive provisions that lead to the following potential benefits:

Table 18 – Potential TFA Implementation Benefits

Potential Benefits	Out of 37
Reduction in corrupt practices	22
Efficient government operations	22
Reduction in clearance time and costs	21
Increase in transparency	19
Improvement in fiscal revenue	14
Greater cooperation among stakeholders in the private sector and public sector	13
Greater cooperation with other countries/trading partners	10

Source: Economic Integration Forum, Inc.

Comprehensive reforms related to trade policy and customs regime in Lebanon, in line with the World Customs Organization (WCO), Revised Kyoto Convention (RKC), and WTO agreements, are long

overdue. These will entail (i) adopting a modern customs law⁷⁰ and implementing regulations and procedures; (ii) reforming trade policy and reducing unjustifiable non-tariff measures; (iii) implementing a range of trade facilitation measures, including streamlining trading requirements and procedures, digitalizing trade procedures, introducing electronic trade single window and authorized operators program, strengthening risk management and post-clearance audit, and enabling e-pay and pre-arrival processing; and (iv) strengthening institutional mechanisms including appeals and arbitration, advance rulings, and inter-ministerial cooperation. Extensive capacity building will be required for Lebanese customs officers and stakeholders (e.g., clearing agents, freight forwarders) and private sector awareness concerning the new rules and procedures. Additional soft measures/policies, such as allowing direct delivery of bulk/general cargo and reducing bonded storage at POB from six months to one month, will dramatically reduce congestion and storage needs at the port.

This section details required trade facilitation measures, which should benefit all Lebanese ports and all of Lebanon’s trade through other transport modes (land and air). Annex F provides a detailed mapping of import/export processes. The short-term measures will help to get the POB operations back to the pre-explosion state and contribute to countering COVID-19 by accelerating the flow of food products and medical supplies by reducing the level of direct interactions between the trading community and authorities. Technical assistance for the introduction of trade facilitation measures, including ICT systems/databases and web solutions, is estimated at around US\$ 36M. A summary list of trade facilitation measures (44) is provided in Table 19 below.

Table 19 – Recommended Trade Facilitation Measures

Time Frame	Measures
Short-Term	<ol style="list-style-type: none"> 1. Review/Revise the Draft Customs Law to ensure consistency with the WCO Revised Kyoto Convention and the relevant WTO agreements (CVA, ROO, GATT, TFA, and TRIPS). 2. Use the information submitted by declarants to NAJM to process the declaration without the need for submission of declaration and supporting documents in original and hard copies. 3. Allow electronic access to relevant supporting documents (e.g., certificates) by trade-related ministries and agencies for approvals and issuance of visas. 4. Promote payments by bank transfers and personal checks with a bank guarantee. 5. Promote and educate the private sector on the possibility and mechanism of payments of customs dues by installments as stipulated in Articles 168 and 169 of the Customs Law. 6. Facilitate/encourage inspection at importers’ premises for large importers to free up space at the POB. 7. Customs to enforce in practice the HCC decision to reduce the level of “random” cargo inspection to 5 percent. 8. Lower currently unfair FIO charges. 9. Increase transparency of POB charges. 10. Address the lack of dry ports and logistics centers in Lebanon. 11. Ensure fair and non-discrimination in the valuation of imports.

⁷⁰ A draft law on customs has been prepared by the Higher Customs Council (HCC). This needs to be evaluated for ensuring full conformity with WTO agreements and WCO RKC.

Time Frame	Measures
Medium-Term	<ul style="list-style-type: none"> 12. Adopt a new law on customs and its implementing regulations and procedures. 13. Transition to the latest AYSCUDA World (AW) version. 14. Develop and implement within AW pre-arrival processing. 15. Strengthen Customs Risk Management (RM) capabilities. 16. Establish an Authorized Economic Operators (AEO) program. 17. Develop a blueprint for a national electronic trade single window. 18. Map and streamline/optimize all trade and customs procedures. 19. Set legal time limits for various trade transactions. 20. Introduce integrated border management. 21. Adopt special procedures for perishable goods. 22. Apply WTO valuation rules. 23. Adopt a mechanism for private sector participation and public-private consultations. 24. Operationalize the Customs Arbitration Commission. 25. Establish an Independent Administrative Appeal process. 26. Allow direct appeals at all levels. 27. Expedite legal proceedings at the customs court. 28. Establish a National Committee on Trade Facilitation.
Long-Term	<ul style="list-style-type: none"> 29. Implement electronic trade single window. 30. Develop Trade Information Portal. 31. Develop risk management capabilities of OGAs. 32. Enable integrated risk management. 33. Develop Post-Clearance Audit (PCA) capabilities. 34. Link PCA and RM. 35. Develop compliance measurement capabilities. 36. Introduce advance rulings for origin, classification, and valuation. 37. Introduce electronic payments. 38. Establish administrative appeals for OGAs. 39. Enhance Customs-to-Customs cooperation with other trading partners. 40. Enable Mutual recognition. 41. Develop an Enterprise Resource planning system for Customs. 42. Establish an Electronic Document Management System. 43. Develop an electronic case management system. 44. Establish an Offence Module lined with AW to the case management system

IV.1 General Overview

Trade facilitation at the Port of Beirut (POB) is critical to accelerate the processing of cargo, which will free up space at the port and reduce the need for expansion and capital investment. Equally important, trade facilitation measures in line with the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) will reduce trading costs and delays, and corrupt practices, and improve competitiveness. Comprehensive reforms related to trade policy and customs regime in Lebanon, in line with the World Customs Organization (WCO), Revised Kyoto Convention (RKC), and WTO agreements, are long overdue. These will entail adopting a modern customs law, reforming trade policy, reducing unjustifiable non-tariff measures, and adopting a range of trade facilitation measures including streamlining trading requirements and procedures, digitalization of trade procedures, single window, authorized operators as well as strengthening risk management and post-clearance audit.

There are no time limits established under legislation for completing clearance of goods or testing by trade-related ministries/agencies. The average dwell time at the POB for containers is around 12 days. The actual customs clearance is around two days. If the inspection is required, the process can go up to 5 days and sometimes seven days in case the container is moved to the customs inspection area on Friday. The time for issuing visas by trade-related ministries/agencies takes 1 to 15 days, depending on the type of product as testing may be required. As a result of the August 4 explosion, overall delays increased by 1.5 times during the initial weeks after the explosion. These delays have been, however, reduced to a level closer to pre-explosion.

Trading delays translate to additional costs, which leads to an increase in prices for imported goods, negatively affecting the purchasing power of Lebanese consumers and lowering the competitiveness of Lebanese producers and businesses.

The Note provides an overview of key aspects of the customs regime in Lebanon as well as the role of various ministries and agencies with respect to importing and exporting. An action plan for short, medium, and long-term reforms to modernize Lebanon's customs regime and streamline clearance of goods in line with international standards and best practices is presented. Annex F provides detailed step by step clearance procedures for importing and exporting. In addition, Annex F.4 describes the roles of various ministries and agencies (around 20 with 28 subunits) with respect to trade, which includes issuing visas for clearing imports.

Reforming Lebanon's trade and customs regimes should be in line with the WTO agreements, given that Lebanon is seeking WTO accession.⁷¹

IV.2 Lebanon's Customs Regime

Customs Legal Framework

Lebanon's customs regime is governed by Customs Law No. 4461 of 2000, which was a modern law at that time. Lebanon needs a new customs law to reflect developments in the customs regime during the last 20 years. A new Law on Customs has been drafted by the High Customs Council (HCC) and is presently at the Council of Ministers. The Draft is not publicly available. In fact, the Directorate General of the Lebanese Customs (DGLC) does not have a copy and has not reviewed the draft. It is important to ensure that the Draft reflects the World Customs Organization (WCO) Revised Kyoto Convention (RKC) and the WTO Agreement on Trade Facilitation⁷² and other relevant WTO agreements (Agreement on Customs Valuation, Agreement on Rules of Origin, General Agreement on Tariffs and Trade, and Trade-Related aspects of Intellectual Property Rights-*Ex Officio*). This should be followed by the adoption of necessary implementing regulations and procedures as well as customs institutional reforms and related capacity building. Further, private sector awareness would be necessary to ensure a clear understanding by the private sector of their rights and obligations under the new law. It is important to note that the HCC sets the customs laws, regulations, rules, and customs duties in

⁷¹ Lebanon applied for WTO accession in April 1999. Negotiations came to a halt after the last working party meeting of October 2009. It is important to note that Lebanon was of the original 22 signatories (mostly developed economies) to the GATT 1947 (predecessor of the WTO). Lebanon, however, withdrew from GATT 1947 in 1951 for unknown reasons. As a founding member, Lebanon was an active contributor to the multilateral trading system.

⁷² The WTO TFA is the most modern and comprehensive international agreement on trade facilitation. The TFA was negotiated during the WTO Bali Ministerial Round in 2013 and came into effect February 2017.

Lebanon. DGLC is responsible for implementing and enforcing these rules; however, there is a lack of strong cooperation between DGLC and HCC.

Customs Operations at the POB

The working hours of Customs at the POB are 8 AM to 6 PM. However, they tend to stop working at 3.30 PM, given that the hours of operations for other authorities end at 3.30 PM, which delays clearance. For safety reasons, the Beirut Container Terminal Company (BCTC) moves containers (slated for inspection or sample taking) at night from/to container yard to the customs inspection yard.⁷³

The Customs main office at the POB is located at Warehouse No. 19 and has a presence at all gates of the POB, internal/external entry points to the Free Zone/Free Logistics Zone/Duty-Free Market, and at the Customs import inspection yard and export inspection yard for containers.⁷⁴ Warehouse No. 19 was destroyed as a result of the August 4 explosion. Customs has temporarily moved to a small building near Gate 14 and were provided limited space at one of the TC/GEPB administrative buildings. A few clearing agents have donated some limited basic equipment to Customs (e.g., computers and printers) to be used at this temporary office. Around 100 customs officers were operating at the POB before the August 4 explosion. The current number is still 100 but split between the POB and the Beirut airport.

As was the case before the August 4th explosion, inspection, when required, takes place on board of vessels prior to the unloading of goods or at the quay as goods are being unloaded from vessels. Although the containers' inspection is continuing at the POB inspection yards (which are not yet fully cleared of debris and damaged containers), paperwork and payments of customs dues have moved to the Beirut Airport, with limited customs resources there. The current conditions are hindering, to some extent, the process of inspection and movement of cargo, and the lack of sufficient resources at the Beirut Airport has been delaying the clearance process. Clearing Agents (CA) often have to shuttle multiple times back and forth between the Beirut Airport and the POB; thus, increasing importing costs. Therefore, it is critically important that Customs resumes its normal operations at the POB.

In terms of value, POB handles almost 72% of the overall trade in Lebanon. Imports and exports are fully cleared at the POB. There are no internal customs houses or dry ports. However, traders may request clearance at their own premises in the case goods require approvals (visas) of Other Governmental Agencies (OGAs)⁷⁵ or at their bonded warehouses outside the POB.

Unlike at Beirut Airport, there are no “customs” warehouses for storing goods at the POB. All warehouses at the Port⁷⁶ are owned, managed, and operated by the TC/GEPB and licensed logistical operators under Customs supervision and control of entry and exit of goods. There are no bonded warehouses at the POB, except those within the POB Free Zone, which fall under the control and supervision of Customs. Nonetheless, the general cargo yard is virtually a bonded warehouse here; many traders keep their goods there for up to six months -or until they have funds to pay customs dues. This has been problematic since the August 4 explosion, given the shortage in space at the POB. The

⁷³ BCTC moves containers to customs inspection area for inspection and taking of samples. The containers are returned thereafter to the container terminal and remains there until final clearance is completed. An exception are reefers containers, where samples are taken at the container terminal in order to avoid changes in temperature and damage to chilled/frozen food products by unplugging for an extended period.

⁷⁴ The import inspection yard is located in an open area near warehouse No. 17 and Quay 9/10 whereas the export inspection yard is located in warehouse 6 near Quay 7.

⁷⁵ Trade-relevant ministries and agencies

⁷⁶ Warehouses at the POB are classified by type of cargo: general cargo, hazardous, chemicals, etc. There are 13 storage warehouses, besides open areas for Ro-Ro and containers.

LAF has been urging traders to claim their cargo to create more space, and many facilities have been given to entice traders to remove their cargo, such as dramatically reducing incurred storage and demurrage fees for all containers that have been stored at the POB for a long time before the August 4 explosion. Given the financial crisis and cash-flow strapped businesses, traders do not have the financial resources to even pay for demurrage and customs dues, and some cargo has been left there indefinitely.⁷⁷

For bulk cargo, they are unloaded from ships directly to trucks for delivery to the importer premises after completing the customs process is complete, and customs dues (duties, taxes, and fees) are paid. Most traders believe that port storage fees and double loading/unloading services are more expensive than keeping goods on board ships for a few days. Most bulk is imported through smaller vessels, usually servicing one importer only. An agreement for extra payment is arranged to hold the vessel for a few extra days at berth. This causes delays in berthing ships waiting at the anchorage.

Risk Management/Inspection

The Lebanese Customs does not broadly or effectively apply risk management. The AW risk profiling facility is poorly used, and its scope is limited to goods subject to licenses/permits and technical controls, and random inspection. It does not consider, for example, the full supply chain (e.g., compliance history, clearing agent, transport, origin, and value of goods) or dual-use goods. In any case, Customs has the discretion to inspect shipments, which tend to increase inspection instances randomly. Before the explosion, almost 80% of the cargo was physically inspected. To accelerate the movement of goods at the Port and free up space, the HCC decided to reduce random inspections to 5 percent. Customs nonetheless continue to inspect almost 40-50 percent of the cargo. Lebanon does not have an effective Post-Clearance Audit⁷⁸ to encourage higher use of risk management at the time of clearance. It is reported that only one person at Customs handles in an *ad hoc* manner external audit.

Customs inspectors usually conduct customs inspections in the presence of the trader or his representative (clearing agents). Usually, customs inspectors inspect a few packages. But if in doubt, they will unstuff the container and inspect all packages.

Although the average waiting time at the customs inspection yard for containers is less than one working day, which is at par with most countries, the whole inspection process, including the moving and handling of the container from the container yard to the inspection area and vice versa, takes on average three working days.

Customs Valuation

Although the 2000 Customs Law largely reflects the provisions of the WTO Customs Valuation Agreement (CVA),⁷⁹ the application is inconsistent with the law and WTO CVA. There is limited acceptance of the transaction value, which is the main recommended method in the CVA. In addition, there is wide use of price referencing and arbitrary values, which are both prohibited in the 2000 Customs Law and the CVA. Traders report excessive over-valuation for the purpose of bribe solicitation. In addition, there is widespread undervaluation, including changing (possibly in return for bribes) classification of goods or origin with the purpose of benefiting from preferential trade

⁷⁷ By law, Customs can auction these goods if not claimed within 6 months.

⁷⁸ There is only one auditor in the Lebanese Customs who conduct his duty in an ad hoc manner.

⁷⁹ The WTO CVA is designed to ensure fairness for traders, safeguard customs revenues, and ensure transparency and predictability in the process of customs valuation.

arrangements and for political and religious favoritism and connection. Further, there is high abuse of duty exemptions, especially those granted to religious organizations. In 2000, all religious sects' organizations were exempted from import duties, noting that Islamic organizations are exempted since 1955, given that they are considered public institutions. The 2019 Budget law lifted the exemptions for all religious sects, including the 1955 law.

Apart from undervaluation, there are reports of smuggling through the Syrian borders, through illegal points, and official posts by falsifying the origin of goods.

Last, Lebanon does not have an agreement or MOU with any of its major trading partners concerning Electronic Data Interchange (EDI) of summary declaration upon exportation to the importing country, including the EU Entry Summary Declaration (ENS).⁸⁰

Key Trade Facilitation Measures

Lebanon has not launched any initiatives to introduce any modern trade facilitation measures such as electronic single window, e-pay, special regimes for perishables and expedited shipments, authorized economic operators, and advance rulings related to origin, classification, or valuation. Although some initial work was completed in 2019 for pre-arrival processing, which was tested at the POB Container Terminal with a few large importers, this process/system is not yet officially operational. It is critical that Lebanon initiate reforms to align with the WTO Trade Facilitation Agreement (TFA), which stipulates the aforementioned, among other things.

Transparency & Stakeholders Participation

There is a lack of transparency in terms of access to information regarding trading requirements and legislative reforms. There is no centralized website for all trading requirements; information is scattered across multiple websites of various trade-related ministries and agencies. Some of the available information is not complete or updated in a timely fashion. The Lebanese Customs has two official websites: customs.gov.lb administered the Customs IT Service and provide customs statistics, general information about customs rules, and Lebanon's tariff schedule. The second one, lebanesecustoms.gov.lb, is not fully populated with information and administered by the Customs Directorate reporting customs news and violations. In addition, there is no formal process for engaging the private sector in legislative changes related to trade policy, trading requirements and procedures, or customs rules and procedures. Consultations with stakeholders concerning reforms and measures are done in an ad hoc manner. Furthermore, there is no formal process providing an opportunity to comment on draft legislation and allow a reasonable period for submission of comments or procedures for consideration of stakeholders' comments.

Last, Lebanon has not established a National Committee on Trade Facilitation, as per WTO TFA requirements, to advance the adoption of trade facilitation measures and address topical trade issues.⁸¹

Judicial, Arbitral, and Administrative Appeals

⁸⁰ Signatories to the Agadir Agreement (Egypt, Jordan, Morocco, and Tunisia) have EDI in place. Lebanon has initialed joining this agreement around 4 years ago. No Steps have been taken to sign and ratify it.

⁸¹ Lebanon established the National Trade and Transport Facilitation Committee (NTTFC) under the Council of Ministers' Decision No. 58 in 2006. Regrettably, the Committee functioned only until 2008. Meetings have not been held since.

Almost all cases are handled through the Customs Court, a Court of First Instance based in Beirut. This process is costly and lengthy.

The 2000 Customs Law requires the establishment of an Arbitration Commission (Chapter 7- Articles 153-165), which deals with disputes that arise between Lebanese Customs and traders concerning the type, description, origin, or value of goods. Although some effort was made toward establishing this Commission, there was no concrete result, and the Commission is still not established as of date.

The 2000 Law calls for resolving disputes first through the Arbitration Commission (prior to court. If the outcome is not satisfactory, then the Customs Court can be pursued. But since the Commission has not been established, there is no other choice besides pursuing cases at the Customs Court, which is an extremely lengthy process. To avoid the courts, which could take up to a decade and more in many cases, traders tend to accept the conditions set by customs.

Note further that there is no formal independent administrative appeal process in place. Some cases related to classification disputes are referred to HCC, which decides on them.

Customs Duties, Taxes, Fees, and Payments

Lebanon’s tariff schedule is based on the WCO Harmonized System (HS 2017). The HCC sets the tariff rates. The average simple import rate is 5.1, with industrial goods equal to 4.0% and agricultural goods 12.6 percent. VAT applies at a rate of 11% for most goods, with some exceptions where VAT applies at zero rate.

Lebanon does not apply any duties or taxes on exports.

Customs charge customs fees on declarations mainly based on the cargo’s customs value (L.L), as shown in Table 20 below.

Table 20 – Customs Service Fees (all figures in LL)

Value	Fee
Less than 5 Million	50,000
5 Million to 50 Million	90,000
50 Million to 100 Million	120,000
Greater than 100 Million	150,000
Personnel effects	150,000
Temporary declaration	20,000
Temporary entry - vehicles	50,000
Temporary entry - yachts	200,000

The below formalities are exempted from service fees:

1. Export and re-export declarations
2. Imports into the free zone and exports from the zone
3. Declarations by diplomatic missions and military
4. Special permissions (given to public institutions)

5. Exemptions are given by law to some entities (President, Diplomatic, Religious (now canceled), army, Members of parliament, etc.
6. Formalities that do not require declarations.

There are customs storage fees for customs warehouses as stipulated in article 322 of the 2000 Customs Law. However, there are none at the POB.

There are also container fees (L.L. 80,000 for 20 feet and L.L. 120,000 for 40 feet) and stamp fees of L.L. 50,000, which are collected by Customs. These are essentially taxes and are in addition to the fees collected by POB for container handling.

Payments of customs dues are made through cashier checks or cash. There is a possibility to pay using a personal check, provided a bank guarantee is provided by the trader, which is released upon clearance of the check.

Scanning/Non-intrusive Inspection

All cargo scanners operating at the POB are owned and operated by Customs.

Radiation scanners

There are six fixed Radiation Portable Monitors (RPM) and one Mobile Detection System (MDS), and multiple handheld monitors at the port of Beirut. They were installed as part of the Mega ports initiative, which seeks to deter, detect, and stop illicitly trafficked nuclear and radiological materials.

The fixed RPMs are located within the port at the following locations:

- Two at the BCTC gate out
- One at the Export inspection area
- Two at Gate 9
- One at the central alarm station next to the X-Ray area

The two located at the BCTC gate out are for monitoring full import containers, while the two located at Gate 9 are for monitoring general and transit cargo to Syria, as for the one located in the export inspection area, it is for monitoring all full export containers. Lastly, the one at the central alarm station is for secondary inspections. After the port explosion, the only functional RPMs are at BCTC gate-out, while the remaining cargo radiation monitoring is done with handheld monitors and one MDS. The damaged RPMs located at Gate 9 (2), export inspection area (1) and the one located at the central alarm station need to be immediately replaced to maintain compliance with international requirements.

X-ray scanners

There is only one container X-ray Scanner in the Port of Beirut and is located at the opposite end of Quay 14. The model is a THSCAN X-ray container/vehicle inspection system manufactured by the Chinese company Nuctech and installed more than 15 years ago. The scanner is slow and requires heavy maintenance.

Due to the economic downturn, the maintenance contract with the Chinese company was not renewed. This has led to the breakdown of the scanner eight months before the Beirut port explosion.

This scanner was mainly used to scan all export containers to Arab countries and some import containers, mainly coal, and used car parts. The customs inspector could also request the scanning of a container in case required, but it rarely happened. The scanning system is not connected to NAJM, so requests were made verbally, and x-ray results were given as print outs for the inspector to check.

A new state of the art scanner is immediately required to fight contraband activities.

Customs Information System

Lebanon's customs information system is based on ASYCUDA World 4.3.0 and is called NAJM, an Arabic acronym for customs information system. Client-server applications are installed by the customs' IT service department on the desktop of authorized users for remote access.

The Lebanese Customs is connected to the Ministry of Health, Ministry of Finance, Social Security, the Vehicle Registration Center and POB. As for implementation with other ministries, it is currently on hold. Except for MOH, the above-mentioned authorities have their own central system communicating with NAJM in real-time through a webserver.

In MOH, NAJM's own client application server was installed on the desktop computers, and user privileges were set according to each department's HS codes as such departments cannot observe each other. The only uploaded document they can access is the invoice, and they could as well accept or refuse visas. An approved visa is given on the final version of the drafted declaration, which automatically registers the declaration.

IV.3 Role of Trade-Related Ministries and Agencies

Besides Lebanese Customs, there are around 20 ministries and agencies (with 28 subunits) with a role related to imports and exports depending on the type of products:

1. Council of Ministers (COM)
2. Ministry of Economy and Trade (MOET),
3. Ministry of Agriculture (MOA),
4. Ministry of Public Health (MOH),
5. Ministry of Defense (MOD),
6. Ministry of Culture (MOC),
7. Ministry of Industry (MOI),
8. Ministry of Environment (MOE),
9. Ministry of Energy and Water (MEW),
10. Ministry of Interior and Municipalities (MIM),
11. Ministry of Telecom (MOTC),
12. Ministry of Finance (MOF),
13. Industrial Research Unit,
14. Lebanese Armed Forces (LAF),
15. Directorate General of General Security (DGS),
16. Lebanese Atomic Energy Commission (LAEC),
17. Order of Lebanese Physicians (OLP),
18. Order of Lebanese Pharmacists (OPH) and
19. Order of Lebanese Dentists (OLD).

Most of these entities do not have a presence at the POB. They are on call as needed. MOA, MOET, LAF, GS, and IRI are the only authorities holding permanent representative offices within the port premises.

1. MOA, specifically animal and plant quarantine personnel, was stationed in the port in front of the second basin's free zone area. They are currently stationed outside the port beside Gate 14.
2. MOET, specifically employees from the directorate of consumer protection, were stationed in the area behind warehouse 19. They are now stationed in the same building with MOA outside the port and next to Gate 14. If cargo requires testing, they will select the sample and then seal it and hand it to the clearing agent to transport it to the laboratory. As such, they are the only authority that allows sample delivery to the laboratory while the others do it themselves.
3. LAF, particularly the army intelligence, is still stationed next to Gate 4. The army intelligence checks certain types of cargoes such as thinner and organic sample and issue visas on the same day, as for the rest of the cargo controlled by the army, such as nitrocellulose, a request is submitted to the army intelligence at the port and is raised to the ministry of defense. In this case, an army specialist from the directorate of military equipment is sent to inspect the cargo.
4. General security was stationed in the building opposite the army intelligence next to Gate 4, but due to the heavy damages that their building sustained, they are currently stationed next to POB headquarter near Gate 14.
5. As for the MOH, in particular, employees from the pharmacy inspection department come to the port twice a week, specifically on Tuesdays and Thursdays, for sample collection.
6. IRI has a permanent representative at the port responsible for taking samples back to the institute. It was located next to warehouse 17 facing Quay 14. For the time being, they have no office in the port but conduct business out of the vehicles outside the POB.

Attachment II provides a detailed description of the role of each trade ministry/agency with respect to trade, including licenses, permits, testing, and visas. These measures are required for importing products, which may affect health, safety, environment, and security.

Visas are required from a large number of ministries and agencies for cargo clearance. Some products require more than one visa (4 visas in some cases), and for some products, two visas are required from different departments of the same ministry. The issuance of some visas may require testing. Except for reefers where samples are taken at the container terminal, containers are moved by BCTC to the customs inspection yard, where samples are taken by the relevant ministry/agency in the presence of Customs and the trader or representative (clearing agent). For bulk cargo, samples are taken on board vessels or at the quay in the presence of relevant parties.

Given that not all ministries/agencies have a presence at the POB, it takes time for other ministries/agencies to send a representative to the POB. The time for issuing visas takes from 1 to 15 days, depending on different ministries and the type of products.

The level of coordination among Customs and other ministries/agencies is not optimum and can be enhanced through improved integrated and coordinated management for clearing goods at the POB. The situation is further exacerbated due to the August 4 explosion, where offices of those ministries/agencies, which had a presence at the POB, were destroyed.

There appears to be duplication and redundant functions, which need to be clearly identified and eliminated. Further, the lists of goods subject to restrictions and controls need to be reviewed, and unjustifiable controls and products that present low risk eliminated.

IV.4 Reforms and Priority Needs

Short, medium, and long-term actions are recommended to facilitate trade, address priority needs resulting from the August 4 explosion, address chronic and systemic trade problems, and modernize the trade and customs regime by aligning with WTO agreements and WCO RKC. Suggested short-term measures will help get the operations back to the pre-explosion state, and the short-term trade facilitation measures will contribute to countering COVID-19 by accelerating the flow of food products and medical supplies and reduce the level of direct interactions between the trading community and authorities.

Short-Term:

- 1. Review/Revise the Draft Customs Law to ensure consistency with the WCO Revised Kyoto Convention and the relevant WTO agreements (CVA, ROO, GATT, TFA, and TRIPS).** A new draft law on customs was prepared by the Higher Customs Council (HCC). Most stakeholders, including Customs, has not reviewed or commented on this draft for taking into account their opinion and ensuring its consistency with the aforementioned international standards and practices.
- 2. Use the information submitted by declarants to NAJM to process the declaration without the need for submission of declaration and supporting documents in original and hard copies.** Although Clearing Agents (CA) may submit a declaration and supporting documents electronically, prior to or upon arrival of cargo, all documents are subsequently required to be resubmitted at the time of clearance in hard copies and some as originals (e.g., invoice, certificate of origin) which delays the process of clearance. The requirement also effectively prevents the introduction of pre-arrival processing of declarations and limits Customs and other border agencies' capacity to coordinate inspection activities.
- 3. Allow electronic access to relevant supporting documents (e.g., certificates) by trade-related ministries and agencies for approvals and issuance of visas.** Other Governmental Agencies (OGAs) involved in the clearance of goods should be able to have electronic access to the submitted declaration and supporting documents requiring their approvals. OGAs should be able to notify their approvals for the release of consignments or request for inspection electronically to CA and Customs.
- 4. Promote payments by bank transfers and personal checks with a bank guarantee.** Currently, customs dues can only be paid by cash or cashier check. Allowing payments through bank transfers and personal checks will allow importers to use their “frozen” funds at Lebanese banks. It will also reduce face-to-face encounters between traders/brokers and Customs, thereby reducing opportunities for “facilitation fees.” The RKC strongly encourages the use of electronic funds transfer as an important method for quick and efficient payment.
- 5. Promote and educate the private sector on the possibility and mechanism of payments of customs dues by installments as stipulated in Articles 168 and 169 of the Customs Law.** Deferred payments of customs dues (duties, taxes, and fees) are an important facilitation measure for compliant traders, which would lower the pressure on cash-strapped businesses during this period of economic turndown. It is also a means of encouraging voluntary compliance with customs regulations.
- 6. Facilitate/encourage inspection at importers' premises for large importers to free up space at the POB.** By allowing large compliant importers, including car dealers, to move their imports to their premises for clearance and, if necessary, inspection, as envisaged under the RKC as a special

procedure (General Annex Chapter 3), the need for storage space and congestion at the POB, would be reduced. Large importers should be encouraged to establish bonded warehouses outside the premises of the POB for the same purpose of reducing the pressure in the POB.

- 7. Customs to enforce in practice the HCC decision to reduce the level of “random” cargo inspection to 5 percent.** Customs has the discretion to randomly inspect shipments, which tend to increase inspection instances and delay clearance. Prior to the explosion, almost 80% of the cargo was physically inspected. To accelerate the movement of goods at the Port and free up space, the HCC adopted a decision to reduce “random” inspections to 5 percent. Customs nonetheless continue to inspect almost 40-50 percent of cargo, causing unnecessary delays.
- 8. Lower currently unfair FIO charges:** Shipping lines charge importers FIO charges (Free In/Out) for container handling at the POB. These are charged in US\$ and paid in cash. The average charge is around \$400 per container (almost equal to the cost of shipping the container from Europe to Lebanon, given that traders pay in check for freight). On the other hand, shipping lines are paying service providers at the POB for handling cargo in LBP. Given the current exchange rate situation, these charges have become very expensive for traders and are making imports expensive. TC/GEPB, MOET, chambers of commerce, industry, and Agriculture, and shipping lines must reach a mutually acceptable solution that benefits all stakeholders, including lowering these charges, which are called in Arabic “Tijreem.”
- 9. Increase transparency of POB charges.** Although POB charges are published on its website, it is not clear who collects what. It is recommended that the existing format of publishing POB charges be revised and enhanced to provide greater transparency.
- 10. Address the lack of dry ports and logistics centers in Lebanon.** There is a lack of dry ports, custom bonded zones near the Port of Beirut, Bekaa, or Akkar, as well as logistic centers in Lebanon. This increases the time spent/dwell time at the POB; thereby, increasing trading costs. CMA-CGM has established in Bekaa, the Taanayel Logistics Storehouse, in an area of 20,000 m² that can accommodate 1,000 TEUs to facilitate agricultural produce exports. CM-CGM has failed to approve it as a customs bonded area by the Council of Ministers, although the legal framework allows for such. Establishing dry ports will greatly reduce congestion and pressure at the POB, including the need for inspection at the export inspection yard. It is recommended that the CMA-CGM Logistics Storehouse be approved as a bonded warehouse once the new Council of Ministers is in place.
- Ensure fair and non-discrimination in the valuation of imports.** Valuation by Customs of goods imported by Exclusive Agents are based on Transaction Value (invoice price), while the valuation of the same product/brand imported by other traders is conducted based on price referencing in a manner inconsistent with the 2000 Customs Law and the WTO Customs Valuation Agreement. Customs should not be favoring exclusive agents and conduct valuation in an impartial, non-discriminatory, and transparent manner in line with the 2000 Customs Law and WTO valuation rules.

Medium-Term:

- 12. Adopt a new law on customs and its implementing regulations and procedures.** This new law should bring the customs regime as far as possible into alignment with RKC and TFA provisions and standards, totally replacing the 2000 Customs Law. Implementing regulations and procedures will

need to be developed while the Council of Ministers and Parliament is considering the draft law to enable them to be adopted by the date of entry into force of the new law.

- 13. Transition to the latest AYSCUDA World version.** The current AYSCUDA World version used by Lebanon is old (version 4.3.0). There is a need to transition to Version 4.3.2 (October 2017) or any newer version that might become available in the coming months. NAJM should be transitioned to allow web-based access, including web submission of declaration and supporting documents. Lebanon should maximize the use of AW facilities such as the risk profiling module by setting risk profiles covering the full supply chain and, among other things, dual-use products. Other Government Agency (OGA) with a role in trade should be provided with a facility to enable electronic approval/rejection of documents.
- 14. Develop and implement within AW pre-arrival processing.** Although documents may be submitted before the arrival of goods, processing does not effectively start until documents are submitted in hard copies after the arrival of goods. Customs should consider completing processing before the arrival of goods, especially for containers where shipping lines now provide manifests before arrival. Voluntary pre-arrival declaration processing will enable advanced risk assessment and expedite the release of consignments on arrival.
- 15. Strengthen Customs Risk Management (RM) capabilities.** The HCC presently sets risk management rules in a largely ad hoc fashion, based largely on random inspection. Customs need to develop a compliance management strategy and risk profiles based on the full supply chain and consider intelligence, analytical tools, and customs field office feedback. Extensive capacity building is required for Customs on compliance management and risk assessment techniques, including on-the-job training in developing risk profiles.
- 16. Establish an Authorized Economic Operators (AEO) program.** Authorized Economic Operators (AEO) is a key trade facilitation feature stipulated in the WCO SAFE standards, aiming to foster supply chain security and voluntary compliance.⁸² It is more comprehensive in scope than the WTO Trade Facilitation Agreement Authorized Operator (AO) scheme (also known as Trusted Traders) as it incorporates a supply chain security component. Both are granted to traders, and other economic actors who have a solid history of compliance and meet the eligibility criteria stipulated in these agreements. Approved holders are granted simplifications at the time of clearance, which reduces trading costs and time for these traders. A country can offer a range of benefits to its AO/AEO status holders, including reducing documentary requirements and checks, reduction in physical inspection, delayed payments of duties and taxes, and other benefits. AO/AEO increases trust and partnerships between traders on the one hand and Customs and other border authorities on the other hand. AEO additionally allows the enhancement of supply chain security. Lebanon is one of the few MENA countries which have not yet established an AO/AEO program. It is important to develop the legislative framework for an AEO program to be launched within one year, given special consideration for small businesses.
- 17. Develop a blueprint for a national electronic trade single window.** There has been an attempt in Lebanon to digitalize trade-related procedures, but so far, this has proved futile. This attempt was nonetheless contemplated outside the context of electronic trade single window (E-TSW) development. There is, therefore, a need to develop a blueprint for developing E-TSW to expedite

⁸² Referred to as Authorized Economic Operators under WCO SAFE Framework of Standards to Secure and Facilitate Global Trade, which a broader coverage than WTO TFA, including supply chain security.

and simplify information flows between trade and government and bring meaningful gains to all parties involved in cross-border trade. The process should involve all 20 trade-related ministries/agencies and the private sector agreeing on a concept and model for electronic trade single window in Lebanon.

- 18. Map and streamline/optimize all trade and customs procedures.** Concurrently with the process of developing an E-TSW blueprint, there is a need to conduct detailed mapping of all trade and customs related requirements (licenses, permits, certificates, visas, testing requirements, procedures (documents, steps) to eliminate unnecessary/unjustifiable and duplicative requirements, steps, and documents. A significant component of this reform will be to narrow down the list of products subject to technical and Sanitary and Phytosanitary (SPS) controls, retain products subject to high-risk control products, and rely on the producer's declaration for low-medium risk products. This will require amendments to legislation governing trade-related aspects by various ministries and agencies to clarify and delineate authorities and eliminate certain requirements. These reforms are essential prior to launching the development of the E-TSW.
- 19. Set legal time limits for various trade transactions.** There are no legal limits in the majority of Lebanon's legislation governing trade and customs. It is important to establish legal limits to be adhered to by relevant trade-related ministries and agencies. These limits will eventually be integrated into the E-TSW.
- 20. Introduce integrated border management.** There are around 20 ministries/agencies involved in the clearance of goods at the POB. A handful has permanent representatives at the POB. Others are on call, which often-times delays procedures for inspection, sampling, and testing when needed. Thus, it is important to develop coordination and cooperation protocols, to be reflected in an MOU among these Ministries agencies, Customs, and the port administration.
- 21. Adopt special procedures for perishable goods.** Although special considerations are granted to perishable goods (fresh produce, chilled and frozen food products), such as not moving/unplugging reefers for sampling from the container terminal, Lebanon does not have any legislation that ensures accelerated clearance for perishables in line with the WTO TFA provisions. Such provisions provide priority to perishables when scheduling any examinations, clearance with the shortest possible time, clearance outside normal business hours if necessary, appropriate storage facilities, and written communication notifying trader, upon written request, of reasons for any significant delay in clearance.
- 22. Apply WTO valuation rules.** Although the 2000 Customs Law largely reflects the provisions of the WTO Customs Valuation Agreement (CVA),⁸³ the application is inconsistent with the law and WTO CVA. There is limited acceptance of the transaction value, which is the main recommended method in the CVA. In addition, there is wide use of price referencing and arbitrary values, which are both prohibited in the 2000 Customs Law and the CVA. Traders report excessive over-valuation for the purpose of bribe solicitation. In addition, there is widespread undervaluation, including changing (in return for bribes) classification of goods or origin with the purpose of benefiting from preferential trade arrangements and for political and religious favoritism and connection. Customs needs to properly enforce valuation rules of the WTO, relying in most cases on transaction value. Subsequent to the adoption of the new customs law, after ensuring its

⁸³ The WTO CVA is designed to ensure fairness for traders, safeguard customs revenues, and ensure transparency and predictability in the process of customs valuation. It is not clear whether or not the draft for a new customs law adheres to the CVA since the Draft is not publicly available.

compliance with the WTO CVA, it is important to adopt the WTO CVA interpretative notes. In addition, the capacity of customs officers needs to be built on proper customs valuation.

- 23. Adopt a mechanism for greater private sector participation and public-private consultations.** Consultations with stakeholders concerning reforms and measures are done in an ad hoc manner. In many cases, stakeholders are totally excluded from the process; a good example is the recent draft customs law. In line with TFA standards, there is a need to adopt a formal process for publishing draft legislation for commenting, providing the opportunity for commenting, and allowing a reasonable period for submission of comments, or procedures for consideration of stakeholders' comments by the relevant authority.
- 24. Operationalize the Customs Arbitration Commission.** The 2000 Customs Law requires the establishment of an Arbitration Commission (Chapter 7- Articles 153-165), which deals with disputes between Lebanese Customs and traders concerning the type, description, origin, or value of goods. Although some effort was made toward establishing this Commission, there was no concrete result, and the Commission is still not established to date. It is recommended that this Commission be established within one year. Traders should be able to appeal arbitration commission decisions at the customs court.
- 25. Establish an Independent Administrative Appeal process.** Administrative appeals are not guaranteed by law and conducted in an ad hoc manner. It is recommended that a formal, independent administrative appeal process for customs decisions be instituted to examine disputes between traders and Customs and make a decision within 15 days.
- 26. Allow direct appeals at all levels.** The trader should have the ability to initially pursue any of the three appeal processes: administrative appeal, arbitration commission, or customs court. Traders should be able to appeal administrative decisions at the arbitration commission or customs court, and the arbitration commission at the customs court.
- 27. Expedite legal proceedings at the customs court.** Almost all current cases are handled through the Customs Court, a Court of First Instance based in Beirut, given the lack of alternative dispute resolution mechanisms (as suggested above). The process at the Customs Court is costly and lengthy in a manner that the trader is discouraged from challenging a Customs decision. Again, setting reasonable limits for the Customs Court decisions and setting up a legal department at Customs for handling the court cases can help accelerate matters. In addition, it may be worth considering allowing traders to appeal to any commercial court.
- 28. Establish a National Committee on Trade Facilitation.** Lebanon has not established a National Committee on Trade Facilitation (NCTF), as per WTO TFA requirements, to advance the adoption of trade facilitation measures and address topical trade issues.⁸⁴ The NCTF should be led by the MOET and include representatives of Customs, OGAs, and the private sector. This will, in addition, advance cooperation and consultations among stakeholders.

⁸⁴ Lebanon established the National Trade and Transport Facilitation Committee (NTTFC) under the Council of Ministers' Decision No. 58 in 2006. Regrettably, the Committee functioned only until 2008. Meetings have not been held since.

Long-Term:

- 29. Implement electronic trade single window.** Subsequent to the development of the E-TSW blueprint and streamlining/optimization of trade procedures, the development of E-TSW should be promptly undertaken with the aim of launching within two years.
- 30. Develop Trade Information Portal.** There is a lack of transparency in terms of access to information regarding trading requirements and legislative reforms. There is no centralized website for all trading requirements; information is scattered across multiple websites of various trade-related ministries and agencies. Some available information is not complete or updated in a timely fashion. It is recommended that a Trade Information Portal be developed, to be administered by MEDT, covering, in addition to trading requirements in Lebanon, trading requirements/links of other trading partners to promote exports.
- 31. Develop risk management capabilities of OGAs.** The risk management capabilities of OGAs, especially those responsible for Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) (e.g., Ministry of Agriculture, Ministry of Public Health, Industrial Research Institute) is limited. It is recommended that risk guidelines be developed based on international standards, guidelines, and recommendations (e.g., Codex Alimentarius, International Plant Protection Convention) be developed and accompanied by capacity building of relevant personnel within these ministries/agencies based on these guidelines.
- 32. Enable integrated risk management.** Integrated Risk Management (customs and OGAs) will increase efficiency and enable greater coordination at the time of clearance, thereby reducing delays. This will require developing integrated risk profiles, covering Customs and OGAs, under the AW risk profiling module.
- 33. Develop Post-Clearance Audit (PCA) capabilities.** Modern customs administration focuses on a posteriori verification system with reduced border controls to facilitate trade and enhance revenue. Risk management is only effective when complemented with sound Post-Clearance Audit (PCA). Further, PCA is also necessary to ensure that compliance is not compromised through granting AEO status to importers. An effective and speedy clearance process that ensures compliance and appropriate duty collection while facilitating legitimate trade requires efficient management of risk and effective PCA capabilities. Customs presently has no institutional capabilities, risk-based criteria for PCA, or Standard Operating Procedures for conducting system or transaction-based PCA. Currently, only one person at Customs is responsible for external audits.
- 34. Link PCA and RM.** A means of feeding PCA results into the RM database and vice versa will strengthen both RM and PCA.
- 35. Develop compliance measurement capabilities.** This will require developing procedures and techniques related to compliance measurement and building-related capacity. Compliance measurement will support both RM, AEO, and PCA.
- 36. Introduce advance rulings for origin, classification, and valuation.** Although the 2000 Customs Law permits advance rulings on origin, this facility has not been applied. The new Customs Law should allow advance rulings for origin, classification, and valuation to provide certainty and predictability to international trade for businesses. An Advance Ruling Unit will need to be established at Customs to handle requests from traders. Advance rulings, valid for three years, will

reduce the level of disputes at the time of clearance concerning the aforementioned customs matters.

- 37. Introduce electronic payments.** Payments of customs dues (duties, taxes, and fees) can be presently made only through cash or cashier checks. Lebanon should consider allowing payments at designated banks, bank transfers, personal checks, credit cards, and mobile money. Electronic payment confirmation should be automatically linked to NAJM/AW to allow the release of cargo.
- 38. Establish administrative appeals for OGAs.** Similar to the recommended administrative appeal process for Customs, procedures should be established for appeals to OGAs for resolving disputes related to the issuance of permits, licenses, and certificates and to challenge test results.
- 39. Enhance Customs-to-Customs cooperation with other trading partners.** Developing Customs-to-Customs cooperation is a key pillar of the “Customs in the 21st Century” vision. Cooperation between Lebanese Customs and other trading partners’ Customs authorities should be enhanced by signing Mutual Assistance Agreements (based on WCO models) and MOUs to exchange information electronically and intelligence to feed into risk management processes.
- 40. Enable Mutual recognition.** Mutual recognition of AEOs, certificates of conformity, and test results by other trading partners will significantly facilitate trade and reduce trading costs and delays. These would need to be established through MOUs between Lebanese Customs and OGAs and respective counterpart ministries/agencies in other countries.
- 41. Develop an Enterprise Resource planning system for Customs.** This system is important to strengthen customs human resources management, finances, reporting, etc., and support decisions for promoting and rotating officers and identifying capacity building needs. The system will underpin the development of Customs official’s professionalism to address the challenges of an ever-changing business environment.
- 42. Establish an Electronic Document Management System.** Most customs work is filed and archived manually. As a result of the explosion, customs lost a significant number of documents stored at port premises. The establishment of an Electronic Document Management System is good practice for any organization. It will provide Customs with automatic electronic filing and archiving, including a backup facility.
- 43. Develop an electronic case management system.** An electronic case management system will manage PCA and Investigation workflows, audit/investigation cases, etc. It will improve decision making by helping monitor casework and inform risk identification. This will require developing a system/database for capturing all stages of PCA/Investigation audit work.
- 44. Establish an Offence Module.** The Offence module will link with AW and the proposed Case Management System, capturing and processing all offenses committed under the laws administered by Customs. The module will be made available and used to enhance and enrich data availability to inform the risk management processes and direct operational activities.

ANNEX A

POB DAMAGE ASSESSMENT⁸⁵ AND ESTIMATED RECOVERY AND IMPROVEMENTS COSTS

A.1 POB Damage Assessment and Recovery Cost Estimates.

USAID MEG estimates the cost of the full restoration of the POB operations from damages to infrastructure and superstructure resulting from the August 4 explosion at US\$ 140M:⁸⁶

- *State-owned infrastructure and superstructure:* US\$ 65M for infrastructure (e.g., quays, yards, basins) and US\$ 34M for superstructure (e.g., administrative buildings, Free Zone (FZ)/Duty-Free Market (DFM) buildings, warehouses) under TC/GEPB; grain silos and equipment owned by the Ministry of Economy and Trade (MOET); control Tower Room owned by the Ministry of Public Works and Transport (MOPWT); and Radioactive Portable Monitors owned by Customs. It is important to note that if the POB becomes a landlord port, the superstructure that was owned by TC/GEPB could be then provided by private operators, which will further reduce the government financial burden to rehabilitate the POB as a result of the explosion.
- *Private sector-owned superstructure:* US\$ 41M for superstructure owned by private sector entities including cranes, tractors, trailers, cisterns, and forklifts owned by stevedoring companies; Logistics Free Zone (LFZ) and FreeGoZone cold storage (FGZ) owned by private businesses; and mooring and tugboats and miscellaneous equipment owned by the Beirut Pilotage Station (BPS), also a privately-owned operation.

An itemized estimation for the cost of damaged infrastructure and superstructure is provided in Table A.1 below. The reconstruction of some state-owned facilities (e.g., warehouses) can be handled by the private sector, depending on the type of envisioned port model for the POB and the type of investment arrangement (concession, public-private-partnership). These estimates, however, do not cover:

- The six sunken and the two damaged commercial vessels at the POB at the time of the explosion (no estimates have been made by any party).
- The cost of damaged goods at POB warehouses and yards (no estimates have been made by any party).
- The cost of damaged/burnt goods, which were at the POB Free Zone (FZ, DFM, LFZ, and FGZ). POB lessees and owners of goods estimated initial losses to be at US\$ 270M. The final figure is around US\$ 200M after owners managed to salvage some of their goods at the POB Free Zone.

It is important to note that the August 4 explosion did not inflict any significant damage to the container terminal, which handles approximately 70% of POB cargo in total tonnage. Nevertheless, the Container Terminal has had its own pre-explosion problems, such as the lack of funds for maintaining cranes, rendering non-operational 9 out of the 16 Ship-to-Shore (STS) gantry cranes and 12 out of the 51 Rubber Tired Gantry (RTG) cranes.

⁸⁵ This was quick desktop assessment and not a field evaluation of POB assets.

⁸⁶ Provided grain silos will be reconstructed at 80,000 MT capacity using steel structure. If 120,000 MT using concrete structure the amount would US\$ 169M.

Major POB assets, which incurred severe damage, are the following:

- Quays 9 and 10 and respective yards
- Grain silos and unloaders
- General cargo warehouses
- Customs main building at Warehouse 19
- Logistics Free Zone
- FreeGoZone
- Equipment owned by stevedoring companies

Major assets that incurred lesser damage are the following:

- TC/GEPB administrative buildings
- Customs inspection areas
- Free Zone
- Duty-Free market

Most works related to restoring the POB to its previous state of operation can be completed in the short to medium run.

A.2 Other Works, Upgrades, and Modernization Cost Estimates.

Apart from the reconstruction and rehabilitation needs resulting from the August 4 Explosion, there are significant improvements required for the POB. Suggested improvements will cost around US\$ 128M. The total cost for the PA to improve the current infrastructure and common facilities is around US\$ 91M, including extending the breakwater north of Quay 16B (US\$ 51M). Private operators, under the landlord model, will need to spend around US\$ 37M to achieve the suggested improvements in terms of superstructure and equipment.

These include VTMS/radars, new additional equipment, spare parts for STS and RTG at the container terminal, maintenance dredging, port information systems, extension of the breakwater, removal of IMO dangerous cargo, fire brigade, HSSE control room, and setup of an Empty Container Depot. Please see Table A.2 for a complete list and itemized costs.

Table A.1 – Ownership,⁸⁷ Management, Operations, and Damage Assessment of POB Assets

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ^{89,90}
A. INFRASTRUCTURE					
A.1 Quays/Yards					
A.1.1 Basin 1					
Quay 1: Military ships Avg. D 3m, L252m ⁹¹	Land owned by Solidere	LAF	LAF	No damage. ⁹²	
Quay 2: Military ships Avg. D 6m, L327m	Land owned by Solidere	LAF	LAF	No damage.	
Quay 3: Naval vessels/UNIFIL Avg. D 6-8m, L259m	Land owned by State	TC/GEPB	LAF	No damage.	
Quay 4: Naval vessels/UNIFIL Avg. D 8m, L187m	Land owned by State	TC/GEPB	LAF	No damage.	
A.1.2 Basin 2					
Quay 5: Cruise ship Avg. D 8m, L204m	Land owned by State	TC/GEPB	TC/GEPB	No damage.	
Quay 6: Mooring pilot vessels and tugs as well as UNIFIL (if quays 3 and 4 are occupied)	Land owned by State	TC/GEPB	Beirut Pilotage Station	No damage to Quay.	

⁸⁷ TC/GEPB is not the owner of the land but rather given rights for exploitation, management, operation and financing of the port. All land at the POB is owned by the State, except Quays 1 and 2 which are owned by Solidere.

⁸⁸ As a result of explosion.

⁸⁹ Estimated costs for reconstruction, repair or replacement. Short-term (ST), Medium-Term (M.T), Long-Term (L.T)

⁹⁰ In US\$

⁹¹ Average Depth and Length

⁹² This is assumed to be not damaged until all a Condition Survey is performed and published. This footnote applies throughout all quays. Costs to be estimated based on survey results.

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
Avg. D 8m, L300m			(PBS)/Baltaji Family ⁹³	PBS offices are significantly damaged (see further below section D). Good depth and length for receiving commercial vessels. Recommended to relocate BPS to Quay 3 or breakwater if LAF allows.	
Quay 7: Ro-Ro (new cars) and livestock import Avg. D 9-13.5m, L341m	Land owned by State	TC/GEPB	Private Stevedoring companies as assigned by TC/GEPB	No damage to the Quay. Yard is, however, slightly damaged due to falling debris and needs additional cleaning and paving.	
Quay 8: Bulk Grain Avg. D 13m, L220m	Land owned by State	MOET	MOET	No damage to the Quay. Yard is, however, slightly damaged due to falling debris and needs additional cleaning and paving. Silos and grain loaders are destroyed (see further below B.6), rendering this quay non-operational.	
A.1.3 Basin 3					
Quay 9: Impounded livestock carriers and steel, oil, general cargo Avg. D 10.5m, L350m	Land owned by State	TC/GEPB	Private Stevedoring companies as assigned by TC/GEPB	Significant damage to the quay and severe damage to the yard. New fenders are needed. Need total reconstruction and maintenance dredging due to falling cement debris	Quay: 19M Yard: 10M (M/LT)

⁹³ Family business for operating tugs, mooring and pilotage. It is currently stationed at Quay 6.

Assets	Owner	Management	Operators	Current Condition/Required Action⁸⁸	Estimated Cost⁸⁹⁹⁰
Quay 10: General cargo, construction materials, car carriers, and packaged goods. Avg. D 9m, L450m	Land owned by State	TC/GEPB	Private Stevedoring companies as assigned by TC/GEPB	Significant damage to part the quay (200m). Yard is damaged from falling debris and needs additional cleaning, paving, and marking New Fenders are needed. Need Rehabilitation and maintenance dredging due to falling cement debris	Quay: 6M Yard: 2M (M.T)
Quay 11: General cargo – metal and construction materials Avg. D 10.5m, L350m	Land State-Owned	TC/GEPB	Private Stevedoring companies as assigned by TC/GEPB	No significant damage to the quay. Yard needs additional cleaning from falling debris. New Fenders are needed.	200K
Quay 12: Steel and grain Avg. D 13m, L242m	Land State-Owned	TC/GEPB	Private Stevedoring companies as assigned by TC/GEPB	No damage to the quay. Yard still needs some additional cleaning from falling debris Currently used for grain discharge by WFP and private grain importers	
A1.4 Basin 4					
Quay 13: Bulk- predominantly steel Avg. D 11m, L300m	Land State-Owned	TC/GEPB	Private Stevedoring companies as assigned by TC/GEPB	No damage to the quay. New Fenders are needed. Debris to be removed from the yard in conjunction with basin 4 dredging.	
Quay 14: General cargo, cars, and coastal vessels.	Land State-Owned	TC/GEPB	Private Stevedoring companies as	No damage to the quay. New Fenders are needed.	

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
Avg. D 11m, L450m			assigned by TC/GEPB	Debris to be removed from yard in conjunction with basin 4 dredging	
Quay 15: Cars, general cargo & specialized craft (e.g., crane barges) Avg. D 11m, L280m	Land State-Owned	TC/GEPB	Private Stevedoring companies as assigned by TC/GEPB	No damage to the quay. New Fenders are needed. Debris to be removed from yard in conjunction with basin 4 dredging	
A1.5 Basin 5					
Quay 16 A, and 16 B: Container Terminal Avg. D 15.5-16.5, L1150	Land State-Owned	TC/GEPB	BCTC	No damage. Around 600m out of 1100m of quay length are currently used because 9 STS are non-operational due to maintenance issues, which are not connected to the explosion. (see C.3 below).	
A1.6 Miscellaneous					
Removal of sunken vessels					US\$ 2M (ST)
Debris clean-up, paving, and marking of yards, where indicated above					US\$ 2M (ST)
Fenders, where indicated above					US\$ 1.5M (S/M T)
B. FACILITIES					
B.1 Yards					
Container yard	Land State-Owned	TC/GEPB	BCTC	No damage to the yard	
Customs Import Inspection Area	Land State-Owned	Customs	Customs	Yard needs the removal of remaining debris and damaged containers.	50 K(ST)
Customs Export Inspection Area	Land State-Owned	Customs	Customs	Although customs export inspection can now return to	200K (ST)

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
				the original location near Quay 6 (since the area has been cleaned up), inspection is continuing near Quay 13 due to exposure to the sun near Quay 6. To return to the original location (where more space is available), there is a need to build a shed and Port-a-Cabin to resume operations there.	
B.2 Administrative Buildings					
Four Admin Buildings	State-Owned	TC/GEPB	TC/GEPB	Damaged and need rehabilitation	1.5M (ST)
Prefab houses/Port-a-Cabins. Did not exist at the POB. Needed until admin buildings are restored	TC/GEPB	TC/GEPB	TC/GEPB	30 units required, each with WC	270K (ST)
Office Equipment	TC/GEPB	TC/GEPB	TC/GEPB	Destroyed. New equipment is needed: 30 laptops with licenses, six photocopiers and scanners, and servers.	100K (ST)
Customs Building	State-Owned	TC/GEPB	Customs	<p>Customs HQ at POB was at Warehouse 19, which is fully destroyed. A steel structure with panels can be constructed in 3 months. In addition, ICT equipment and furniture need to be acquired.</p> <p>This building should be larger than the previous Warehouse 19 to co-locate to OGAs</p>	<p>Steel Structure 800K (ST)</p> <p>ICT/Furniture 300K (ST)</p>

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
				responsible for trade in one location, acting as a physical single window.	
BCTC Building	State-Owned	BCTC	BCTC	Require some restoration due to explosion (chattered windows? doors, lights, etc.)	200K (ST)
General Security Service	State-Owned	TC/GEPB	GSS	A small building which was in bad condition before the explosion. It was destroyed beyond repair. A new building is needed with furniture and equipment	500K (ST)
Lebanese Armed Forces-Military Intelligence (MI)	State-Owned	TC/GEPB	MI	A very small building which was in bad condition before the explosion. It was destroyed beyond repair. A new building is needed with furniture and equipment	250K (ST)
Offices of OGAs				Offices were located in various buildings were have been destroyed. It is recommended the OGAs co-locate with Customs in their new building to serve as a physical single window.	
Control Tower Room	MOPWT	Harbormaster	Harbormaster	Immediate repairs & equipment replacement are required before winter to ensure proper vessels entering the anchorage	200K (ST)

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
				area, berthing at POB, and unload fuel tankers at sea station through pipelines to private fuel storage facilities North of the POB.	
POB Water Supply Reservoir	State-owned	TC/GEPB	TC/GEPB	Water reservoir was damaged as a result of the explosion and needs to be repaired. Infrastructure for rain, drainage, gravitational oil collection is pending the outcome of the condition survey	250K (ST) for water reservoir TBD pending Condition Survey.
Administrative vehicles	TC/GEPB	TC/GEPB	TC/GEPB	Damaged vehicles that need to be replaced: five SUVs and five passenger busses, five pickup units with flip-flops, 5 tons	400K (ST)
Barbed wires (until walls are reconstructed)				4000 m and four iron gates	200K (ST)
New Jersey blocks				300 m made of plastic, required for safety	75K (ST)
Monitoring security devices	State-owned	TC/GEPB	TC/GEPB	Monitoring devices, cameras, control room CCTV, private watchtowers-cameras. This includes a tier I control room with minimal network and backup for all gates connected at a central control room	400K (ST)
B.3 Warehouses <ul style="list-style-type: none"> 4 warehouses for general cargo: total area 25,547m² 	State-Owned	TC/GEPB	Private Stevedoring companies & Freight	All warehouses were damaged beyond repair.	

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
<ul style="list-style-type: none"> • 3 warehouses for groupage operation: total area 20,488m² • 3 warehouses for cars: total area 17,958m² • 1 open warehouse for cars and heavy load engines: total area 8,220m² • 1 warehouse for hazardous goods: total area 5.231m² 			Forwarders as assigned by TC/GEPB	<p>The total area of existing warehouses was 75,000 m². In addition, there was going to be construction before the explosion in additional space.</p> <p>The warehousing capacity was underutilized (25-30% of capacity).</p> <p>Lebanon needs to decide on the type, location, and capacity of temporary warehousing at the POB.</p> <p>In lieu of previous warehouses, it is recommended to build:</p> <ul style="list-style-type: none"> ➤ Two 10,000 sqm for General cargo, LCL/groupage with partitions for handling different types of cargo. ➤ An area of 10,000 m² for constructing a multi (five)-story deck building for storing imported new vehicles. The estimated cost is US\$ 12 million. ➤ An open area for bulk cargo handling with proper equipment for handling special bulk cargo such as iron handling equipment. 	<p>3M for GC/LCL (ST)</p> <p>3M for GC/LCL (M.T)</p> <p>12M for imported vehicles (LT)</p> <p>4M for bulk cargo areas (MT)</p>

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
				<p>The estimated cost is around US\$ 4 million.</p> <ul style="list-style-type: none"> ➤ One warehouse for IMO dangerous goods (5,000 m²) with special equipment for handling fire, including extinguishers ➤ General purpose open paved area (10,000 m²) ➤ Container Freight Station CFS/Cars 	<p>3M for Warehouse for IMO dangerous cargo (MT)</p> <p>2M Open paved area (MT)</p> <p>3M (MT) for CFS</p>
B.4 Free Zone					
Duty-Free Market 11,200 sqm building space. (modular shops)	Land & Buildings State-Owned	TC/GEPB	Private lessees of shops	Glass Dome repairs, doors, and windows.	400K (ST)
3 Industrial buildings (52 warehouses/bldg., 16 on the ground floor, each 200 sqm) 32,400 sqm building space	Land & Buildings State-Owned	TC/GEPB	Private lessees	Require repairs, including doors, windows, dividers, and electrical works. Fence (1 km) requires repair	1M (ST)
B.5 Logistics Free Zone					
17 Logistics warehouse units	Land State-Owned and leased to private companies	TC/GEPB	Private owners of warehouses	Almost 95% destroyed. Needs total reconstruction after removal of damaged structures	16M (S/MT)

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ^{89,90}
	Warehouses built and owned by private sector entities				
I Cold storage - 5000 palette	Land State-Owned and leased to private parties Storage facility built and owned by FreeGoZone	TC/GEPB	Private Warehouse Owner-FreeGoZone	75% destroyed Needs total reconstruction after removal of damaged structures	6M (S/MT)
B.6 Grain Silos Quay 8, 120,000 tons capacity	Land State-Owned Structure owned by MOET	MOET	MOET	Totally damaged. There are proposals to replace them (concrete or steel) with support Kuwait Fund for Arab Development. Proposal to build interim storage corrugated steel sheet silos (40K MT capacity) and long-term storage outside the POB (40K MT) Proposal to acquire three mobile pneumatic ship loaders/unloaders (160 MT/hour)	Steel Silos (40K MT) for interim storage at the POB with loaders/unloaders 8M (M) Silos (40K MT) outside the POB (LT) Excluding land outside the POB, the cost will be US\$ 14M for concrete or US\$ 6 M for steel structure.

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
					750K (ST)
Grain loaders/unloaders	MOET	MOET	MOET	Totally damaged and need to be acquired for the grain silos once built with 600 MT/Hour capacity. Costs depend on specs, height, and distance quay-silos	2 M (LT)
C. EQUIPMENT					
C.1 Non-Intrusive Inspection Equipment					
Radiation Scanners: <ul style="list-style-type: none"> • Six fixed Radioactive Portable Monitors (RPM) • one Mobile Detection System (MDS) • multiple handheld monitors One Container X-Ray scanner	Customs	Customs	Customs	Two out of the six RPMs are damaged. The Container X-Ray scanner has not been operating for eight months. It is old and requires heavy and costly maintenance. There is a need to purchase two new RPMS and a state-of-the-art Container X-Ray scanner.	240K (ST) for the two damaged RPMs
C.2 General/Bulk Cargo					
35 mobile cranes for steel: capacity 50 to 300 tons	Private Stevedores	TC/GEPB	Private Stevedores	Majority of cranes are severely damaged beyond repair. No current price list for replacing brand new cranes similar to the current old crawlers "P&H 1980". However, the price for similar secondhand cranes available in	6M (ST)

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
				Lebanon or imported old is available.	
12 mobile cranes for general cargo: capacity 25 tons	Private Stevedores	TC/GEPB	Private Stevedores	Majority of cranes are severely damaged beyond repair. Almost new (1-year-old) telescopic cranes or traveling gantry cranes are hereby estimated.	1.5M (ST)
34 forklifts 1.5 to 10 tones	Private Stevedores	TC/GEPB	Private Stevedores	80% of forklifts are severely damaged beyond repair.	1.3M (M.T)
30 trucks	Private Stevedores / Truck Owners	TC/GEPB	Private Stevedores / Truck Owners	70% of trucks are severely damaged beyond repair.	2.6M (ST)
78 trailers	Private Stevedores / Truck Owners	TC/GEPB	Private Stevedores / Truck Owners	50% of trailers are severely damaged beyond repair.	3.5M (ST)
7 tractors	Private Stevedores / Truck Owners	TC/GEPB	Private Stevedores / Truck Owners	Majority of tractors are severely damaged beyond repair.	750K (ST)
2 water cisterns	Private Owners	TC/GEPB	Private Owners	Cisterns are severely damaged beyond repair	270K (ST)
Gas Station	TC/GEPB	TC/GEPB	TC/GEPB	Now destroyed. The previous gas station was not operational, and port equipment was serviced through direct delivery. A new station is required for equipment refueling.	500K (ST)
C.3 Container Terminal					
16 Ship-to-Shore gantry cranes (STS) and 20 STS spreaders. Capacity 60 and 65 tons.	TC/GEPB	TC/GEPB	BCTC	No damage due to explosion, except for minor damages to STS windows.	1.5 M (ST)

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
				<p>It is assumed that 9 STS need maintenance, need further check.</p> <p>BCTC indicated that 1.5M to inspect all STSs & RTGs after the explosion</p>	
51 Rubber Tired Gantry cranes (RTG), capacity: 40 tons. And 57 RTG spreaders.	TC/GEPB	TC/GEPB	BCTC	<p>No damage due to the explosion.</p> <p>12 are not operating due to maintenance costs. It is not a priority at this point, given a large number of available RTGs.</p>	
5 Reach Stackers: 41 tons	TC/GEPB	TC/GEPB	Operated by BCTC with some drivers from stevedores.	No Damage.	
9 Reach Stackers: 41 tons	BCTC / Private	TC/GEPB	Operated by BCTC with some drivers from stevedores.	No Damage.	
3 Empty Handlers (EH): 12,5 tons.	TC/GEPB	TC/GEPB	BCTC	No Damage.	
9 Empty Handlers (EH): 12,5 tons.	BCTC / Private	TC/GEPB	Operated by BCTC and Container Stevedoring Services company	No Damage.	
12 Terminal Tractors (TTs): 4x2 drive.	TC/GEPB	TC/GEPB	Operated by BCTC with	No Damage.	

Assets	Owner	Management	Operators	Current Condition/Required Action ⁸⁸	Estimated Cost ⁸⁹⁹⁰
4 Road Trucks (TRs)			some drivers from stevedores		
52 Terminal Tractors (TTs): 4x2 drive.	BCTC	TC/GEPB	Operated by BCTC with some drivers from stevedores.	No Damage.	
30 Trailers for TTs	TC/GEPB	TC/GEPB	BCTC	No Damage.	
42 Trailers for TTs	BCTC	TC/GEPB	BCTC	No Damage.	
3 Trailers for TRs	BCTC	TC/GEPB	BCTC	No Damage.	
3 Forklifts	BCTC	TC/GEPB	BCTC	No Damage.	
4 Gooseneck & 4 Over Height Frames	TC/GEPB	TC/GEPB	BCTC	No Damage.	
D. MARINE CRAFT					
Office of Beirut Pilotage Station	Beirut Pilotage Station (BPS)	BPS	BPS	Office repairs due to explosion	80K (ST)
Five Tugboats	BPS	Harbormaster	BPS	Damaged as a result of the explosion: <ul style="list-style-type: none"> ➤ Two out of five tugboats: engines and shaft damaged that require dry-docking outside Lebanon ➤ Miscellaneous damage to five tugboats (windows, doors, ceilings, generators, electric cables, electronic equipment, and furniture) 	500K (ST)
Three Pilot boats	BPS	Harbormaster	BPS	Engine repairs for two pilot boats due to explosion	40K (ST)
Seven mooring boats	BPS	Harbormaster	BPS	All seven mooring boats were totally damaged. There is a need for two morning boats immediately. The other five can	400K (ST) IM (MT)

Assets	Owner	Management	Operators	Current Condition/Required Action⁸⁸	Estimated Cost⁸⁹⁹⁰
				be acquired on the medium run.	
Ras Beirut lighthouse and port control tower or office	State-Owned	MOPWT	Harbormaster	No damage, far from POB	
Chartering two tugboats and one pilot boat from neighboring countries				Temporary for three months	700 K (ST)

**Table A.2 – Upgrade and Modernization Needs for Greater Operational Efficiency
(not related to explosion)**

Items	Estimated Cost
1. Extension of the breakwater (including US\$ 1M feasibility study)	51M
2. Six mobile harbor cranes at three general cargo quays (10, 11, and 12) and yard handling bulk cargo	15M
3. Additional X-ray container/vehicle inspection scanner (2)	10M
4. Acquire two additional tugboats 35m in size (twin engines with 2000-3400HP-BP45)	9M
5. Establish a Central HSSE Control Room	8M
6. Container Terminal Equipment Maintenance (US\$ 2M for STSs & US\$ 3M for RTGs)	5M
7. Remove unclaimed, high-risk IMO containers	3.6M
8. Large crawler: 1 unit 300 MT, 10 units 160 MT, 2 units 25 MT	3M
9. Develop/Acquire a Modern Port Community System	3M
10. Reorganization of truck movements within the port	3M
11. Maritime Single Window	3M
12. Remove sunken vessels	2M
13. Empty Container Depot	2M
14. Acquire 3 radars and Vessel Traffic Management System (VTMS).	2M
15. Conduct maintenance dredging works at Basin 4	1.8M
16. Establish a fire brigade at the POB	1.6M
17. Relocate Beirut Pilotage Station optimally to breakwater or Quay 3	1M
18. Forklifts: 10 units for 3 MT and 5 units for 5 MT	750K
19. Road access improvements to the POB	700K
20. Install fenders for Quays 13, 14, 15	500K
21. Automatic Number Plate Recognition (ANPR) at Gate 14	500K
22. Gate/Truck Booking system	400K
23. Two power generators (total 1000 KVA – 1 MW)	400K
24. Develop a System for Archiving Port Information	300K
25. Salvage wrecks at Basin 1 (Quay 3).	200K
26. Weighbridge	180K
27. Small Bulldozers: 5 units Bobcats	125K
28. Conduct study for optimizing cargo movement within the port complex	100K
29. Conduct Maintenance Dredging for Quay 1.	100K
30. One mobile truck scale	70K
31. Reach all basket crane with 25 m reach	35K
Total	128,360,000

ANNEX B

POB HISTORICAL AND CURRENT PORT GOVERNANCE AND ADMINISTRATION

This Annex discusses the role and functions of public organizations related to the governance and administration of the Port of Beirut (POB):

1. The Temporary Committee (TC)/*Compagnie de Gestion et d'Exploitation du Port de Beyrouth* (GEPB)
2. Minister/Ministry of Public Works and Transport
3. Harbormaster under the Maritime Land Transport Directorate
4. General Directorate of Land and Maritime Transport under MOPWT
5. Maritime Administration Department under MOPWT
6. Ministry of Economy and Trade (MOET)

In addition, this Annex provides an overview of port fees and revenues.

B.1 Summary

From 1960 to 1990, the POB was owned (except land), managed, and operated by "*Compagnie de Gestion et d'Exploitation du Port de Beyrouth*" (GEPB), *Société Anonyme Libanaise* (SAL) -- Lebanese Joint-stock Company (JSC). GEPB SAL had mixed ownership, where private investors owned 58.48% of shares. During this period at the POB, the port model was closer to the Private Service Model, which is recognized as the most advanced port model.⁹⁴ The GEPB SAL was operating as a private commercial company subject to Lebanon's Commercial Code of 1942, except that, in 1988, Decree No. 11 was adopted imposing a separate financial regime on the port, subjecting it to special rules related to the budgeting process, procurement, tendering, and accountability. The Concession granted by the Lebanese Parliament to GEPB SAL expired in 1990 and was not renewed. Although GEPB continues to exist as a JSC in the Commercial Register, its role relating to the POB has ceased. In 1990, the State took over full ownership of the Port.

During 1991-1992, a Steering Committee appointed the Lebanese Council of Ministers to take over the role of GEPB. The Steering Committee was replaced by a Temporary Committee (TC) or administering and exploiting the POB (TC/GEPB)⁹⁵ in 1993. This "temporary" measure aimed to allow time for creating a new permanent structure. This has not happened as of date, and the TC/GEPB has been running the POB for the past 27 years. Members of the TC were selected to represent the various political parties that were dominant during the Syrian Era. The TC/GEPB falls under the supervision of the Minister of Public Works and Transport (MOPWT), not the ministry, who has authority to endorse

⁹⁴ To date, only a very few countries apply the full privatization model to some of their ports: United Kingdom, Australia, and New Zealand, in many cases for historical reasons. For example, the major UK container Port of Felixstowe has always been privately owned, with the current owners Hutchison Port Holdings (HPH) Group. It was originally a small, private, coastal port handling grain and coal.

⁹⁵ This is different from the GEPB SAL which was a JSC. It is simply a nomenclature for the Temporary Committee using the term GEPB. As such, the reference TC/GEPB is made to distinguish from the GEPB SAL.

capital investment projects (over certain amounts) and the fiscal policy of the POB (setting dues and charges and annual budget financial closure).

From a legal standpoint, the establishment of the TC/GEPB contradicts the Lebanese Constitution, given that no entity can set or collect dues and charges from a public utility of common interest or spend government funds without having a concession from the Lebanese parliament granted by virtue of Law.

In addition, the TC/GEPB does not have any recognized legal status under Lebanese Law and was not formed under Law No. 451 on Public Institutions of 1972. As such, it is not subject to an official audit or the oversight of the Ministry of Finance, the State Audit Bureau, and the Central Inspection Bureau. In addition, the TC is not subject to the Public Accounting Law No. 14969 of December 30, 1963 (public procurement legislation) and the Tender Regulations No. 2866 of December 16, 1959. Given the aforementioned, the level of transparency with respect to the operations and financials of the POB is dismal. Unlike major ports worldwide, the POB does not have to publish any audited financial statements.

The TC/GEPB has been operating largely as a black box, particularly in the 1990s. It has been widely reported that, due to its vast and legally undefined authorities, the TC/GEPB has been a source of questionable practices and potential misuse of port revenues for personal benefits and those of certain politicians and political parties. According to many sources, The TC/GEPB, with the approval of the succeeding ministers of MOPWT, appears to have made unnecessary capital investments at excessive costs (above normal/actual) with possible kickbacks. Private sector operators also indicated that the TC/GEPB may have received bribes for favoring the licensing of certain port operators by the MOPWT Land and Maritime Directorate.

The TC/GEPB has its own financial regime, largely based on the regime that governed GEPB SAL under Decree 11 of 1998. However, its budget gets endorsed by the Minister of MOPWT in lieu of the General Investment Directorate⁹⁶ for GEPB SAL. According to the Council of Minister Decision No. 22 of January 3, 1992, the Steering Committee may not spend more than 25% of port revenues for modernization and expansion of the POB and undertaking works.⁹⁷ In addition, in 2007, the Council of Ministers prohibited TC/GEPB from hiring or replacing any personnel. Further, there is a non-public agreement between the Chairperson of the TC/GEPB and the Minister of Finance (endorsed by the Minister of MOPWT) that the TC/GEPB must transfer 25% of annual profit from the POB to the Treasury. Moreover, the Parliament in 2019 prohibited TC/GEPB from spending any funds except for payment of salaries.

The current governance and management structure of the POB is unconventional. It raises the question about the commitment of the successive Lebanese Councils of Ministers since the 1990s in (i) reforming governance and management of the POB, which is a critical asset for the Lebanese economy; (ii) reducing trading costs and, thus, prices of imported goods for the Lebanese consumers, raw materials and input for industries, and supplies for businesses, while making exports more competitive; (iii) increasing competitiveness of the POB vis-à-vis regional ports; and (vi) maximizing the return from this key asset for economic operators, the Lebanese Treasury, and the Lebanese economy overall as well as increasing national competitiveness.

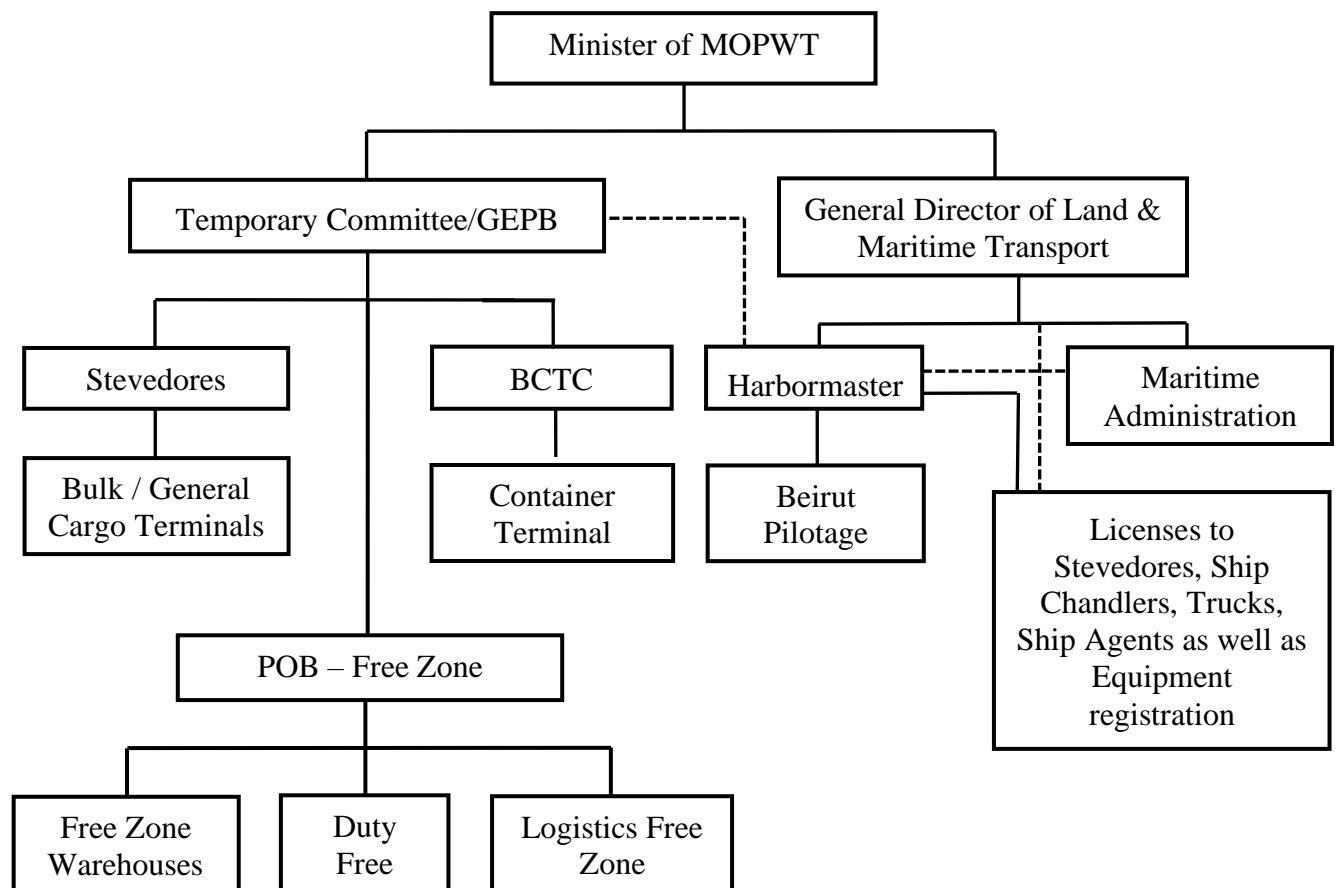
⁹⁶ This was replaced by the Investment Development Authority of Lebanon (IDAL).

⁹⁷ Apparently, this decision was not adhered to by the TC/GEPB.

Lebanon needs to explore which model for the POB is appropriate, with the ultimate objective of privatizing the POB. Options and recommendations for the Port's long-term development will be discussed in a forthcoming Note by mid-November 2020.

The current governance and management structure for the POB is illustrated in Graph B.1 below. Sections A-F discusses the role of each. The Harbormaster is concerned with managing the aquatics/marine operations, while the TC/GEPB is responsible for managing all land operations. The TC/GEPB collects all fees and charges and shares agreed-upon percentages with various port operators.

Graph B.1 – Current Governance and Management Structure for the Port of Beirut



Besides the aforementioned state entities, there are 15 ministries and agencies involved in the clearance of goods at the POB, including the Lebanese Customs, the Ministry of Public Health, the Ministry of Agriculture, Industrial Research Institute, as well as three syndicates/orders. See section IV.3 on Trade Facilitation and Annex F.4.

Further, there are around 15 private sector entities, some of which have a presence at the POB as operators. These are discussed in Annex C.

Moreover, the Lebanese Armed Forces (Naval Forces and Military Intelligence), General Security, and State Security maintain operations at the POB. These are discussed in a separate Note on *Security Agencies at the POB*.

B.2 Temporary Committee/GEPB

Historical Developments Concerning the POB

The *Compagnie du Port, des Quais et des Entrepôts de Beyrouth* (CPQEB) was incorporated in 1887 as an Ottoman limited company for the purpose of constructing, administering, and exploiting the harbor, quays, and warehouses of Beirut, pursuant to a concession granted on June 18, 1887, by the Imperial Ottoman Government. CPQEB was converted into a French limited company on February 2, 1926, based in Paris, in accordance with the provisions of Protocol No. XII annexed to the Treaty of Lausanne.⁹⁸ A concession to CPQEB was granted until August 19, 1990.⁹⁹ CPQEB was listed on the Paris Stock Exchange¹⁰⁰, where the French Government's capital holding was FF 16 Million.

Relations between the Company and the Lebanese State were, in essence, governed by the Concessionary Agreement, dated August 18, 1887, the Agreement for the re-adaptation of the Company's concessionary instruments dated December 7, 1925, and the Agreement of May 15, 1934, concerning the extension of the harbor. These various instruments were incorporated by reference in the letter (Annex No. XII) to the Franco-Lebanese Agreement of January 24, 1948, which provides that any modifications to be made in the concessions of French companies, or companies financed by French capital, shall be effected through contractual means and that "*pending the entry into force of the said modifications, the Acts, annexes, and texts governing the concessions of these companies on 1 January 1944 will remain in force*".

On July 26, 1956, the Lebanese Government promulgated a law stipulating that all companies enjoying exemptions from these taxes and dues under agreements ratified by special laws should, as from January 1, 1952 (retroactive), be subject to income tax and all other fiscal and municipal taxes and dues. By virtue of Article 23¹⁰¹ of the Agreement of January 24, 1948, the Lebanese government decided to make CPQEB subject, in particular, to income tax, land tax, a municipal tax on rental value, and customs duties.

These measures resulted in a dispute between French and Lebanese Governments at the International Court of Justice. France launched proceedings against Lebanon because it considered these measures as contradictory to certain undertakings (e.g., Extension of Harbor Agreement of 1934 and the Franco-Lebanese Agreement of 1948). Lebanon raised preliminary objections to the Court's jurisdiction. At the same time, the Lebanese Government engaged in discussions with the French Government to seek a

⁹⁸ Signed on July 24, 1923 between the Ottoman Empire and the Allied French Republic, British Empire, Kingdom of Italy, Empire of Japan, Kingdom of Greece and the Kingdom of Romania since the onset of World War I

⁹⁹ International Court of Justice (The Hague): Case concerning the *Compagnie du Port, des Quais et des Entrepôts de Beyrouth and the Societe Radio-Orient*. (France vs. Lebanon) (General List No.42 – Order of 31 august 1960: removal from the List)

¹⁰⁰ "The French Empire between the wars: Imperialism, Politics and Society" (Martin Thomas). Manchester University Press, Manchester and New York, ISBN 0 7190 6518 6 hardback. Copyright 2005.

¹⁰¹ Article 23 stipulates the following:

The Lebanese Government, considering that, in view of the termination of the mandate and of Lebanese independence, it may be desirable to make certain modifications in the acts and annexes governing the concessions of French companies or companies financed by French capital operating in Lebanon and the provisions governing the execution thereof, proposes to initiate conversations with each of the said companies in the spirit of the negotiations already held in this connection.

solution, by contractual means and under the legislation by then in force, to enable the Lebanese Government to submit the modifications in question to Parliament for approval. Before hearings were held, the Parties informed the Court of Justice that a satisfactory settlement had been concluded. This settlement was formulated in an agreement between the French Government and Lebanese government, represented by its Prime Minister Rachid Karami and Minister of Public Works and Transport (MOPWT) Pierre Gemayel, by legal proxy from the Council of Ministers dated April 9, 1960. CPQEB France was represented by its Chairperson and General Director Henri Pharaoun and Country Manager Michel Oussant. The agreement, dated April 13, 1960, was approved by the Parliament and the President of Lebanon on May 31, 1960.

The 1960 Agreement mainly called for (i) compensating CPQEB for previous capital investments such as the construction of free zone buildings and port land reclamation; (ii) exchanging certain port lands owned by CPQEB with other lands of similar value in Beirut and its surroundings; (iii) creating a new company -- *Société Anonyme Libanaise (SAL)* – i.e., a Lebanese Joint-stock Company -- and transferring to it all port assets except port land and reclaimed areas, which were transferred to State ownership. The new company -- "Compagnie de Gestion et d'Exploitation du Port de Beyrouth" (GEPB SAL) – was based in Beirut. Intra Investment Company SAL¹⁰² and four Lebanese natural persons were the shareholders of GEPB as follows:

Table B.1 – Shareholders of GEPB SAL

Shareholders	Number of Shares	Percent of Total
Intra Investment Company SAL	2,472,277	57.67%
Private Sector Persons	1,814,522	42.33%

Mohammad Abd Alhasan Shuaib headed the GEPB SAL Board of Directors. Members of the Board were the other four shareholders listed above.

By this Decree, GEPB SAL was granted the right under concession to operate the Port of Beirut (POB) on behalf of the Lebanese Government until December 3, 1990, instead of the previous concession granted to CPQEB until August 19, 1990. GEPB SAL was granted the rights to collect port dues, cargo handling charges, and storage dues for all cargo entering the port, including those related to warehouses used to store imports.

GEPB SAL had mixed ownership, where the private sector owned 58.48% of shares. During this period at POB, the port model was close to the Private Service Model, which is recognized as the most advanced port model. The GEPB was operating as a private commercial company subject to Lebanon's Commercial Code of 1942, except that, in 1988, Decree No. 11 was adopted imposing a separate financial regime on the port, subjecting it to special rules related to the budgeting process, procurement, tendering, and accountability. The Concession granted by the Lebanese Parliament to GEPB expired in 1990 and was not renewed. Although GEPB SAL continues to exist as a JSC in the Commercial Register, its role related to the POB has ceased. In 1990, the State then took back full ownership of the POB.

¹⁰² Intra Investment Company SAL is owned by:

- Banque du Liban: 57%
- Ministry of Finance (Lebanese Government): 15%
- Mediterranean Sea Holding Company SAL: 22.5%
- Private Investors: 4.5%

In 1991 and 1992, the government decided to run the POB under a Steering Committee headed by the MOPWT and the Minister of Water Resources and Electricity. The GEPB SAL structure was placed under the Steering Committee, and its employees were engaged under a collective agreement to operate the POB.¹⁰³ They are not considered as public sector employees.

On March 17, 1993, a Provisional Council of Ministers Decision I installed a TC to administer and manage the POB (TC/GEPB) under the Minister of Public Works and Transport Supervision. The Minister was given the authority to approve capital investment projects above certain amounts and the TC/GEPB fiscal policy. Decision I also called for establishing a permanent structure to replace this temporary arrangement. Decision I did not subject the TC/GEPB to the Ministry of Finance supervision, the State Audit Bureau, and the Central Inspection Bureau.

The TC/GEPB has its own financial regime, largely based on the regime that governed GEPB SAL under Decree 11 of 1998. However, its budget gets endorsed by the Minister of MOPWT in lieu of the General Investment Directorate¹⁰⁴ for GEPB SAL. According to the Council of Minister Decision No. 22 of January 3, 1992, the Steering Committee may not spend more than 25% of port revenues for modernization and expansion of the POB and undertaking works. In addition, in 2007, the Council of Ministers prohibited TC/GEPB from hiring or replacing any personnel. Further, there is a non-public agreement between the Chairperson of the TC/GEPB and the Minister of Finance (endorsed by the Minister of MOPWT) that the TC/GEPB must transfer 25% of annual profit from the POB to the Treasury. Moreover, the Parliament in 2019 prohibited TC/GEPB from spending any funds except for payment of salaries.

The TC/GEPB is in charge of directly managing and operating all the activities carried out on the port domain, or through contracting with private operators, except for the clearance of imports and exports. The port domain has been expanded to the North and East as far as the Beirut River, with its extent and port limits laid down by Decree 9040 of August 29, 1996. Members of the TC/GEPB were first appointed in 1993 based on Council of Ministers Decree I dated March 17, 1993.

No new or permanent structure has been proposed since 1990, as was called for under Decision I, and the TC has been administering the POB on an interim basis until today. The Council of Ministers nominates the Chairperson and Board of the TC for a four-year term with the possibility to extend. The Council of Ministers can, at any time, replace any of the members or Chairperson, as was the case recently in replacing the Chairperson Hassan Koraytem with Bassem Al Qaisi after the August 4 port explosion. The Chairperson acts at the same time as the General Manager of the POB. Essentially, the TC has mixed roles of a board of directors and management of POB. It is reported that TC members are affiliated or close to politicians and parties, which were dominant during the Syrian era.

The second Temporary Committee was appointed in 1997 based on Decision I7 dated April 22, 1997. The third and current Temporary Committee was appointed in 2002 based on Council of Ministers Decision No. 9 dated December 11, 2001 and approved by Presidential Decree 7505 dated March 1, 2002. The terms of the members and Chairperson of TC have been extended since 2002. Due to the August 4 explosion, the Chairperson has been replaced. None of the board members of the TC were replaced.

The current TC consists of six members, in addition to the Chairperson.

¹⁰³ In line with Article 60 of the Labor Code.

¹⁰⁴ This was replaced by the Investment Development Authority of Lebanon (IDAL).

The Chairperson of TC/GEPB acts as the General Director of the POB and as the Head of the Board of Directors. Members of the TC are Board members.

Board members get paid a fee for each attended meeting of the Board based on Decree 3950 of 1960, which compensate government officials when participating in meetings (e.g., committees, councils). Chair board members receive a category one pay scale. As such, there is a tendency to have frequent meetings of the Board (a few times per month). Decisions of the Board are sent to the Minister of MOPWT, who has no authority to refuse to sign. However, the minister may block their decisions by taking the decision for approval by the Council of Ministers.

On the other hand, the chairperson gets paid a salary for his capacity as s General Director of TC/GEPB, equivalent to the pay scale of presidents of public institutions and receive all related benefits.

All payments are made out of the operating budget of the TC/GEPB.

As a summary, a brief historical timeline is provided in Table B.2 below.

Table B.2 – Key Historical Milestones Concerning the POB

Year	Key Historical Milestones
1887	<i>Compagnie du Port, des Quais et des Entrepôts de Beyrouth</i> (CPQEB) was incorporated as an Ottoman limited company
1925	The Agreement for the re-adaptation of the Company's concessionary instruments dated December 7, 1925
1926	CPQEB was converted into a French limited company on February 2, 1926, based in Paris, in accordance with the provisions of Protocol No. XII annexed to the Treaty of Lausanne
1934	Harbor Agreement of May 15, 1934
1948	Franco-Lebanese Agreement of January 24, 1948
1956	On July 26, 1956, the Lebanese Government promulgated a law stipulating that all companies enjoying exemption from these taxes and dues under agreements ratified by special laws should, as from January 1, 1952 (retroactive), be subject to income tax and all other fiscal and municipal taxes and dues
1956-195	Dispute between French and Lebanese Governments at the International Court of Justice concerning measures of 1956 by the Lebanese Government.
1960	A settlement was formulated in an agreement between the French Government and the Lebanese government
1960	A new Lebanese company SAL (JSC), with private sector participation (58.48%), was established to operate the POB inheriting the concession that was granted to CPQEB until 1990
1990	GEPB SAL Concession expired and was not renewed. The State took back ownership. Structure and employees of GEPB SAL were transferred under a Steering Committee to administer the POB.
1991	Council of Ministers appointed a Steering Committee to take over the operations of the POB
1992	Decision by Council of Ministers that Steering Committee may not use more than 25% of revenues for port capital investments and maintenance.
1993	The Council of Ministers replaced the Steering Committee with a Temporary Committee for administering and exploiting the POB (TC/GEPB)

Year	Key Historical Milestones
1997	The second Temporary Committee was appointed based on Ministerial Decree 17 dated April 22, 1997, and TC/GEPB became under the supervision of the Minister of MPOWT
2002	The third and current Temporary Committee was appointed based on Ministerial Decree 7505 dated March 1, 2002
2007	Hiring freeze was imposed on TC/GEPB
2019	Parliament prohibited TC/GEPB from expending any funds except for payments of salaries.
2020	August 4 th Port Explosion

Temporary Committee Functions

The Chairperson of the TC/GEPB is the highest authority in the POB operations. There are presently 180 employees working under the TC/GEPB. This is compared to 500 employees in 2002 and over 1000 employees in 1991. The number of staff was reduced as a result of inaugurating a new container terminal and subcontracting most activities to private sector operators. The trend has been to replace retirees with private sector operators, given the hiring freeze imposed by the Council of Ministers in 2007. The TC/GEPB, nonetheless, indicated their need for 500 employees. The POB employees under the TC/GEPB are paid out of its operating budget.

In addition, the current container terminal operator (BCTC) currently has 472 employees and manages a further 159 persons working for subcontractors to the TC/GEPB at the terminal. These subcontractors own and operate their own equipment in addition to TC/GEPB equipment, except for the ship-to-shore gantry cranes (STS) and rubber-tired gantry cranes (RTG), which are operated by BCTC staff.

The TC/GEPB manages the POB and the private operators providing services to the POB (trucks, port operators, stevedores, clearing agents, shipping lines, maritime agencies, ship agents, ship chandlers, provision of bunkers and freshwater, and garbage collection). The TC/GEPB is responsible for a wide range of functions excluding actual port operations (loading, unloading, cargo handling), which are performed by licensed stevedores and private entities for non-container terminals, and BCTC (under a management contract) for the container terminal.

The tasks of the TC/GEPB include - contracting and tendering of port operations and services; procuring equipment and supplies; establishing the rules of operations, safety, and security (under the International Ship and Port Security Code, the ISPS Code) at all cargo berths and within the port in cooperation with all port-based security agencies and the Harbormaster; setting port tariffs; collecting port dues and port handling charges; leasing port facilities; and managing stevedoring companies, port operators, ship chandlers, marine services, bunkering, freshwater, and other port service private providers. In addition, the TC/GEPB manages all warehouses, including those subjects to Customs control and warehouses in the free zone as per regulations of the free zone. The TC/GEPB has the authority to hire and fire its employees and private operators, prepare and issue port budgets and yearly financials, and prepare and issue port master plans and expansion projects in cooperation with the Minister of Public Works and Transport.

Therefore, the TC/GEPB is responsible for the port's overall operations and conducts its tasks in cooperation with, and through, various other stakeholders. While BCTC manages the container terminal, the other quays for general/bulk cargo and Ro-Ro are directly managed by the TC/GEPB with

licenses issued to private sector operators by MOPWT, such as stevedores, crane owners, and operators of trucks and tractors inside the POB.

Main Issues with the Current Structure

The TC/GEPB has been operating largely as a black box, particularly in the 1990s. It has been widely reported that the TC/GEPB may have been a source of major corrupt practices and misuse of port revenues due to the vast and legally undefined authorities it holds. The TC/GEPB does not have any recognized legal status under Lebanese Law and was not formed under Law No. 451 on Public Institutions of 1972. As such, it is not subject to direct audit oversight by the Ministry of Finance, the State Audit Bureau, and the Central Inspection Bureau. In addition, the TC/GEPB is not subject to the Public Accounting Law No. 14969 of December 30, 1963 (public procurement legislation) and the Tender Regulations No. 2866 of December 16, 1959. Given the aforementioned, the level of transparency with respect to the operations and financials of the POB is dismal. Unlike major ports worldwide, the POB does not publish any audited financial statements. There is a lack of clarity regarding operational expenditures, capital expenditures, and revenues.

In 1998, the Minister of Finance Georges Korm (under the Selim Al Hoss Government) installed a Ministry of Finance (MOF) auditor at the POB. The auditor was replaced later by a representative of the MOF, in addition to a representative of the Minister of MOPWT at the POB. The TC/GEPB chooses its internal and external auditors from a list of approved auditors from the MOF. The audit reports are simply sent to the MOF and MOPWT through their representatives. There is no follow-up to this process, and the audits are not made public. Furthermore, the TC/GEPB has no tax obligations to the Government of Lebanon.

From a legal standpoint, the GEPB SAL's concession expired in 1990 and was not renewed by the Lebanese Parliament. The TC/GEPB has been operating for the past 27 years in contradiction to the Lebanese constitution, which requires having a concession to collect revenue from a facility/utility that benefits the public interest. The fees and charges levied by the TC/GEPB are in contradiction to Articles 81 and 82 of the Constitution, which requires a law that allows them to be imposed. In addition, the TC/GEPB's discretionary authority in spending public funds from port revenues without being subject to applicable laws violates Articles 88 and 89 of the Constitution.

In addition to all aforementioned, the TC/GEPB has exhibited a high degree of negligence in terms of Health, Safety, Security, and Environment (HSSE). Regarding safety, the presence of ammonium nitrate and lack of even fire extinguishers and a fire brigade at the Port are good examples of this lack of care. Apart from the BCTC, no stevedores are obliged to wear Personal Protective Equipment. Health measures are also neglected. There are still 42 containers containing dangerous goods that have been lying in the Container Terminal for an extended period without being claimed by the owners. Some of these containers are leaking and affecting the health of the port staff. In addition, there are scattered hazardous and harmful substances at a few locations within the POB.

Decisions on port expansion, reclamation, capital investments, subcontracting operations, management and maintenance contracts, and procurement are all under the TC mandate, supervised by the Minister¹⁰⁵ of Public Works and Transport, whose approval of capital investment projects and fiscal affairs is required. According to many sources, The TC, with the approval of the succeeding Ministers of

¹⁰⁵ No role is given to the MOPWT in overseeing GEPB or the TC.

MOPWT, appears to have made unnecessary capital investments at excessive (costs above normal) with possible kickbacks. The following are examples:

- In 2009, E. Pihl & Son A.S.'s Denmark won a tender (US\$ 128 Million) for an extension of Beirut's container terminal in a joint venture with Hourie, a Lebanese based company. The J.V. (Pihl & Hourie) won the tender for the Extension of Quay 16 & Container Terminal from TC/GEPB. The project was completed in 2013. At the finish of the construction phase, TC/GEPB granted a separate contract without a tender (US\$ 130 million) to Hourie to infill the Fourth Basin (used for bulk cargo) for use as a yard for the container terminal. First, such a deal requires a Council of Ministers Resolution under Lebanon's legislation. Second, an alternative solution was possible for around US\$ 10 million to achieve the same objective of providing additional space for the container yard by freeing up space used by the slaughterhouse and the fish market. Third, the estimated costs for the landfill works are around US\$ 40 million. Subsequently, the Council of Ministers canceled the deal in 2014 and provided compensation to Hourie (approximately US\$ 30 Million) even though no work was done. The exact amount of compensation is not publicly known. It is reported that some politicians benefited from this arrangement. There have been renewed discussions about reviving another deal at a value of US\$ 270 Million. There is strong political division concerning the infill of Basin 4 as it affects the future of private bulk operators at the POB, who are mostly Christians, by shutting down/making unusable quays 13, 14, and 15 – 1050 meters of length altogether.
- Over the years, the TC/GEPB acquired 16 STS cranes when the current container terminal needs 10 STS cranes. The standard international practice is to provide one crane for every 125 meters of quay. The length of the POB container terminal Quay 16 is 1100 meters. In addition, the amount paid for cranes was US\$ 6 million above normal prices, provided that these cranes have the highest specifications. The ex-Chair of the TC/GEPB justified this purchase because they needed a very long outreach to handle large mother vessels. This purchase has been highly publicly questioned.
- Bulk operators indicated favoritism and kickbacks to the TC/GEPB when selecting a bulk operator to provide services for a client and decide what vessel or berth.
- Licensing by the General Directorate of Land and Maritime Transport of port operators, equipment registration, and stevedoring all require the non-official approval of the TC/GEPB before MOPWT issues licenses. There are reports that TC/GEPB members are bribed to favor the lucky few.
- Insurance with MedGulf without any competitive quotations. The premium for US\$ 3M provides coverage of LBP 600M in case of an explosion. This is around US\$ 400K (at the official rate) and US\$ 80K (at the black-market rate).

The Lebanese press, whistleblowers, and observers accuse the TC/GEPB of not transferring required funds to the Treasury (25% of net profit). Based on our initial analysis of the published data by the TC, around 78% of net profit was transferred during the period 2005-2017. Whistleblowers claim that the TC/GEPB accounting methods and use of funds for operations and capital investments are questionable, particularly that the audited financial statements are not publicly available.

Our initial analysis shows that the EBITA (Earnings Before Interest, Taxes, Depreciation, and Amortization) margin is 47% to 50% for the POB (based on available data from GA Consult, a consultant firm to the TC/GEPB). This is lower than the EBITA average margin of 53%. This is due to the fact that

the TC/GEPB tends to buy new equipment rather than maintaining and repairing existing items, as it would be normal practice in the vast majority of ports.

Apart from the lack of any clear legal status, the model under which the TC/GEPB operates is not defined. It cannot be categorized under any of the internationally recognized models for port ownership, governance, and management: i.e., as a *Public Service Port*, *Tool Port*, *Landlord Port*, or *Private Service Port*. Please see Table B.3 below. As an initial step toward privatization, the Port will need to be corporatized. A *Corporatized Port* will essentially operate as a private port, except that the State holds the initial ownership of shares.

The *Landlord Port* is the most common type worldwide, including New York, Rotterdam, Singapore, and European ports. A few countries use the *Private Service Port* model for some ports, such as those in the United Kingdom, Australia, and New Zealand.

Table B.3 – Port Models

Responsibilities	Public service	Tool	Landlord	Private service
Infrastructure/Land	Public	Public	Public	Private
Superstructure	Public	Public	Private	Private
Port labor	Public	Mixed	Private	Private
Other functions	Majority public	Mixed	Mixed	Majority private

Source: Based on Brooks and Cullinane (2007)

The POB characterizes itself as Tool Port. In fact, the POB falls somewhere between – or a mix of - a Tool Port and a Landlord Port, but without any legal basis or appropriate governance structure or supervisory body.

The infrastructure¹⁰⁶ and land at the port are publicly owned. Thus, it satisfies all the models above except that of the Private Service Port.

The superstructure¹⁰⁷ at the Port of Beirut is not completely private or public. It is mixed; and, thus, does not fall under any of the models above.

The Port Labor at the POB is mixed; thus, it fulfills the Tool Port criterion in this regard.

Other functions at the POB are mixed and satisfy this criterion for both Tool Port and Landlord Port.

A Port Authority (PA) is the official administration that controls and manages a port's activities, directly or through subcontracting. In the cases of public service or tool ports, the PA may, at the same time, act as the regulator.

The TC/GEPB at the POB operates as a Port Authority but without any legal basis or oversight/supervision, but some of its regulatory functions are shared with the Minister of MOPWT.

¹⁰⁶ Infrastructures include breakwaters, berths, quays, and yards.

¹⁰⁷ Superstructures include equipment, fenders, and buildings.

The current governance and management structure of the POB is unconventional. It raises the question about the commitment of the successive Lebanese Councils of Ministers since the 1990s in (i) reforming governance and management of the POB, which is a critical asset for the Lebanese economy; (ii) reducing trading costs and, thus, prices of imported goods for the Lebanese consumers, raw materials and input for industries, and supplies for businesses, while making exports more competitive; (iii) increasing competitiveness of the POB vis-à-vis regional ports; and (vi) maximizing the return from this key asset for economic operators, the Lebanese Treasury, and the Lebanese economy overall as well as increasing national competitiveness.

Lebanon needs to explore which model for the POB is appropriate, with the ultimate objective of privatizing the POB. Options and recommendations for the Port's long-term development will be discussed in a forthcoming Note by mid-November 2020.

B.3 Ministry of Public Works and Transport (MOPWT)

The TC/GEPB falls under the supervision of the Minister (not the Ministry). The MOPWT has a role in overseeing the harbormaster and maritime administrative work.

MOPWT is mandated, among other things, to regulate and supervise the affairs of land, sea, and air transport; to establish, equip, administer, and exploit public transport functions; ensure enforcement of laws and regulations over transport and maritime public assets, and to exercise authority over public institutions in the public transport sector. The TC/GEPB falls under the supervision of the Minister of Public Works and Transport and not the MOPWT.

In the case of the POB, the MOPWT cannot exercise hierarchical authority over the management of the TC/GEPB as it is not a public institution holding clear legal status. Only the minister of MOPWT can exercise supervision over TC/GEPB as implied by Law 214/1993, which defines the authorities of the Minister, and by Cabinet Decision 9, which established the TC/GEPB and which places only the “undertakings” of the TC/GEPB under the Minister’s supervision. On the other hand, Decree 7505/2002, which appointed the most recent members of the TC/GEPB, makes no mention of the Minister’s supervisory authority in terms of clear hierarchical authority over the POB as a whole and limits it to the supervision and approval of the Minister concerning certain matters such as capital investments and TC/GEPB fiscal policy.

Theoretically, any investment greater than \$20,000 requires the endorsement of the Minister of Public Works and Transport. This risks questions on corruption being raised, as endorsements can be based on the Minister’s signature only instead of requiring the approval of the State Tender Committee for procurement. However, in practice, this is not the case as TC/GEPB awarded the tender in Quay 16 expansion (approx. US\$ 300 Million for infrastructure and superstructure) without reverting to the Minister. TC/GEPB has its own internal tender process that allows TC/GEPB to tender, award, and sign contracts without the approval of the Minister of Public Works and Transport. Nonetheless, the Council of Ministers/Parliament can limit such authorities by blocking such deals on a case-by-case basis.

MOPWT has a general role in organizing and supervising land, sea, and air transport and developing strategies to grow and optimize the transport sector in conjunction with the country's current and future needs. Through the General Directorate of Land and Maritime Transport, it also has a direct role in licensing private operators in the port such as stevedores, equipment registration, ship chandlers, bulk

operators, marine agencies, and garbage collectors. The Maritime Administration Department, under MOPWT, issues marine-related licenses for vessel registration and Port State Control activities.¹⁰⁸

B.4 Harbormaster

The role of the Harbormaster, referred to also as Port Manager, is to permit berthing of ships in the port with the assistance of pilots, tugs, and mooring boats, as well as maritime administration. The Harbormaster is mandated by the General Director of Maritime and Land Transport under MOPWT. Apart from day-to-day operations, the Harbormaster reports to the MOPWT as a member of various port commissions that are set up and chaired by the current TC chairperson.

The Harbormaster can be mandated by the TC/GEPB to perform certain tasks (e.g., fact-finding on vessel owners, cargo shifting during loading and unloading operations, etc.) to facilitate the operations of the TC/GEPB. Even though the Harbormaster reports to the General Director of Land and Maritime Transport, the TC/GEPB, in practice, has substantial authority over the Harbormaster. Such authorities include appointing the Harbormaster on various port commissions, voting power within commissions, commercial decisions related to Service Level Agreements (SLAs) that include berthing priorities, crane availability, mooring operations, and a number of tugboats.

The Harbormaster coordinates with the Beirut Pilotage Station on towage, pilotage, and mooring. The Harbormaster has the berthing authority and his management and control over the Beirut Port Control Tower along with the Lebanese Army “Oscar Charley” and lighthouse “Ras Beirut”, (Manara, outside the POB premises) for notification and reporting, using allocated VHF channels.

Lebanon enforces the Arab League Boycott with Israel. As such, all vessels are allowed to berth at Beirut Port apart from Israeli-owned vessels, vessels that have called at Israeli Ports, and/or vessels carrying cargo originating from Israel. Shipping lines coordinate with MOPWT and harbormaster to share the list of incoming vessels. Shipping lines confirm the arrival of the vessels 24 hours and 12 hours in advance to the Beirut Container Terminal Consortium (BCTC) with cargo manifest. In case of violations, the vessel will be seized by Port State Control under the MOPWT.

B.5 General Directorate of Land and Maritime Transport under the MOPWT

As noted above, the General Directorate of Land and Maritime Transport supervises the Harbormaster and licenses all private operators in the port, such as stevedores, equipment registration, ship chandlers, bulk operators, marine agencies, garbage collectors, etc. It has no authority over the TC/GEPB.

B.6 Maritime Administration Department

The Maritime Administration is a Department under the General Director of Maritime and Land transport. It supports the Harbormaster in his day-to-day activities. The Maritime Administration also handles vessel registration, Port State Control activities, certification of seafarers, and national flagships’ registration.

Lebanon has been a member of the International Maritime Organization (IMO) since 1966. The IMO International Convention for the Safety of Life at Seas (SOLAS) relates to firefighting, lifesaving

¹⁰⁸ International Maritime Organization: Port State Control (PSC) is the inspection of foreign ships in national ports to verify that the condition of the ship and its equipment comply with the requirements of international regulations and that the ship is manned and operated in compliance with these rules.

appliances, radio communication, the safety of navigation, carriage of cargo and dangerous goods, as well as special measures to enhance maritime safety and security (ISPS Code). The International Convention for the Prevention of Pollution from Ships (MARPOL) relates to the prevention of pollution from the oil spill, noxious liquid substances, sewage from ships, garbage from ships, and air pollution.

The Maritime Administration under the MOPWT works to comply with IMO Port State Control regulations to enforce and ensure Lebanese compliance with SOLAS and MARPOL and ensure that Lebanese national waters and Lebanese Ports comply with international safety and security of shipping and the prevention of marine and atmospheric pollution by ships. Moreover, through the MOPWT or the Maritime Administration Department, Lebanon participates in intergovernmental organizations, especially regional ones, working with IMO in organizations such as the Agreement on the Conservation of Cetaceans of the Black Sea and the Mediterranean Sea and contiguous Atlantic Area ACCOBAMS. It is observed that the POB is not fully compliant with the above regulations, international conventions, and treaties, including the ISPS Code. The Port State Control as per SOLAS and MARPOL are not enforced at the POB (e.g., Air pollution, ship waste management, ship sewage, minor oil pollution, etc.)¹⁰⁹. Lebanon is a member of the Mediterranean Memorandum on Port State Control and is represented on this body by Abdel Hafiz EL Kayssi.

B.7 Ministry of Economy and Trade

The Ministry of Economy and Trade (MOET) owns and operates the silos (55% wheat, 40% corn, and 10% Soya and hey) at the POB as well as the related rail-mounted grain unloaders and ship loader equipment, which are located at Quay 8. The grain is directly loaded from vessels and vacuumed and stored in the silo's cells. The suction speed at the grain silos is 600 MT/hour. Lebanon imports, on average, 800K MT per year through POB. This is equal to 85% of total Lebanese grain imports. The other 15% is imported through other ports, mainly the Port of Tripoli.

The silos are mainly used for grain imported by the private sector for selling to mills. Importing of grain through POB is supervised by the MOET.

The total storage capacity of Beirut Port's Silo is 120,000 MT of bulk grain. This capacity is split between 48 large cells, each of 2,500 MT/cell capacity. Another 50 smaller cells, each of 500 MT/cell capacity, allow the emptying of the large cells and therefore leave room for full vessel load. Cells are allocated to a vessel only and fumigated between 2 loads.

Before discharging to silos, the Ministry of Agriculture takes samples for testing at its laboratories to ensure conformity with the level of acceptable humidity and potential infestation by insects. MOET constantly monitors the level of humidity in the silos and transfer, when needed, for ventilation from one silo cell to another. While being monitored by four weighbridges, the grain is loaded into open trucks for distribution to mills. MOET conducts interim testing of grain through its control room department at the POB to ensure the grain's quality and food safety.

Occasionally in the past, the silos have become completely full, and excess grain is stored in port warehouses. There are 69 persons¹¹⁰ at the MOET, including administrative staff and those operating the silos and related equipment. They are considered public sector employees under MOET. MOET also

¹⁰⁹ Lebanon is a Party to the SOLAS Convention 1974, and Protocol 1978. It is a Party to all the MARPOL Instruments, Annexes I to VI.

¹¹⁰ It was 80 before as 11 were killed by the blast at the POB.

collects storage and cargo handling charges for the silos. However, the TC/GEPB collects port dues related to grain imports.

Constructed in 1968 by the MOET using a Kuwaiti loan. They were expanded in 1997 to the current capacity. The grain silos and the grain loaders were severely damaged as a result of the August 4 explosion. MOET pays annual fees to TC/GEPB for using the land on which the silos were built.

Post-explosion, WFP, and private traders are using Quay 12, under the supervision of the MOET silos employees, for direct discharge, using ships' cranes, of grain from ships to trucks for delivery to in-city storage silos and warehouses associated with mills. Within Beirut's city limits, there are over ten mills with a grain capacity storage exceeding 50 MT, which is 40% of the total capacity of the POB destroyed silos.

There are proposals to move grain imports to Tripoli. This could result in possible political sensitivity to the country's food security being controlled out of Tripoli.

Reconstructing concrete silos, as was the case before, is costly and could take time. There are proposals to install steel silos for interim storage and vessel operations. Other proposals include constructing both interim and long-term storage capacities using steel silos instead of concrete silos for long-term storage. The advantages and disadvantages of each option are shown in Table B.4.

Table B.4 – Advantages and Disadvantages of Steel vs. Concrete Silos

Silos Type	Advantages	Disadvantages
Concrete	<ul style="list-style-type: none"> • Less land area • Better quality of grain for long term storage, especially near the sea • Less maintenance • Less loaders, unloaders, belts required • Lifespan is average around 100 years and can be higher 	<ul style="list-style-type: none"> • Long time construction • 3-times more expensive than steel silos • Construction is prone to mistakes
Steel	<ul style="list-style-type: none"> • Can be operational within one year • Easy to expand • Fasted unloading operations to trucks • Cheaper to construct and can be easily replaced 	<ul style="list-style-type: none"> • High maintenance, especially when close to the sea • Much bigger land space required • Lower storage quality for long term storage • Lifespan is 30-40 years

Proposals to replace destroyed concrete silos with steel-made ones were challenged by the TC/GEPB due to the large land required for installing steel silos with similar capacity (120,000 MT). The direction of the TC/GEPB is to build or have an operator build and operate a much smaller corrugated steel-sheet silo (20-30,000 MT for wheat) at the POB to serve short-term loading/unloading operations and provide minimal interim storage. As for long-term storage of grain by MOET, the TC/GEPB has proposed selecting another location within the POB, away from the quays or outside the POB premises, to be serviced by the interim steel-sheet silo. The proposal to have the silos outside the Port is not a good idea because of double handling charges, which will increase the price of grain in Lebanon. Interim silos

cannot go beyond 300 meters from the vessel, as this will dramatically affect loaders/unloaders' performance and capabilities.

Post explosion, private traders are importing grain on other operational bulk quays using ship gear or grabs (a slow process) with direct delivery on trucks. No storage (interim and long term) is taking place in the port. A short-term measure would be to purchase mobile pneumatic ship loaders-unloaders and conveyors (cost around US\$ 250 K each) with 160 MT/hour. This will significantly accelerate the discharging process.

Kuwaiti Funds has pledged to help Lebanon in reconstructing the grain silos at the POB. This process is being launched. Before the explosion, Grain was delivered from ships at Quay 8 to the silos. Those silos were constraining three quays (7, 8, and 9). Therefore, future construction should consider moving away from such berths (at least 100 meters) to allow direct discharge of other bulk and general cargo operations. It appears that MOET/Kuwaiti funds will be shifting the silos a bit away from the quays. It is, however, not clear how many meters they plan to shift them.

B.8 POB Revenues

The Port of Beirut total revenue is earned through four main types of services:

1. Port dues comprise around 53.5%,
2. Cargo handling (Container and General) 25.5%,
3. Storage activities 10.5%, and
4. Other Revenues (includes berthing) 10.5%.

Port fees and charges are published on the POB website.

Port Operations usually has Berthing Charges as the fourth revenue. However, the POB has included berthing charges under the “Other Revenues” type, approved by the Minister of MOPWT. These include berthing (mooring, towage, pilotage, vessel mooring), free zone rental, insurance, electricity for reefers, overtime, gasoline, lock seals, auctions, and other minor categories. The revenue from such services, on average, is 10.5%. In 2016 and 2017, this percentage increased significantly as a one-off increase (30% of total revenue), mainly due to the reversal of provisions pertaining to the European Investment Bank (EIB) at 33 Million USD and 67 Million USD, respectively. It is reported that the Government of Lebanon used the POB balance sheet to borrow these funds from EIB for its own use.

The revenue from Transshipping (TS) has been significant in recent years. It contributes significantly to cargo handling revenues and port dues as a result of large mother vessels calling POB.

The average TS volumes for the last five years have been around 34% of total TEUs handled. In 2020, the share of TS has been 46% so far. This shows that Lebanon is becoming an important TS point.

Since Nov 2019 and due to the economic crisis, the trend shows a 50/50 split between TS and local TEUs. However, in April 2020, MSC stopped using the POB for its Dragon Service (China-Turkey Service) and will no longer be calling Beirut. It has moved its TS operations to Asya Port in Turkey

(operated by Terminal Investment Limited TiL¹¹¹). This will result in a decrease in TS share at the POB by the end of 2020.

The information in Table B.5 below shows the TEUs local (In/Out/Full/MTY¹¹²) and TEU TS (In/Out/Full/MTY). TS volumes are mainly Full, while local volumes include MTYs. As such, the figures in Table B.5 below may not be fully reliable as figures include empty containers for local TEU. Essentially TS constitutes almost 50% if Full Container Load figures are used. The TC/GEPB statistics for the Port does not, however, distinguish between empty and full containers but rather publishes throughput figures (IN/OUT/FULL/MTY), which is misleading. Local throughput includes 50% import, 45% export MTY, and 5% export Full, while TS throughput includes 95% Full and 5% MTY. This split is based on the 2019 average import, export transshipment split of POB. Based on this, FCL imports to POB in 2019 were at approximately: Local 370,000 TEUs vs. TS 470,000.

Table B.5 – Breakdown of Local vs. Transshipping TEU (2016-2020)

	2016	2017	2018	2019	2020 (Aug)	Variation as of Aug 2020	Average (5 yrs)	Avg % share (5 yrs)	% share in 2020
TEU Local	855,877	897,787	874,609	734,645	284,828	-46.16%	729,549	66.19%	54%
TEU TS	291,342	407,251	431,146	494,436	239,338	-27.68%	372,703	33.81%	46%
Total	1,147,219	1,305,038	1,305,755	1,229,081	524,166		1,102,252		

Source: CAMA, POB Statistics (first five columns) with computations added by USAID MEG.

Table B.6 shows the charges for handling one TS TEU at the POB, depending on the annual volume per shipping line. Note that these rates are kept lower than at other regional ports to attract mother vessels.

¹¹¹ Terminal Investment Limited Sàrl (TIL) invests in, develops and manages container terminals around the world. It was founded in 2000 to secure berths and terminal capacity in the major ports used by Mediterranean Shipping Company (MSC).

¹¹² FCL Full Container Loads, MTY Empty containers (Note: We normally use MT for Empty)

Table B.6 – Charges per TS/TEU at the POB

Handling fee US\$/TEU	No. TS Containers/Year
61	>25.000 TEU
58	>100.000 TEU
55	>175.000 TEU
52	>250.000 TEU

The key point here is that TS charges, as seen below, are collected as a unified fee for the handling of imported containers for transshipment, regardless of the container size and whether it is full or empty. The TS charges cover the complete operation of discharging the container from the vessel or the complete operation to load it on the vessel, including handling in the container yard. MTY TS containers are more lucrative in terms of port revenue than MTY local containers.

Lebanon needs to promote transshipping business for many reasons. Transshipping provides an important source of revenue. In addition, it increases port connectivity with major ports and reduces the costs of importing containers to Lebanon due to volume and non-stop schedules by mother ships.

Shipping lines are interested in establishing transshipping hubs in a country only if they have access to a designated transshipping port. This is not currently the case at the POB. There is, however, a possibility to make space available for a dedicated terminal and yard used only for transshipping and to give its control to a large shipping line. That line calling POB would also deliver its local containers destined for POB. Note that MSC left Lebanon for Turkey because the POB has no dedicated TS terminal/yard.

Except for berthing charges, which are collected by the Harbormaster on behalf of the MOPWT, all other charges are collected by TC/GEPB, and some percentages are shared with private service providers as described in Table B.7 below.

Table B.7 – Percent Share of Revenue with Port Operators

Charges/Entity	TC/GEPB	BCTC	Bulk Operators & Stevedoring	Port Warehouse Operators	Beirut Pilotage station	Ro-Ro drivers	MOPWT	MOET
Port dues	100%							
Container Handling	60.5%	39.5%						
Cargo Handling Bulk & General	35%		65%					
Cars and Ro-Ro						100%		

Charges/Entity	TC/GEPB	BCTC	Bulk Operators & Stevedoring	Port Warehouse Operators	Beirut Pilotage station	Ro-Ro drivers	MOPWT	MOET
Port warehouses	100%			X ¹¹³				
Mooring, towage, pilotage					90%		10%	
Grain Silos operations and storage								100%
Free Zone	100%							

Table B.8 shows the POB annual income, net profit, and treasury transfers for the period 2005-2019. Information for previous years and 2018-2019¹¹⁴ is not available. This information is published by GA Consult, which is a consulting firm retained by TC/GEPB. The data appears to be inconsistent and highly questionable in terms of its validity. As a result, it merits further investigation/analysis.

Table B.8 – POB Annual Income, Net Profit, Treasury Transfers (in millions of US\$) (period 2005-2019)

Year	Annual Income	Net Profit	Treasury Transfers
2005	89	14	17
2006	85	12	20
2007	117	22	27
2008	137	35	41
2009	168	48	43
2010	173	57	0
2011	165	43	32
2012	181	52	20
2013	222	55	0
2014	220	77	54
2015	243	90	59
2016	278	128	90
2017	313	124	194
2018			
2019			150

Source: GA Consult, March 2019 (except for 2019 data)

¹¹³ There is one private operator that handles port warehouses. The percentage share by PTC/GEPB with this operator is unclear.

¹¹⁴ Except for treasury transfers for 2019.

Port dues

Port dues are charges collected from ship-owners or operators for the vessels that enter and exit the port. These are fees charged based on vessel size, gross registered tonnage, and length of stay at the port. Port dues in POB also cover for Tonnage Charges that are usually calculated on the ship's net registered tonnage and are charged by the port to maintain their infrastructure, entry channels, breakwater, and facilities. Port of Beirut does not charge port dues as such and rather allocates these charges for using the port facilities for the movement of cargo through it, referred to as FIO. In Lebanon, FIO stands for Free In/Out charges. When used from Shipping Carriers' perspective, those are collected from the client to pay the port of loading or to discharge to cover the costs of handling the cargo at the Port of Beirut. However, in the POB case, those charges are paid to cover using port facilities.

Cargo Handling Charges

Cargo handling charges are the actual terminal handling charges that the client still pays to the TC/GEPB. The Cargo handling charges are collected by the TC/GEPB to cover the cost of maintaining port equipment and running costs. In other words, port dues are paid by the carriers or shipping agencies to the TC/GEPB after collecting charges from the clients, while cargo handling charges are paid by the clients directly or through their clearing agents to the TC/GEPB. Port dues or FIO are collected by the shipping lines in cash USD and paid to the TC/GEPB in national currency, thereby putting fiscal pressure on traders.

At the container terminal, Quay 16 cargo handling charges are collected by the TC/GEPB for services performed at the container terminal by the operator BCTC with a shared revenue split of 60.5% to the TC/GEPB and 39.5% to BCTC. All other charges related to handling, storage, container moves to the inspection area, container cleaning, and transshipment are under cargo handling charges referred to as Terminal Handling Charges (THC) and therefore are collected by the TC/GEPB and subject to the same shared revenue split.

At the bulk and general cargo terminals (Quays 7-15), cargo handling charges are collected by the TC/GEPB, while bulk stevedores, referred to as bulk port operators, perform the actual cargo handling at the quays using their own cranes. The TC/GEPB pays back part of the collected charges on a shared revenue split of 35% to the TC/GEPB and 65% to the bulk port operators. Three main operations take place at the bulk terminals, stevedoring, trucking, and loading/unloading operations. The TC/GEPB decides which bulk port operator will work on each berth and for each vessel. Bulk port operators can sometimes provide stevedoring services. However, this is not mandatory. Therefore, the shipping agent or client can decide to subcontract to a private stevedoring company as long as this stevedoring company is licensed to operate by MOPWT.

Trucking within the port (to and from the port) is the only service not managed or subcontracted by the TC/GEPB. Trucking is directly subcontracted by the client or shipping agent. Bulk port operators operate under an open-ended term agreement (no end date for the contract) with the TC/GEPB. No annual renewals are required, nor is a service level agreement to promote fast port operations enforced. This opens the door for many speculations favoring and giving kickbacks to the TC/GEPB as to which bulk operator works and on what vessel or berth. Moreover, the licensing of port operators, equipment registration, and stevedoring all require the official approval of the TC/GEPB before MOPWT can issue licenses. This also opens the door to favoring the lucky few with kickbacks to TC/GEPB & MOPWT - in return for TC/GEPB favoring certain operators during work rostering on the quay and yard bulk port operations, equipment capacities, and performance.

Storage activities

Storage activities consist of interim berth storage, interim yard storage, warehouse handling of bulk, general cargo, Ro-Ro storage, as well as less than container load LCL and groupage revenues from stevedores, port users, and traders and value-added services from third-party logistics operators and equipment rentals. The TC/GEPB collects all related tariffs. There are no private warehouses at the port premises except those available in the free zone. These include warehouses rented from the TC/GEPB and the privately-owned warehouses at the logistics zone that is also part of the free zone area. See further details paragraph below.

Other Revenues

The Harbormaster collects berthing charges. Vessel mooring, towage, and pilotage services are operated by the “Beirut Pilotage Station,” privately owned by the Baltaji family under a law from 1952 that provides the right to collect charges under an open concession. A 10% share of the revenue from these services is paid back to the MOPWT on a yearly basis. Tugs, pilot boats, captains, and pilots are provided via the Beirut Pilotage Station capital account, covering operating expenses. The Harbormaster collects other berthing charges, including vessel mooring, maintenance permits, bunkering permits, garbage collection permits, freshwater permits, fines related to vessel breaches, violations of Port State Control requirements, and other related charges on behalf of the MOPWT.

Free zone rental (warehouse space and land), insurance, electricity for reefers, overtime, gasoline, lock seals, auctions, and other minor categories are all part of Other Revenues.

As an exception, grain silos at the POB are owned and operated by the Ministry of Economy and Trade (MOET). MOET also collects storage and cargo handling charges for the silos. However, the TC collects port dues related to grain imports. Grain traders use the silos to cover their interim storage requirements. This short-term storage provided to private grain traders is managed entirely by MOET.

TC/GEPB Functions

Source: TC/GEPB, Port of Beirut Organogram

1. Financial:
 - Collections of port dues, cargo handling charges, warehouse rental, shared revenues on behalf of port operators, stevedores, and cargo handling operators.
 - TC/GEPB internal accounting and financial reporting
 - Procurement and Stores
2. Administrative:
 - TC/GEPB personnel (contracts & insurance) and training
 - HSSE (health safety security and environment)
3. Project Management:
 - Supervision of infrastructure maintenance and capital works
 - Port development planning and supply
4. Maintenance:
 - Planning and supervision (management) for IT infrastructure and telecommunications, port equipment, marine equipment, civil works, electromechanical, and port domain
5. Studies
 - IT and systems
 - Statistics
 - Geographic Information System (GIS-based Information System)
 - Quality assurance (ISPS, ISO, etc.)
6. Operations:
 - Planning: includes cargo planning for all vessels and cargo except the container terminal. This allows the TC/GEPB to manage and allocate port operators and stevedores for a selected berth and vessel via the General Cargo department
 - Container terminal: liaison with BCTC on daily operations for support and reporting purposes
 - Equipment operations that include allocation of port equipment (both owned and subcontracted)
7. Commercial:
 - Pricing and customer services for all port operations
 - Free-zone and passenger terminal handled together under one department
 - Tariff and marketing that mainly attracts new businesses
8. Quality Assurance:
 - Audits
9. Legal:
 - General Inspection
 - Legal Bureau office

ANNEX C

PRIVATE SECTOR STAKEHOLDERS ENGAGED AT THE PORT OF BEIRUT

As in the majority of ports worldwide (except public service ports), many private operators are engaged at the Port of Beirut (POB) to provide port services. Some of these are located outside the POB but handle trade transactions and logistics and transport activities at the POB on a daily basis. The main private entities are listed in Table C.I below.

Table C.I – Private Operators at the POB

Private Entities	Location
1. Beirut Container Terminal Company (BCTC) – container terminal management	Inside the POB (Quay 16)
2. Free Zone (FZ), Logistics Free Zone (LFZ), and Duty-Free Market (DFM) operators	Inside the POB (POB Free Zone)
3. Beirut Pilotage Station	Inside the POB (Quay 6)
4. Stevedoring companies/bulk and general cargo operators	Inside the POB (Quays 7-15)
5. Operators/owners of equipment at BCTC	Inside the POB (Quay 16)
6. Trucking companies	Outside the POB (Mainly near Gate 14)
7. Shipping lines, ship owners, and charterers	Outside the POB
8. Freight forwarders	Outside the POB
9. Clearing Agents (customs brokers)	Outside the POB
10. Maritime agencies	Outside the POB
11. Ship agents	Outside the POB
12. Ship chandlers	Outside the POB
13. Garbage Collection services	Inside the POB
14. Bunkering suppliers	Outside the POB
15. Fresh water suppliers	Inside the POB
16. Tourist Agencies and Ticketing	Inside (Quay 5) and outside the POB
17. Shipment Inspection Services	Outside POB

Except for BCTC, there are no other private entities engaged under the management contract, concession, leasing, or licensing arrangements to fully manage or operate any other cargo terminals at the POB. GEPB manages the operations of all other terminals (Quays 3-15), with private entities' support, to provide specific services such as ship channeling, stevedoring, forklift operations, and crane services.

In addition, there are a few syndicates (Order of Pharmacists, Order of Physicians, and Order of Dentists) involved in the clearance of goods. These do not have offices at the POB. They are on-call. Their roles are described in the Paper on *Cargo Clearance and Trade Facilitation at the POB*.

Furthermore, the Clearing Agents Syndicate, Trucking Syndicate, Labor Syndicates negotiate with TC/GEPB on matters concerning their members. Last, large car dealers have their designated stevedoring companies and deal with POB on matters concerning the handling of new imported vehicles.

C.1 Beirut Container Terminal Company (BCTC)

The Beirut Container Terminal Consortium SAL (BCTC), the current Container Terminal Operator at the POB, has been running the container terminal (Quay 16) at the POB since December 2004.

This management and maintenance contract was won through an open international competitive tender issued by the TC/GEPB. The contract was initially signed with the TC/GEPB for ten years in 2005. The contract was extended in 2015 for another five years and due to end on January 31, 2020.

BCTC was established in December 2004 as a joint-stock company (Société Anonyme Libanaise-SAL) and began operations in December 2004. BCTC is a joint venture made up of the Lebanese-based International Port Management Beirut holding (IPM), British-based Portia Management Services (PMS), and American-based Logistics and Port Management, Americas (LPMA). The TC/GEPB has full governing authority over BCTC, which performs the actual terminal management, operations, and maintenance. The TC/GEPB collects port dues and cargo handling charges, including storage fees, and pays back to BCTC its share, 39.5% of revenues, on a monthly basis, for their container handling services and equipment maintenance.

The ownership of the equipment at the Container terminal is shown in Table 2 below. When the container terminal was inaugurated, there were only 3 STSs. Although BCTC was supposed under their contract with TC/GEPB to purchase additional STSs and RTGs once the TEU turnover at the container terminal surpassed 500,000 TEUs, all additional STS cranes and RTGs were acquired by TC/GEPB.

The August 4, 2020 explosion did not cause significant damage to the container terminal or its equipment. Some Shipping Lines' containers were, however, damaged as well as clients' cargo.

Maintenance of the equipment at the container terminal falls contractually on the BCTC. Given that BCTC gets paid in LBP and access to foreign exchange is only possible at the black-market rate (where there is a large difference between the official rate and black-market rate), BCTC claims to have been unable to secure necessary foreign exchange to import expensive spare parts for maintaining equipment or sustaining licensing arrangements with the equipment suppliers. As such, nine out of the 16 STS and 12 out of 51 RTGs are currently not operational.

If this situation continues, then there is a high risk that some of the remaining 7 STS will have to be taken out of commission in the near future, which will dramatically hinder the operations at the container terminal and slow down the flow of trade into (and out of) the country. Having more equipment than required (e.g., 16 vs. ten needed STS) to fully cover operations can significantly increase operating costs, as equipment suppliers will require annual maintenance contracts payments or charge heavy day rates if company experts are required to visit the terminal to carry out maintenance work. This appears to have increased the financial burden on BCTC.

Table C.2 - List of Container Handling Services Equipment

Equipment Category	Quantity	Owned by GEPB	Owned by BCTC
STS Crane	16	16	-
STS Spreader	20	20	-
RTG Crane	51	51	-
RTG Spreader	57	57	-
Reach Stacker	14	5	9
Empty Handler	12	3	9

Equipment Category	Quantity	Owned by GEPB	Owned by BCTC
Terminal Tractor	64	12	52
TR	4	4	-
Forklift	3	-	3
Trailer for TT	72	30	42
Trailer for TR	3	-	3
Gooseneck	4	4	-
Over height Frame	4	4	-

To recap, the TC/GEPB provides infrastructure and superstructure and major operating equipment (e.g., STS and RTGs), while BCTC manages and operates the container terminal through its own personnel and provides container handling equipment such as reach stackers and tractor trailers.

In addition, Container Stevedoring Services (CSS), a Lebanese company, provides and operates the terminal tractors and trailers, reach stackers, and empty handlers at the container terminal while two other stevedoring companies provide truck drivers.¹¹⁵ CSS and the two stevedoring companies are paid by TC/GEPB, lowering its actual share of revenues from 60.5% to an estimated 50%.

All legal obligations of BCTC - including service level agreements with shipping lines, transshipment agreements, and special discounted rates - are subject to TC/GEPB approval, and the agreements are made between TC/GEPB and the shipping lines.

BCTC began handling transshipment (TS) vessels in 2005, the first time in any Lebanese port that this business had been secured. In addition to the direct financial benefits that this brings to the POB and the Government of Lebanon, transshipment has also had indirect benefits for the Lebanese economy as a whole; by increasing port connectivity, increasing port capacity by berthing and handling large mother vessels, and raising the profile of the POB as a local, transit, and transshipment port. All play a large factor in reducing the cost of shipments through the POB. The first transshipment contract that TC/GEPB signed was in 2005 with the Mediterranean Shipping Company (MSC) for Beirut to handle 250,000 transshipment TEUs/year. The second transshipment contract was signed in February 2006 with French-based Compagnie Maritime d’Affrètement - Compagnie Générale Maritime (CMA-CGM) for Beirut to handle at least 100,000 TEUs per year for three years, for cargo moving between Northern Europe and Eastern Asia. The contract with CMA-CGM was extended and still remains in place after the explosion of August 4.

The average TS volumes for the last five years have been around 34% of total TEUs handled. So far, in 2020, the share of TS has reached 46%, showing that Lebanon is becoming a more important TS point.

Since Nov 2019, and due to the economic crisis in Lebanon reducing the gateway cargo volume, the trend has shown a 50/50 split between TS and local TEUs. However, in April 2020, MSC stopped using the POB for its Dragon Service (China-Turkey Service). It has moved its TS operations for this service to Asya Port in Turkey (operated by Terminal Investment Limited TiL). Other MSC TS services still operate at POB, but with much less volume. This will result in the TS share at the POB decreasing by the end of 2020.

¹¹⁵ These are counted in Table 2 above as BCTC provided equipment.

A new tender for management and maintenance of the container terminal was issued on January 17, 2020, by the TC/GEPB. The deadline for making offers was on March 17, 2020. The process was put on hold due to many factors, including changes in government, opposition on preferential treatment to contract award, and the caution of the TC/GEPB to make an award without full backing from the Minister of Public Works and Transport. There is no public information as to the number of bidders. However, it was mentioned by the newly appointed Chairperson of the TC that the tender has been canceled, and a new tender is currently being prepared by the TC/GEPB. The operations of BCTC have been extended three times (3 months each time). It is expected that the BCTC contract will be further extended in October by another three months or until further notice (until a new contract is issued based on the new tender).

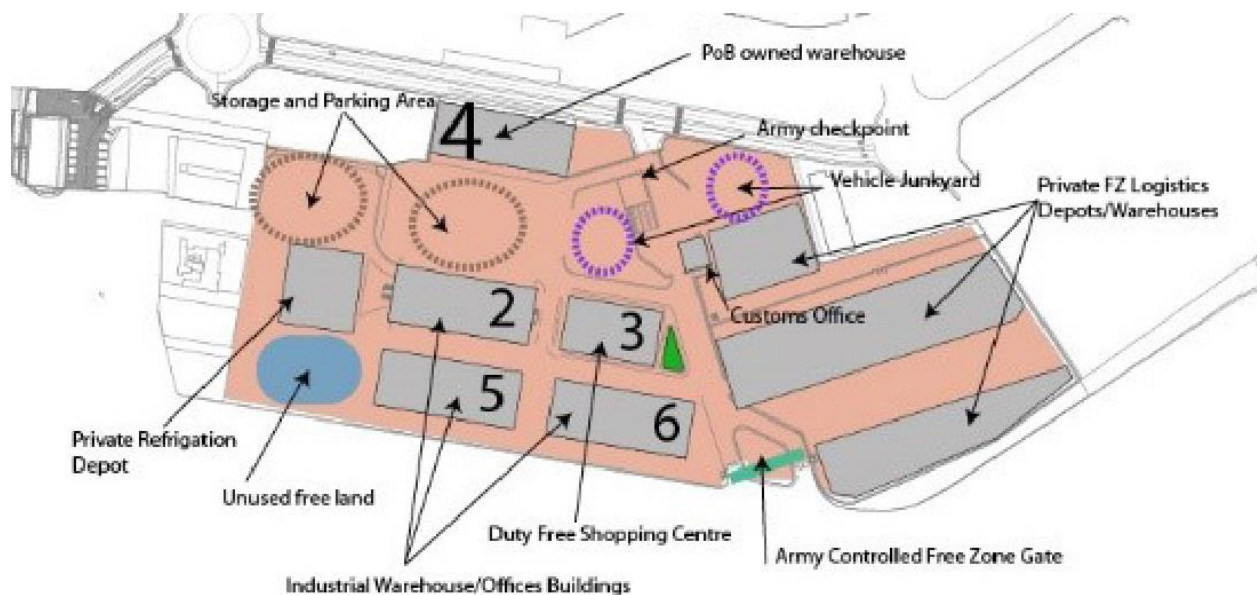
It is worth mentioning that a number of international companies are interested in this tender. Some have already consortia among each other. These include CMA-CGM and MSC.

C.2 Free Zone/Logistics Free Zone/Duty-Free Market

The Free Zone (FZ), Logistics Free Zone (LFZ), and Duty-Free Market are usually referred to altogether as one entity, i.e., the “POB Free Zone.” The Logistics Free Zone (Figures 3 and 4) is built on land rented by TC/GEPB to private freight forwarders and logistics providers, where they can construct their own warehouses. The FZ, constructed by CPQEB, is made of four buildings, one of which is referred to as the Duty-Free building, Number 3 (Figure 4). See Figure C.1 below.

Figure C.2 below shows the current POB Free Zone area after the August 4 explosion and the severe damage to the buildings, resulting in losses incurred by the private sector as main stakeholders in the LFZ.

Figure C.1 – POB Free Zone



Source: Khatib and Alamy

Figure C.2 - POB Free Zone before and after the August 4 Explosion



Source: <https://www.porttechnology.org/news/port-of-beirut-explosion-leaves-supply-chain-in-tatters/>

The State owns the land at the POB Free Zone as per the agreement of April 13, 1960, between the Lebanese Government and the French Government. The *Compagnie du Port, des Quais et des Entrepôts de Beyrouth* (CPQEB), exchanged certain port lands owned by the company with other lands of similar value in Beirut and its surroundings. The area exchanged (44,082 m²) included two designated zones: The four large buildings referred to as the *Free Zone (FZ)* were transferred to GEPB, and the Government compensated CPQEB for the investment in their construction and the area of unbuilt land on which the Logistics Free Zone (LFZ) was subsequently built. According to the Free Zone Exploitation Regulations¹¹⁶, the TC/GEPB performs the following functions:

	Landlord	Management	Fee Collection
Free Zone	X	X	X ¹¹⁷
Free Logistics Zone	X		X ¹¹⁸
Duty-Free Market	X		

The structure of the buildings within the FZ remained sound; there is, however, for refurbishment. On the other hand, the Logistics Free Zone's warehouses were severely damaged due to the August 4 explosion and the subsequent fire on September 10. Private operators at the LFZ with warehouses constructed of sandwich panel and steel, including the 2,600 m² cold storage (FreeGoZone), suffered heavy damage and, in some cases, total destruction. The DFM building needs refurbishment and the installation of a new glass dome. The majority of goods that were being stored at the FZ, LFX, and DFM were damaged.

¹¹⁶ Decree number 12844 dated 8/10/98 amendment of articles 218,221,225and 228 of the Customs Law. Decision of council of Minister number 45 dated 26/8/98. Official Gazette number 42 dated 17/9/98.

¹¹⁷ Rented warehouses

¹¹⁸ Rented Land

In fact, all cargo present at these zones at the time of the explosion and subsequent fire have been damaged or totally destroyed, with estimated losses of, assessed one week after the explosion, of US\$270 million. This figure is said to have been reduced by 30% after some of the goods were salvaged by clients. Most of the cargo at the POB Free Zone is of high value (e.g., liquor, cigarettes, electronics, and perfume).

FZ, LFZ, and DFM are considered to be outside the customs territory of Lebanon. Access to these zones is possible from inside the POB or outside (across from Charles Helou Bus Station), and all entries/exits to/from the POB Zone are under customs control and supervision. Imports enter the POB Zone without paying any duties and taxes. Based on private sector feedback, around 70% of cargo in the POB Zone is destined for re-export and transit, while the remainder is for the Lebanese market after completing customs formalities and paying applicable duties and taxes.

Anecdotal evidence suggests that goods are smuggled from these zones into the Lebanese market without paying duties and taxes. Goods that enter these zones will no longer benefit from preferences (e.g., exemption from duties), as stipulated in Lebanon's international agreements (e.g., EU-Lebanon Association Agreement-AA and the Greater Arab Free Trade Area-GAFTA) when sold in Lebanon. A subzone (customs bonded warehouse) was created inside the free zone for EU imports to allow their further entry into Lebanon by benefiting from duty exemptions under the EU-Lebanon AA.

TC/GEPB has assigned a General Manager to operate the POB Free Zone; collect rent, lease, and gate charges for GEPB; and oversee all contractual obligations. Private warehouses collect port dues on behalf of TC/GEPB (US\$30/MT, with retention of US\$10/MT to cover costs). Private warehouses are Lebanese Limited Liability Companies (LTDs) subject to taxes. To avoid paying taxes, many of the owners of these LTDs have established offshore companies where they only pay a lump sum of LL 4 Million. Offshore can, however, only operate for re-export and transit purposes. Offshores cannot collect port dues on behalf of TC/GEPB or pay rent to TC/GEPB; these are handled through the LTD sister company.

As a further comment, it is important to note that space in the Beirut Free Zone is underutilized.

Free Zone (FZ)

The Free Zone consists of four modern buildings, with a total of 32,400 m² of warehouse space. As a result of the August 4 explosion, these buildings are concrete and suffered less damage than the steel frame buildings at the LFZ.

Three industrial Buildings No. 5 and No. 6 covers an area of 4,000 m² each, and each has 52 warehouses. The warehouses cover an area of about 200 m² each, where 16 (6.5 meters high) are distributed on the ground floor. The other 18 warehouses are on the first and second floors, each with 4.5 meters high ceilings, in addition to five warehouses of 70 square meters, each with also 4.5 meters high ceilings. The ground floor warehouses have a US\$23K standard yearly rent, while the upper warehouses are at US\$16K.

Industrial building No. 2 also covers an area of 4,000 m² consisting of 38 warehouses, each measuring about 200 square meters. These are distributed as 12 warehouses on the ground floor with 6.5 meters high ceiling and another 13 warehouses on each of the first and second floors (each having a height of 4.5 meters). Each building is equipped with two elevators to transport goods, with working capacities of 3 MT each, and with wide internal roadways allowing the free movement of forklifts. The Lebanese Industrialist Association (LIA) had an office on the upper floor of this building, and currently, there are attempts (post-explosion) to use this building for Customs. TC/GEPB has rejected this proposal.

Buildings 5, 6, and 2 at the FZ were constructed by CPQEB and transferred to the Lebanese Government in 1960. Private businesses currently lease warehouses from the TC/GEPB by paying annual rent per m². Activities at the FZ include third party logistics (such as labeling or re-packaging), re-export, transit, and limited light industries. Although light industries were expected to pick up, the FZ did not succeed for industrial purposes due to many limitations on land size, limited support to small and medium enterprises, limited support to startups, and the convenience of performing general trading, transit, and re-export of full containers using their FZ status.

Some companies import goods through the FZ because importers cannot afford to pay the applicable duties and taxes until they have found buyers, as the storage fees at the FZ are relatively low compared with warehouses outside the POB. Keeping goods in the FZ is essentially a way to defer payments on imports. Traders tend to gradually withdraw goods from the FZ to the Lebanese market and pay applicable duties and taxes. Some traders perform minor operations on goods in the Free Zone, but not to the scale seen at the LFZ.

These buildings are at least 60 years old. They were partially destroyed due to the August 4 explosion and the September 10 fire in the POB Free Zone. Although the stored goods were burned and fixtures were smashed, the structures remain sound and can be renovated. The estimated renovation costs are around US\$800K. The TC/GEPB is not able to conduct repairs as per its obligations to private lessees due to the 2019 parliament restriction on TC/GEPB on making any investments or incurring any expenditure. This issue is becoming a major concern to private operators of the POB FZ, as more damage to goods that are still there is anticipated with the start of the winter season.

Duty-Free Market

The Duty-Free Market is located at the fourth building, No. 3 of the free zone (FZ), which provides a 2,800 m² meter floor area. This building is different from the other three industrial buildings with very high ceilings similar to a shopping center with glass domes on top (now destroyed). The duty-free complex consists of 46 shops under lease from TC/GEPB, while the shop owners make duty-free sales. Duty-free sales target vessels are entering the POB and vessel crews, as well as diplomatic missions and embassies in Lebanon. The general population cannot shop at the duty-free market if not using the POB to enter or leave the country -- similar to the Beirut airport duty-free shops. Sometimes foreign nationals manage to buy goods from the Duty-Free Market.

Logistics Free Zone (LFZ)

The LFZ was inaugurated on July 12, 2007. The unbuilt land transferred from the CPQEB of the POB Free Zone was leased to Lebanese private companies at a US\$32K¹¹⁹ yearly rent per parcel (1,200 m²) for ten years, with possible renewal for an additional ten years. These companies have the right to construct warehouses, following TC/GEPB specifications on ceiling height, perform large third-party logistics (3PL), value-added services, packing and repacking, transit, and direct distribution to large local and regional brand chains. Duties and taxes apply to goods in the LFZ when these are sold in the Lebanese market.

The warehouse owners can provide storage space at a fee agreed upon between the warehouse owner and client. Also, warehouse owners at the LFZ collect port dues on behalf of TC/GEPB, as described under the FZ section above.

¹¹⁹ With an annual increase of 5%.

All buildings at the LFZ are of steel frame structures with sandwich panels. These do not have to be transferred to the State after the land lease contract matures between warehouse owners and the TC/GEPB. In case the land lease is not returned, the warehouse owners may remove the structure or offer to sell to TC/GEPB. There are currently 20 units (1,200 m² land is sufficient for a 1,000 m² warehouse unit), with some companies owning more than one unit. For example, the FreeGoZone has three units, Beirut Cargo Center (BCC) has three units (completely destroyed by the fire), ASL 1 unit, DHL 1 unit, Radec 2 units, Net Logistics 2 units, GIFCO 1 unit, etc.

All warehouses were severely damaged, and some were totally destroyed due to the August 4 explosion. Owners have not been paid by their insurance companies as they are waiting for the investigation's outcome. Most of the owners have bank loans to be paid on their initial investments. They are also facing additional risk with respect to the currency of compensation by insurance companies, which appear to want to pay either in LPB or USD/Checks that are only one-third to one-fifth of the 'real' value of their claim.

C.3 Beirut Pilotage Station/Baltaji Group

Beirut Pilotage Station (BPS), located at Quay 6, is a privately owned and managed company owned by the Baltaji family. This by virtue of a contract going back to 1952, which provides it with a concession. Established in 1882, the Beirut Pilotage Station provides pilotage, towage, and mooring services to the POB with a 10% revenue share paid to the MOPWT on a yearly basis. Tugs, pilot boats, tug skippers, and pilots are all part of the Beirut Pilotage Station, with their capital and operating expenses charged to the Pilotage Station. Services at the POB harbor include mooring and towage with five tugs, three pilot boats, and five mooring boats with a range of bollard pulls for handling container ships of up to 14,000 TEUs. These services are compulsory for all vessels above 40 m length overall (LOA) or 200 Gross Tonnage (GT), except for tankers mooring outside the port to discharge through pipelines. Pilots can require that more than one tug has to be used by a ship berthing or unberthing, in coordination with the Harbormaster, if additional tugs are required for safety reasons.

C.4 Stevedoring companies

Bulk and general cargo handlers are known worldwide as Stevedores. Their main activities and services at the POB include the following: loading and unloading of vessels; operating heavy vehicles and machinery (such as straddle carriers, forklifts, and ship cranes); loading and unloading cargo from trucks; positioning goods in the holds of the ship; securing cargo on ships using various types of lashing materials to hold it in place; carrying out safety checks on equipment, securing and releasing mooring lines of ships; and cleaning up ship tanks. Stevedores must have a sound knowledge of health and safety procedures, possess skills in handling different cargo types, particularly dangerous substances; be familiar with basic customs and shipping company documents; and interpret ship loading plans.

Over nine officially listed stevedoring companies, licensed by MOPWT and subcontracted by TC/GEPB, operate within the Port of Beirut. These include Henry Heald, Marmed Marine Services, Houmany, and Société Libanaise d'Aconage.

Although TC/GEPB indicates that nine private contractors support the handling, loading, and unloading of cargo, in practice, more than double this number is licensed by the MOPWT. Commercial and service level contracts between TC/GEPB and stevedores are not publicly accessible. These companies use their own equipment (mobile cranes, forklifts, tractors, trucks, trailers, water cisterns) to deliver general cargo handling services.

The TC/GEPB decides which stevedoring company (crane owner and operator) will work on which berth or vessel. TC/GEPB collects cargo handling charges (CHC) and port charges from ship agents and pays 65% of the CHC back to port stevedores under open contracts, which are not defined by a fixed term or date. Some stevedores like Houmany provide, in addition, trucking services, while others prefer trucking to be subcontracted to a private trucking company that the client or ship's agent decides on. Anecdotal evidence suggests that commercial benefits and kickbacks are provided frequently to the TC/GEPB in exchange for favoring certain stevedoring companies over others with berth/quay selection, the appointment of work to vessels, selection of equipment storage space close to the quay, and other activities.

A few years ago, there were discussions as to whether only one general cargo and bulk port operator should run all non-container berths. Existing stevedoring companies were given the option to be compensated for phasing out their services at the POB or join the new company as owners by transferring their assets and/or making financial investments.

In fact, most equipment owned and used by existing stevedores at the POB is old and inefficient. After the August 4 explosion, most cranes for general and bulk cargo handling items were damaged. Most stevedoring companies cannot afford to replace them to resume operations. Over the last two months, they have been negotiating with TC/GEPB for compensation for leaving port operations and canceling their contracts, as offered to them a few years ago.

The TC/GEPB is interested in retaining the services of a foreign (European or American) bulk and general cargo port operator to step in and take over full operations at the non-container terminals; under an arrangement similar to that of BCTC.

Unlike the container terminal, where all cranes, equipment, and vehicles are owned by TC/GEPB and operated by BCTC, the private sector supplies most handling equipment at the general cargo terminals and related storage areas. Private stevedoring companies own the following equipment at the POB, most of which were damaged as a result of the explosion:

- 65 mobile cranes for bulk cargo
- Five mobile cranes for general cargo: capacity 25 MT
- Ten forklifts 1.5 to 10 MT
- Over 30 trucks
- 70 trailers
- Six tractors

C.5 Trucking companies

For trucks to operate at the POB, they must be registered at (i) the Port of Beirut Association of Truckers; and (ii) the General Directorate of Land and Maritime Transport. The Association negotiates with TC/GEPB on issues related to gate charges, gate congestion due to port congestion, or security inspections. Trucks inside the port (to handle cargo when vessels discharge at the quay to port warehouses or to an interim storage yard) or provide direct delivery services to and from vessels are appointed and paid for directly by the clearing or ship's agent. Unlike stevedoring, trucking is not managed and appointed per quay or vessel by TC/GEPB. There are between 1,600 and 1,800 registered trucks operating at the POB. The August 4 explosion officially destroyed 197 trucks, as declared and audited by the Association, which is awaiting compensation if and when this happens.

C.6 Shipping Lines, Ship-owners, and Charterers

The lines own and/or operate vessels responsible for the transportation of the cargo carried by their ships. They handle the cargo from the point of origin to the destination, mainly port to port, generally transiting regular routes on fixed schedules. Major shipping lines for bulk cargo, general cargo, break-bulk cargo, oil and gas tankers, passenger-cargo ships, and special cargoes call the POB. Companies include Maersk, CMA-CGM, MSC, and ARKAS Line.

C.7 Freight Forwarders

Freight forwarders and their association work directly with shipping lines. However, in many cases, they pay port charges and customs clearance as well as port dues (termed FIO in Lebanon) on behalf of clients. Kuehne + Nagel Inc., Panalpina, Expeditors, Bolloré Logistics, and Ceva Logistics are examples of freight forwarders working at the POB. Their offices are outside the POB.

C.8 Maritime Agencies

This is a designated person or agency responsible for handling shipments and cargo and protecting the general interests of its customers at ports and harbors worldwide, on behalf of ship owners, managers, and charterers. In some parts of the world, these agents are referred to as port agents or cargo brokers. At the POB, the maritime agencies carry out the following functions: ensure a berth for their incoming ships, arrange for the pilot, tugs, and mooring boats, draw up the documents for the customs and harbor services, arrange fresh water and other provisions for the ship, arrange medical assistance if needed, arrange storage bunkers, arrange for necessary ship repairs, perform instructions to and from the ship-owner, organize supply and handling of the goods with GEPB, organize stevedores with GEPB or privately licensed companies, collect cargo freight, and contact shippers and receivers of goods. Maritime agencies working at the POB include Merit Shipping, Maersk Lebanon, Costa Bitar, Gevo Maritime, AKAK Marine, Sealine Group, etc. Their offices are also outside the POB.

C.9 Ship Agents

Ship agents are usually local experts or companies who act as a representative of the owner of the ship and carry out all essential duties and obligations required by the crew of the ship. Ship agents need a license from MOPWT. They work with general cargo and bulk carriers or any other shipping line that does not have its own maritime agency in Lebanon. The core duties and responsibilities of a shipping agent include arranging the vessel berth and anchorage, spot booking for the vessel, liaising with various service providers, liaising with various authorities for providing different services to the vessel (e.g., TC/GEPB, MOPWT for crew certifications, firefighting services). Ship agents working at POB include Cargo Master, Tourism & Shipping, Sea Dragon, and Gezairi. Their offices are also outside the POB.

C.10 Ship Chandlers

Ship chandlers deal with sales and retail activities in the marine industry, especially those concerned with ship equipment and supplies. Ship chandlers require licenses from the MOPWT (General Directorate of Land and Maritime Transport) to operate and are not connected to TC/GEPB but rather to the Harbormaster. Their main services include supplying vessels with all the necessary commodities (food, fuel, lubricants, spare parts, etc.), and providing new buyers with details on the ship's condition, providing services (repair and maintenance, cleaning, etc.). Ship chandlers working at the POB include Mistral Wind, Saleh Shipping, and Transport Solutions. Their offices are also outside the POB.

C.11 Clearing Agents

Clearing Agents (CA) (or customs brokers) are licensed by Customs. Their primary duty is to ensure prompt and timely clearance of goods. This includes a series of tasks and services provided such as filing and submission of customs declarations and supporting documents, paying customs dues, securing approvals from all principal authorities, drafting letters to authorities on behalf of traders, applying for permissions, handling financial matters for customs transactions, maintaining documents such as the bill of entry and bills of lading, acting as the main communication channels between the client and the Government, and informing the client on all regulations and provisions set by the Government.

All documents and paperwork need to bear the CA name since he is being hired and is acting on behalf of his client (the trader). They are responsible for maintaining transparency throughout the process and between the client and the Government, and above all, they should adhere to all the clauses set by law. Clearing Agent's Syndicate and TC/GEPB engage in daily communications on cargo disputes involving such matters as whether/how certain companies or vessels are being provided preferential access/treatment over others, especially at the bulk, general cargo, and RoRo terminals. Many clearing agents handle cargo through the POB, including Navigators, RAMARE Group, and Net Logistics. Their offices are also outside the POB.

C.12 Garbage Collection

TC/GEPB is responsible for garbage collection from vessels and at the port. They do so by subcontracting to private companies, which must be licensed by MOPWT to register their equipment and conduct their operations.

C.13 Bunkering, Fresh Water Suppliers and Bilge Water Collectors

Bunkering is provided by private companies that are contracted directly by ship agents or owners. TC/GEPB provides freshwater supplies and bilge water collection services by subcontracting to private companies. Bunkering service providers, freshwater suppliers, and bilge collection all come under the supervision of the Harbormaster.

C.14 Power supply

EDL supplies electricity at the POB and has substations at the POB. EDL receives payments from the TC/GEPB, which collects from port users, including the POB Free Zone and BCTC. TC/GEPB has, in addition, its own backup generators. It is responsible for providing power supplies to vessels when these are needed.

C.15 Tourist Agencies and Ticketing

There is a very small number of agencies with offices at the passenger terminal building (Quay 5) providing ticketing and tourism services for arriving and departing passengers through the POB.

C.16 Shipment Inspection Services

Bureau Veritas and *Societe Generale de Surveillance* (SGS) performs inspection and certification of cargo on behalf of traders. In addition, both companies are contracted by the Investment Development Authority of Lebanon (IDAL) to check subsidized export cargo at the POB export inspection area. This ensures that trucks carrying subsidized exports have reached the assigned window with the seals on the trucks intact.

ANNEX D

MILITARY AND SECURITY AGENCIES AT THE PORT OF BEIRUT

This Annex summarizes the different roles and responsibilities of all military and security agencies at the Port of Beirut (POB). The following military and security agencies have a presence at the Port of Beirut (POB):

1. Lebanese Armed Forces (LAF) with the presence of Naval Forces and Military Intelligence (MI)
2. General Security (GS)
3. State Security Directorate (SSD)
4. Customs Brigade (CBD), and Anti-Drug Police (ADP)

Key Facts:

- There are limited coordination and cooperation among these security agencies. In addition, some of them perform redundant functions and overlap as well with Lebanese Customs with respect to cargo inspection.
- The Technical Committee (TC), administering the Port of Beirut,¹²⁰ has no authority over these security agencies.
- The General Security (GS) issues permits (passes) for entry to the Port. However, these are checked at the gate by GS and MI, where MI has the authority to deny entrance.
- MI, GS, and CBD have checkpoints at the following gates: 3, 4, 9, 14 (main gate of the POB), and Free Zone access gates to the port. They perform redundant activities and cause major delays to the movements of cargo and persons to and from the POB.
- LAF is responsible for all security issues and concerns related to weapons, drugs, and violent incidents at the POB. In contrast, all other security matters fall under the jurisdiction of the GS. There are nonetheless some overlaps in terms of checking the movement of persons in and out of the POB.
- Gate 14 is the main entry and exit point to and from the POB for cars and trucks. Exiting trucks with cargo must present proof of customs clearance (shipping release, bill of port charges, and customs release form); nonetheless, they may be subject to additional inspection by the MI.

D.1 Ministry of Defense-Lebanese Armed Forces (LAF)

LAF has two agencies present at the POB, specifically the Naval Forces and Military Intelligence (MI).

LAF Naval Forces operate Quay 1 and Quay 2 within Basin 1 and the breakwater area between Basin 1 and Basin 2 at the POB as a navy base, where certain military vessels and equipment are kept. Solidere owns the land for these two quays. These locations are out of bounds for GEPB and the Harbormaster.

Quay 3 is rarely used except for receiving foreign naval vessels. Quay 3 was recently used for servicing petroleum exploration vessels owned by the French multinational oil and gas company Total. Quay 4 and parts of Quay 6 are used to moor naval vessels. Quays 3, 4, and 6 are managed by the TC. Land for these three quays is state-owned and exploited by the TC.

¹²⁰ The Technical Committee took over the operations of the Gestion et Exploitation du Port de Beyrouth (GEPB).

LAF's presence at the POB consists of Naval Forces and MI.

The Naval Forces, which also act as Coast Guard – Oscar Charlie functions, are responsible for controlling naval traffic in Lebanese territorial waters. Duties also include restraining violations committed by ships and boats as well as assisting other agencies in their duties at sea, such as firefighting, fighting pollution, and search and rescue operations. In particular, the Naval Forces support (i) the Harbormaster (under the Ministry of Public Works and Transport) in search and rescue missions; (ii) the Beirut Pilot Station-Baltaji Family, a private monopoly that handles mooring, towage, and pilotage; and (iii) GEBP and other port operators and users on safety and security issues. Furthermore, they cooperate/coordinate with the Lebanese Customs and agencies concerned with maritime security and participate/support legal investigations for offenses related to security at the POB.

LAF-MI maintains a permanent presence at the POB. The MI mandate covers all security issues and concerns related to weapons, drugs, and violence at the POB. MI performs security surveillance at the port and controls the POB gates to ensure national security. MI checks GS issued entry passes at the gates (after being checked by GS at the gate) and can, nonetheless, deny entry for holders of these passes. Starting in 2020, it has become compulsory to have a “security document” issued by MI in addition to the GS-issued entry pass to avoid access rejection. The main MI office is located at an old, deteriorating, and structurally unsafe building (even before the explosion) near the main entrance to Basin 2.

The TC has no control over the activities of the MI. However, it facilitates the work of MI and has provided them an office building near the entry to Basin 2 and the MI inspection area near Gate 14.

MI has checkpoints within, and at the perimeters of, the POB:

- Gates 3, 4, 9, and 14
- Entry to the Free Zone from inside the POB
- Entry to the Free Zone from outside the POB, across from the Charles Helou Bus Station

In addition, MI operates an inspection area within the POB before exiting Gate 14. Cargo exiting the port may be subject to inspection by the MI consisting of documentary checks and/or physical inspection of cargo. The purpose is to check for illegal/not licensed imports by the Ministry of Defense (MOD) such as weapons, ammunition, drugs, and any products that may affect national security. A “local security document release” is issued by the MI at the end of this process. In cases when illegal goods are discovered, the cargo is seized by the MI and is sent back to Customs.

Although the MI is supposed to check exiting cargo randomly or based on intelligence tips, 100 percent of cargo leaving the POB has been checked by the MI in the last three years. This is mainly due to the security situation in Lebanon and regional instability. Besides the physical checks at the customs yard, it is noteworthy that Customs operate a fixed radioactive scanner where 100 percent of cargo is scanned. A fixed scanner is also located at the Container Terminal gate, but it is in working condition for many years and needs to be fixed.

Prior to the explosion, 80 percent of the cargo was physically inspected. To accelerate the movement of goods at the Port and free up space, the Higher Customs Council adopted a decision to reduce inspections to 5 percent. Customs nonetheless continue to inspect almost 40 percent of the cargo. The LAF has also been urging traders and natural persons to submit documents for customs clearance to move their cargo out of the port. Many consignees have been reluctant to do so due to their financial

inability to pay customs dues. Trade finance mechanisms are difficult to access during the current financial crisis. This is further contributing to the congestion at the port and an increase in dwell time.

Although inspection by LAF appears to be redundant with customs inspection, some argue that it is necessary for extra security precaution. Given the LAF inspection area's inconvenient location, it is reported that these checks cause major congestions and delays complicating movement for cargo exiting the POB and complicates movements within the POB. In the short term, the MI inspection area is recommended to be relocated to a more convenient venue, and risk targeting be applied to reduce 100% inspections. In the long run, this type of inspection should be diminished once the country's security situation and the region are stable. Furthermore, the role of TC Health, Safety, Security, and Environment HSSE is to check cargo and appropriate storage facilities within POB to ensure operational safety and security.

Finally, the Ministry of Defense (MOD) has a role in the clearance of imports and exports at the POB. Before import and export of certain products, licenses and approvals are required and submitted to Customs at the clearance time. In addition, before the completion of customs clearance, a visa (approval) must be issued by MOD for certain imports. These include military equipment, weapons, shotguns, special electronic devices, chemical products, cold weapons, hunting products, and any other items that the MOD deems a threat to national security. The MOD conducts documentary checks of declaration and import documents and may also conduct testing of imports. A visa is issued by the MOD if there is no violation of national legislation.

Like all technical control agencies (e.g., Ministry of Agriculture, Industrial Research Institute), all laboratories are located outside the POB. Samples are selected by the MOD and are transported to an accredited laboratory for testing. The process of testing usually takes on average 15 days and sometimes up to one month. These delays increase cargo dwell time at the POB and logistical complexities and congestion, leading to inefficient use of storage space and movement of containers within the port. It is recommended that (i) the list of products subject to MOD control be reduced to focus on high-risk ones and eliminate any redundancy with other authorities (e.g., Ministry of Interior for hunting guns); (ii) the procedures for issuing the visa be revised and streamlined including documentary checks and testing. The procedure should be digitized and integrated into an electronic trade single window to be developed and administered by the Lebanese Customs. This could be further improved by having importers being able to receive the status of authorized operators for accelerated clearance, provided they meet the eligibility criteria in terms of compliance history and other factors to be adopted as a part of an Authorized Operators program.

The MOD does not have adequate capabilities to check for dual-use products. The capacity of MOD should be built in this respect, and appropriate risk profiles should be developed and integrated into Najm (ASYCUDA World) – Customs Information System- for targeting relevant trade transactions.

D.2 General Security (GS)

The GS has its own building, provided by the TC, which is not structurally sound and in a dilapidated state (since before the explosion). The building is located between the old port entrance of Charles Helou Road and Basin 2, at Gate 4. After the explosion of August 4, GS moved their main office to Gate 14. GS has stations at:

- Entrance of the third basin (Gate 9); and
- Passenger terminal (Quay 5).

Like MI, GS has checkpoints at POB Gates 3, 4, 9, 14, and the Free Zone gate inside the Port.

The GS is responsible for all security issues other than weapons, drugs, and violence at the POB. GS issues one-time passes for persons to enter the POB and longer-term passes (one month, one year) for port employees, truckers, and stakeholders with operations at the POB. In addition, the GS conducts surveillance on the activity of ships entering the port and the movement of sailors/crews within the port. They are also involved with the operations and control of the entry/exit of tourist passengers.

The TC has no control over the operations of the GS. Their interactions are limited to the facilitation of gate passes.

Last, the GS has a role in clearing imports and exports by checking and approving or rejecting all publications, books, CDs, videos, and other media. A visa needs to be issued by GS before the completion of customs clearance. The visa process could take several days. This requirement should be eliminated, given public access through web technology to all sorts of materials.

D.3 State Security Directorate (SSD)

The State Security Directorate (SSD) is responsible for collecting information related to internal security inside the POB and sharing it with all other security agencies. The main tasks of the State Security at the POB are the following: (i) inform the Supreme Defense Council, chaired by the President, about the general security of the port and make recommendations for mitigating and addressing any internal or external dangers or threats; and (ii) check and report, in practice, on all other security agencies to the President and Prime Minister concerning corrupt practices. The SSD has no operational role at the POB. It does not issue any permits for personnel and is not involved in the clearance of cargo. In addition, State Security officials do not have any presence at the POB gates. The TC has no control over SSD operations. Their interactions are limited to the provision of information to SSD. The office of SSD is located next to Shed 19.

The SSD is new to the POB and started operating there in 2019. It is important to note that the SSD discovered the presence of ammonium nitrate at the Port and reported it to the President two weeks before the explosion and to the Prime Minister in May 2020. The officer who reported on this matter has been imprisoned.

D.4 Customs Brigade (CBD), and Anti-Drug Police (ADP)

The Customs Brigade (CBD) and Anti-Drug Police (ADP) are two divisions of Customs. They are located at the Customs Office at Gate 3 in a large old and dilapidated building. The building was severely damaged as a result of the explosion. CBD works with customs inspectors and operates at all gates of the port. ADP monitors and inspects import and export cargo to prevent trafficking in illegal drugs. In addition, ADP coordinates, collects, and exchanges information with foreign intelligence and foreign enforcement agencies. Unlike customs inspectors and officers, CBD and ADP wear customs military uniforms and are usually armed.

ANNEX E

SHORT DESCRIPTION OF CONDITION SURVEY

A Condition Survey is immediately needed for basins 3 and 4 of the Port of Beirut (POB) to examine the port infrastructure's structural integrity. The condition survey generally consists of three types of surveys related to Sea Ports: topographic, bathymetric, and geotechnical surveys. A Condition Survey is necessary to identify invisible structural damage to ensure the operational safety of the POB and avert any potential quay collapse, which may lead to a new catastrophe.

As far as is currently known, these surveys have not been all completed. This can only be verified by talking to the GEPB or the Lebanese Armed Forces. The total estimated cost for conducting a Condition Survey for the POB is approximately US\$ 1 Million. It is likely to take around two months to complete a full Condition Survey at the POB.

1. Topographic survey: A measurement survey of the land surface, including quay walls, yards, and buildings, to assess structural damage and conditions of utilities, drains, power, gas, and fuel lines.

- Checking a number of fixed points at the newly built container terminal expansion project and using these as a baseline for establishing a “Total Station Survey Unit” to calculate the extent of shifting of the port area under survey. This GPS-based tool uses satellites to measure changes in the levels of port areas (up or down), but not the linear shift. This could take a few weeks to conduct. Some of the equipment necessary for this survey exists in Lebanon. However, it is certain that Lebanon has any Leica GPS 1200 and LiDAR drone/UAV capabilities.
- Structural Testing: this is essentially an “Ultrasonic Pulse Velocity” test. It assesses the strength and quality of concrete by measuring the velocity of an ultrasonic pulse passing through the concrete structure.
- Physical checking:
 - for any pile-on-deck structures to verify whether or not piles were detached from the deck/yard. (similar methods are used after earthquakes); and
 - of the quay walls to look for changes in fender and bollard water levels. This is another method to check for quay shifting upward or downward. These shifts would have to be large to be visible using physical checking methods.

2. Bathymetric survey: this is needed to measure water depths in harbor basins and identify any obstructions, using equipment such as a side scan sonar, magnetometer, multi-beam echo-sounder, and other instruments to measure the depth of the seabed below chart datum. The bathymetric survey is needed not only for wreck identification, which has already been carried out to a large extent, but also to check if the dock basin levels have changed. For example, a shift in the seabed, or soil displacement next to a gravity wall, during strong ground shaking may reduce the effective strength of the backfill materials. This may result in liquefaction and the potential collapse of the quay.

3. Geotechnical survey: a series of soil tests below and above seabed level. This is critical and involves:

- Examining soil specifications
- Conducting bore-hole tests
- Conducting a Geophysical survey of the upper layers of the soil

Different types of quay walls have different considerations when assessed:

- A sheet pile quay with tiebacks and anchor walls: These structures were most probably built at the new container terminal at POB. These can withstand stressful soil shifts and harbor bed disturbance. Such structures need to be checked for pile shifting and quay wall stability.
- A deck on piles quay: Either timber or concrete piles on top of which the quay and part of the yard sit. This could have been badly impacted with a blast of this magnitude with a possible linear shifting of the quay wall and detachment from the piles.
- Diaphragm wall: A large in-situ cast concrete wall embedded in the rock or soil below the harbor bed. It relies on its strength and the rock etc., below it to stop it from moving. This could have been badly impacted if the harbor bed was disturbed.
- A gravitational quay-wall: A series of massive pre-cast concrete blocks used to build a wall. A gravity quay-wall sits on the harbor bed on a foundation, usually made of crushed rock materials, and its weight is sufficient to resist the pressures of the materials behind the wall. This could have been badly impacted if the harbor bed was disturbed, particularly if there has been subsidence below the foundation that allows the wall above to subside.

ANNEX F

CLEARANCE PROCESSES AT THE PORT OF BEIRUT

F.1 Import Clearance Process for Containers

1. The import container clearance procedure begins with the vessel's manifest. When the vessel berths at the quay, manifest customs brigade personnel will board the vessel to collect from the captain the signed and stamped manifest. By law, a vessel cannot start operation until the manifest has been submitted within 36 hours after its arrival. There is an exception for container liner vessels, where the agent can submit an electronic copy of the manifest before vessel arrival, yet it is still stipulated that the Ship's captain has to present a signed paper manifest upon arrival.
2. The liner agency submits the e-manifest through NAJM¹²¹ and will register it on the system. Upon acceptance, the Port of Beirut (POB)¹²² will automatically receive an electronic copy of the manifest into its cargo management system (CAMA)¹²³.
3. After submission of the manifest, vessel unloading may begin, and BCTC seals each container with a yellow seal. For storage purposes, the date of entry for all the vessel's containers is calculated based on the date of the last unloaded container from the vessel. After BCTC finishes unloading the vessel, it will send to POB, through Microsoft Navision (its administrative system), an electronic message through the Port Electronic Data Interchange (EDI message) of the bill of entry for all the vessel's containers.
4. After the goods are unloaded, the clearing agent will start preparing a draft of the AI on NAJM. The AI is the single administrative document (SAD) used in the Lebanese Customs to declare goods in all customs regimes. For the import declaration, the AI is coded IM4, while for export, it is coded EX1. In addition to the AI, the clearing agent must include the inspection paper A5 for customs' internal administrative use. The A5 is a four paged form, manually filled, for recording inspection results, visas, pledges, releases, discrepancies, and counter inspections. In addition to the above, the clearing agent must include the original invoice; packing list; a copy of the bill of lading or its equivalent; certificate of origin, which for non-preferential origins the invoice will suffice, while for preferential origins, a certificate is required; any other document required by law; and the Declaration of Elements of Valuation (DEV) form which is a declaration on the elements of customs value and required only for most imports. The agent will scan the above documents except for the A5 and upload them to NAJM. It is worth noting that the A5 is not uploaded into the system, although it forms an integral part of the declaration.
5. The process of drafting an import declaration IM4 is decoupled from the actual container being present at the port. As such, the clearing agent can start preparing the draft at any point in time, even before vessel arrival.

¹²¹ NAJM, otherwise known as ASYCUDA world version 4.3.0, is an Arabic acronym for customs information system. Client server applications are installed by the customs' IT service department on the desktop of authorized users for remote access.

¹²² Administered by the Technical Committee.

¹²³ CAMA is a Cargo Management System introduced by the POB in 2012 to handle vessel and berth management, as well as general cargo, equipment, warehouses, and port services. Shipping agents can as well settle their bills online using this web portal.

6. The container clearance procedure starts when the clearing agent acquires from the shipping line the delivery order (**DO**). This document is a requirement for two reasons: firstly, the holder of this document is, according to customs, the authorized representative of the consignee. Secondly, upon acquiring the DO from the shipping line, the POB through CAMA is automatically informed that the clearing agent has settled his dues with the shipping line. To obtain the D.O., the agent must settle FIO fees and the cost of the DO, which differs amongst shipping lines. The liner agency will also provide him with a full container release form that sets the free demurrage final date. The clearing agent must return the empty container to the port within the stipulated time window to not incur any extra demurrage fees.
7. The clearing agent will access CAMA through a web portal and enter the D.O. and B/L numbers. CAMA will validate the update giving the agent the ability to settle his fees through this portal. The agent will print on the backside of the DO a CAMA generated form called the Delivery Order explanation. The clearing agent will also access NAJM to attach to his import declaration the bill of lading inputted into NAJM from the registration of the manifest by the shipping line.
8. If cargo requires permits, licenses, preapprovals, or visas from other authorities, then the clearing agent must clear those restrictions before declaration registration. The clearing agent will obtain them from those authorities utilizing the drafted import declaration, cargo invoice, and DO. However, if the authority requires physical inspection or sampling, the following will occur:
 - a. The clearing agent validates the DO on CAMA, as mentioned in point 7 above, and then registers a temporary declaration on NAJM and prints two copies.
 - b. Afterward, the clearing agent settles the special works bulletin (BTS) and assigns the required container through CAMA, which automatically sends to BCTC's Navision the BTS details. The BTS covers all container handling and movements charge from the container yard into the import inspection area (facing quay 10) and its return to the container yard, as well as fees for a new seal.
 - c. The clearing agent then goes to BCTC's Logistics Department to present the above two documents with the D.O. The logistics clerk will first check that there is a temporary declaration for the required container, then registers on NAVISION the BTS number with its respective seal number, assign the container on TOS SPARCS for processing. He will then inscribe on the D.O., the seal number next to the required container and then stamp it and finally provide the agent with a red seal to seal his container after inspection. This information is relayed to CAMA in real-time, which in turn will automatically send an EDI message to NAJM updating the container seal.
 - d. For safety purposes, BCTC only operates in the import inspection area from 17:00 till the next day morning, so the container is transported during the night to be inspected the next day.
 - e. On the next day, the clearing agent will hand the second copy of the temporary declaration to personnel from the manifest customs brigade stationed in that area. The seal is broken, and the container is opened in the presence of the brigade, the clearing agent, and the inspecting authority. There are two scenarios:
 - i. If no sample is required, the inspecting authority will issue the import visa by signing the temporary declaration.

- ii. If sample testing is required, the inspecting authority will take a sample, then inscribe on the clearing agent's temporary declaration that the sampling occurred in the presence of the authority and put its signature and stamp. Also, it will inform the agent of the designated laboratory and the required testing time. The representative personnel will, except for MOET, send those samples to the laboratory. The authorities present at the port for sample collection are:
 - 1. MOH: the department of Pharmacy Inspection at the MOH does its own sampling as IRI does the remaining department's sample collection on their behalf). After testing is done, the clearing agent collects the lab/IRI results and brings it to its respective department at the Ministry of Health. The department will issue him a visa based on the certificate.
 - 2. MOA: controls the whole process from collection to certificates and then issues visas to the clearing agents at the port.
 - 3. MOET: the only department that takes samples is the directorate of consumer protection; the clearing agent will take the sample while the clearing agent does the transportation. It will get the results, and its representative at the port issues the visa.
 - 4. LAF: they collect the samples and do the transportation.
 - 5. IRI: Its agent will collect the samples and send it to IRI for testing, while the clearing agent will collect the certificate from IRI and obtain a visa from another authority if need be.
 - iii. After testing is finished, the inspection authority will either deliver the certificate at the port, or the clearing agent has to get it from the laboratory/Institution located outside the port.
 - f. After the inspection process is finished, the customs brigade will seal the container with a red seal and inscribe the seal's number on its copy of the temporary declaration. Afterward, the container is returned at night back to the container yard.
 - g. The clearing agent proceeds to the laboratory to settle the required testing fees and acquire the certificate on the testing due date.
 - h. If cargo needs a visa, the clearing agent will obtain the visa from the respective authority; if not, the certificate will suffice. Upon declaration, uncleared restricted cargo is treated as prohibited goods and are heavily fined.
 - i. The clearing agent will include his original copy of the temporary declaration in the declaration dossier and any other visa or certificate mandatory for clearing cargo restrictions.
9. After clearing all cargo restrictions, the clearing agent can register the IM4 declaration on NAJM, determining whether the cargo will follow the green, red, or yellow channel. The criteria for each channel are set by the Higher Customs Council (HCC) and are changed regularly; they might either be based on the container origin, preferential treatment or required permits, HS

code, etc. There is no official risk management strategy or particular profiling techniques employed by the HCC.

- a. If 'green,' the clearing agent prints the declaration's Invoice form and adds it to the declaration dossier, then heads to the Accounting Department at the port. He will then submit the declaration dossier to the customs officer and settle the required fees either by cashier check or by cash.
- b. If the system determines the cargo as 'yellow,' the clearing agent heads to the customs import and export department at the port, now located at the airport since the August 4 explosion, and submits the declaration dossier to a customs inspector who in turn checks the document. If no problem is identified, the inspector will clear the document check and return the declaration into the system. NAJM decides on an ad hoc basis whether the declaration should follow the green lane or the red lane. If the inspector deems that it failed the document check, the declaration is marked on NAJM, and it will automatically assign it to the red lane.
- c. If the container is assigned to the red lane, NAJM will automatically assign a customs inspector and a chief inspector to inspect the cargo. The clearing agent prints the invoice form, which contains the names of the inspector and chief inspector, and heads to the inspection department. He then hands the declaration dossier to the assigned inspector who studies the declaration, selects the container on the DO and signs next to it, hands it back to the clearing agent the container number required for inspection, and then signs his name and stamps it. The clearing agent will first settle the special works bulletin BTS through CAMA for the movement of the container from the container yard into the import inspection area and back to the container yard. The agent will input the requested container I.D. on CAMA, and CAMA will automatically send to BCTC's Navision the BTS details. After settling the BTS, the clearing agent heads to BCTC's logistics department directly outside the port premises near TC's headquarter. The logistics clerk will input on Navision the BTS number and check if the container on the D.O. matches the one on the BTS. If there is no discrepancy, he assigns on Navision the seal number associated with the container. He will then inscribe the seal number on the DO and stamp it and then provide the agent with a red seal to seal his container after inspection. This information is relayed to CAMA in real-time, which in turn will automatically send an EDI message to NAJM updating the container seal. It must be mentioned that there is a rarely used feature on NAJM that enables the inspector to assign the container for inspection, which will reduce errors in the logistics department.

With the exception of refrigerated cargo, all cargo is inspected at the import inspection area. For safety purposes, BCTC only operates in the import inspection area from 17:00 till the next day morning, so the container is transported during the night to be inspected the next day. On the next day and when the clearing agent's turn arrives, he will accompany the inspector from his office to the container location in the import inspection area where inspection occurs under the Customs inspector's presence, the clearing agent, or the cargo owner. While for refrigerated cargo, the container is inspected in the reefer area found inside the container terminal.

After the seal is broken, the customs inspector and as stipulated in the customs' law, can make a general inspection of the container accounting for not more than 20 percent of the cargo, yet if in doubt, the inspector can check the entire consignment.

After the inspection is complete, the container is sealed and returned in the afternoon to the stacks of the container yard since containers can only be delivered from the container yard. Provided no infringement was found during the inspection, the clearing agent heads to the inspection department, where the inspector will sign and stamp the invoice form. Secondly, the clearing agent heads to the office of the head inspector and hands him the declaration dossier. The head inspector will study the dossier and either approve the inspection of the customs inspector or performs a counter inspection. If the head inspector approves, he will change the declaration from red to green, inscribe the invoice number and sign the invoice document. At this point, the inspection department will receive the declaration dossier and hand the clearing agent the invoice form. The clearing agent will settle the fees mentioned in the earlier point at the accounting department, now located at the airport, either by cashier check or by cash, and hands the customs cashier the invoice form and the DO.

10. After step 9 is complete, the cashier will print a customs receipt and a customs release form and hands them to the clearing agent. At the same time, GEPB is notified automatically of this step through NAJM and, in turn, notifies BCTC.
11. After settling the customs' dues, the clearing agent will first settle through CAMA the port dues, i.e., cargo, handling, and storage fees, and then print the bill of port charges 801. In case the container exceeded the free demurrage period given by the liner agency, the clearing agent will have to go back to the liner agency and settle any extra demurrage. The agency will issue a new full container release form (mentioned in step 6) with a new validity time window.
12. Now that the demurrage fees are settled, the clearing agent heads to the liner agency's port-a-cabin, located near the port gate 14 outside the port. The liner agency's representative will check the liner release form and approves it with his signature and stamp.
13. The clearing agent will then head to BCTC's logistics department, submit the 801 and liner release order and then check on Navision if the container's customs dues have been settled.
14. The logistics clerk will assign the container for release on TOS SPARCS and input the 705 number and then print from Navision the 705 with its five copies (yellow, pink, white, blue, and green); he keeps the yellow copy and hands the rest of the copies to the clearing agent. The clearing agent keeps the blue copy to hand it to the shipper and gives the rest of the copies to the truck driver.
15. The empty truck stops at the port gate, where its credentials are checked. Afterward, it heads to the container terminal gate, where the gate in clerk will check the 705 and match the data that the logistics office entered into SPARCS to the truck's credentials. He then processes the container on the SPARCS and provides the trucker with the container location and a reference number so that the container handling equipment is able to load the required container to the assigned truck.
16. After loading, the truck heads to the container terminal gate-out and hands in the pink copy of the 705 to the gate clerk, who, in turn, gates on SPARCS the container outside the terminal.
17. After leaving the terminal, the truck heads to the army intelligence inspection point located behind the two-port gate-outs number 9 and 14. There is no specified area for their inspection,

and so it takes place on board the trucks along the road, which narrows it and create very long queues. The agent will present a copy of the declaration dossier to the intelligence officer, who will perform a partial inspection of the cargo of the container. The army intelligence has no consideration of whether the declaration followed the green or red channel, practically eliminating the green channel.

18. Upon completion of the intelligence security check, the truck heads to the port gate out where the white copy of the 705 is submitted to port security. Upon submission, customs will register the container's exit on NAJM and collect a copy of the customs release order. The truck will exit the port and proceeds to consignee premises for stripping.

Returning Empty Containers

19. The Truck returns carrying an empty container and arrives at the port gate-in, where customs stationed at the gate make sure that the container is empty and matches the container and truck details to the green copy of the 705.
20. After the Port gate-in, the truck proceeds to the Container Terminal gate-in, where the container is gated in on NAVIS, and a location is provided for the trucker to proceed to.
21. After unloading the container from the truck at the container stacks, the truck will head to the Container Terminal Gate-out and hand in the green copy of the 705 before exiting the port.

F.2 Import Clearance Process for General Cargo

The general cargo import clearance process and up to the registration of the IM4 declaration, the same customs formalities apply. The difference is that the shipping agent cannot present an electronic copy of the manifest before the vessel arrives and is done so after it arrives where a physical manifest is supplied, and the manifest employees register the manifest on NAJM. After registration of the declaration, if it follows the red channel, a customs inspector carries an inspection onboard the vessel and then follows the container cargo release process. When the inspection is complete, the importer settles the required customs duties so that vessel operations begin. The green and yellow channels follow the same administrative process of the import container process, where after the payment of the required fees, vessel discharging begins.

The discharge occurs directly on external trucks and under the supervision of the manifest customs brigade personnel who is stationed at the quay tallying the discharged cargo on the trucks. After the truck is loaded, it gets weighed by POB's weighbridges and directly exits the port. General cargo is also subject to the military intelligence inspection, as described above, for container clearance.

During operation, the customs brigade records the weights of the discharged cargo and compares it to the manifest. Suppose the already discharged weight on the trucks exceeds the declared weight on the declaration. In that case, the remaining full trucks in the port are prevented from exiting until the remaining cargo is fully unloaded from the vessel. The clearing agent settles the required dues and penalties for misdeclaration.

F.3 Export Clearance Process

Almost all exports are containerized in Lebanon, while General Cargo is mostly scrapped. Goods are stuffed in containers at the exporter's premises.

Exporters need first to secure an empty container. The steps are as follows:

1. The clearing agent acquires from the shipping line the “confirmation booking document” (CBD) containing the booking number and an “empty-for-city form” (ECF) plus the required shipping line seal(s).
2. Upon arrival at the port gate, the trucker presents CBD and ECF, and after passing the security check, he heads to the terminal gate-in, where the clerk will check the ECF and write on it the location that contains the shipping line’s empty container and hands it back to the trucker.
3. The trucker drives to the container block where he will present the ECF to the yard foreman who coordinates with BCTC’s empty for the city department, providing them with the booking number. The foreman orders an empty handler to load the first available empty container and coordinates back with the department to update the booking system so that the shipping line knows which container has been assigned to the booking.
4. Trucker heads to the empty container department located within the empty container yard and hands them the ECF, and in return, BCTC will print a 705 document that permits the exit and return of the container. The 705 document consists of 5 copies (yellow, pink, white, blue, and green) and contains information about the container, truck and shipping line, clearing agent, and the shipper. The department will keep the yellow copy of the 705 and hands the rest of the copies to the trucker.
5. After the container is loaded, the truck proceeds to the terminal gate out, where the gate clerk collects the pink copy of the 705 and exits the container on SPARCS TOS.
6. The trucker then heads to the port gate and hands in the white copy of the 705 and then proceeds to exit the port to the shipper’s premises, where he hands in the blue copy of the 705.
7. After the trucks exit the port, the clearing agent prepares a draft export declaration EXI and a Loading request form. This form contains information about the container, such as the port of destination, the container vessel, and the container weight in case the full container was weighed outside the port.

The following are the steps for clearing exports:

8. At this point, the clearing agent, using the draft EXI, will acquire the required permits from the ministries and entities in case one is needed and adds those permits to the declaration dossier.
9. The clearing agent then hands a copy of the draft exI and the loading request form to the trucker.
10. After loading the cargo into the container, the truck heads to the port. Firstly, the port gate security checks the green copy of the 705. Secondly, Customs personnel at the gate check if the container matches the draft EXI and scans with a barcode the draft EXI to check-in the container on NAJM.
11. After the truck passes the port gate, the clearing agent registers the EXI on NAJM, and the truck heads to the weighbridge to weigh the container. The process of weighing the container is an international requirement based on the SOLAS convention where a packed container is not allowed to be loaded onboard vessels unless the shipper has provided its Verified Gross Mass (VGM) to the

ocean carriers and/or port terminal representatives before the load list cut-off date. Not all shipping lines require the weighing of the container within the port premises.

12. After the weighbridge, the truck goes to the export inspection area. There are two permanent authorities in this area, the customs brigade personnel and Lebanese army intelligence. The customs inspector is on call whenever an inspection is required.
13. As mentioned earlier, the Ex I was registered after port entry, so it will either follow the green, red, or yellow channel.
 - a. If it is green, the container will be inspected by the army intelligence, mainly looking for narcotics. While the customs brigade personnel perform a radioactivity check and then sign and stamp the A5 form. After inspection, the clearing agent heads to Quay 16 (the main quay of the container terminal) and hands in a copy of the declaration dossier to the customs brigade personnel who are part of the manifest department and stationed at that quay. After handing the copies, the clearing agent will head to the port accounting department to settle export declaration fees such as stamps, VAT on stamps. He then hands in the declaration dossier to the customs cashier, who is part of this department. In turn, the customs cashier will print a receipt from NAJM, then signs it and stamps it, and gives it to the clearing agent. To date, there are no customs duties on export.
 - b. If it is red, the truck will be inspected by a customs inspector and army intelligence personnel, while the customs brigade will perform a radioactivity check. The inspector fills in the inspection part of the A5 form and signs it, while the customs brigade personnel will stamp the A5 for the radioactivity check. The clearing agent then heads to the inspection department with a printed invoice from NAJM. As a first step, the inspector who performed the inspection will sign this invoice and hands it to the clearing agent, who, in turn, heads to the office of the head inspector. Secondly, the clearing agent heads to the office of the head inspector and hands him the declaration dossier. The head inspector will study the dossier and either approve the inspection of the customs inspector or performs a counter inspection. If the head inspector approves, he will change the declaration from red to green, inscribe the invoice number and sign the invoice document. At this point, the inspection department will receive the declaration dossier and hand the clearing agent the invoice form. The clearing agent will settle the fees mentioned in the earlier point at the accounting department either by cashier check or by cash, and the cashier will take the invoice form, which on a later step will be combined with the declaration dossier. Lastly, the clearing agent will head to Quay 16 to hand in a copy of the declaration dossier to the customs brigade personnel stationed at the quay.
 - c. If the system determines the cargo as 'yellow,' the clearing agent heads to the import and export department at the port, now located at the airport, and submits the declaration dossier to a customs inspector who, in turn, checks the document. If no problem is identified, the inspector will clear the document check and return the declaration back into the system. NAJM decides on an ad hoc basis whether the declaration should follow the green lane or the red lane. If the inspector deems that it failed the document check, the declaration is marked on NAJM, and it will automatically assign it to the red lane.
14. After the container is inspected, it is sealed with the shipping line seal. Afterward, the truck heads to the terminal gate-in; at that point, the gate clerk collects the green copy of the 705 and the loading

request form, registers its information on the TOS SPARCS, and then gates it in on the system. The system will advise the best location according to the container's credentials.

15. The trucks head to the location, and container handling equipment unloads the container into its location.
16. Before vessel arrival, the clearing agent will acquire from customs a no objection for loading form (signed on a copy of the registered EX1) and settles the required port fees (801 form), which include storage and handling fees.
17. The clearing agent heads to BCTC's logistic department and hands in the no objection for loading form and the 801 form. The clerk then registers the information on the TOS SPARCS.
18. After all the above is done, the container gets loaded on the vessel.

There are special arrangements related to exports, including CMA CGM Logistic Storehouse and Investment Development Authority of Lebanon (IDAL) subsidization of agricultural exports. These are discussed below:

CMA CGM Logistic Storehouse

The reefer storehouse is located in Taanayel in the Bekaa valley, 50 km away from the Port of Beirut, and has a total area of 40,000 m² with a stated capacity of 1000 TEU. CMA is currently using 10000 m² out of the 40000 m² due to lack of demand. It is currently the only container storehouse in Lebanon. This utility has been questionable due to many factors such as the lack of demand, proximity to the port of Beirut, closed borders, and higher logistics charges.

CMA was not able to obtain the necessary approvals to create a customs bonded area, and so the area is only used for storing empty reefer containers. The Director-General of Customs permitted them to store up to 350 empty reefer containers on the condition they cannot keep any container outside the port for more than six months, and they have to compare as well/reconcile their books with those of customs on a monthly basis.

The main advantage of the current setup is that CMA can perform pre-trip inspections on the reefer containers; thus, reducing their fees compared to the POB.

IDAL Subsidization of Agricultural Exports

IDAL is the national investment promotion agency. It was established in 1994 to promote Lebanon as a key investment destination and attract, facilitate, and retain investments in the country. Agriculture is one of the main sectors supported by IDAL through export subsidies. To benefit from any of the schemes, the exporter of agricultural goods (mainly fresh produce) should first be registered with IDAL. Second, the exporter has to inform IDAL of all its export operations so that IDAL retains at a fee, third party inspectors from SGS, or Bureau Veritas to monitor the stuffing of the container at the exporter's premises. After stuffing is complete, the container is sealed, and the truck is assigned a window of time to reach the POB. SGS/Bureau Veritas are contractually obliged as well to be stationed at the export inspection area in the port, making sure that the truck has reached within the assigned window with an untampered seal.

F.4 Roles of Various Ministries and Agencies with respect to Trade

Ministries/Authorities	Presence at Port	Role	
		Import	Export
Council of Ministers	No	<ul style="list-style-type: none"> • Decrees for the import of ammonium nitrate (above 30% nitrogen) and all military-related equipment 	<ul style="list-style-type: none"> • Decrees for the export of ammonium nitrate (above 30% nitrogen) and all military-related equipment
Ministry of Agriculture	No	<ul style="list-style-type: none"> • Preapproved permits for the import of milk, white cheese, potatoes for planting; fresh fruits and vegetables of Syrian origin; apples; pears; olive oil; cheese substitutes • Import visa for fishing nets 	<ul style="list-style-type: none"> • Preapproved permit for the export of cows. Sheep and goats.
Veterinary Quarantine	Yes	<ul style="list-style-type: none"> • Issue visas for importing live animal, milk, Raw Hides, and skins • Conduct physical inspection/testing of cargo containing grain; milk; animal feed; live animals; frozen, cold, and chilled meat and poultry; fish and fish products; cheese; eggs; honey; prepared meat and fish 	<ul style="list-style-type: none"> • Issue veterinary certificates for horses, mules, swine, chicken, and other live animals; Chicken meat; fish and its meat; Dairy produce; birds' eggs; natural honey; edible and non-edible products of animal origin; preparations of meat and fish; rawhides
Directorate of Animal Resources	No	<ul style="list-style-type: none"> • Preapproved license for the import of horses, chimpanzees, drugs, serums, vaccines for veterinary medicine, disinfectants 	<ul style="list-style-type: none"> • None
Department of Animal Resources	No		<ul style="list-style-type: none"> • None
Office of Veterinary Medicines	No	<ul style="list-style-type: none"> • Vaccine and drugs for veterinary medicine • Antibiotics for animals 	<ul style="list-style-type: none"> • None

Ministries/Authorities	Presence at Port	Role	
		Import	Export
Department of Animal Husbandry	No	<ul style="list-style-type: none"> • Visa for bovine semen 	<ul style="list-style-type: none"> • None
Directorate of Agriculture	No	<ul style="list-style-type: none"> • Preapproved permits for the importation of fruit tree and fruits of Jordanian origin; seeds 	<ul style="list-style-type: none"> • Preapproved permit for the export of green or dried thyme; medicinal and aromatic plants; dried sage; prepared thyme (mhawaj)
Department of Import and Export Control and Veterinary Quarantine	No	<ul style="list-style-type: none"> • Preapproved permit for the import of melons and frozen grape 	<ul style="list-style-type: none"> • Issue Export visa for trees, flowers, potatoes, tomatoes, garlic, onions; edible fruits and nuts; coffee tea and spices; grains; seeds; straw; fodder; palm oil
Plant Quarantine	Yes	<ul style="list-style-type: none"> • Import visa for fruit tree, flowers, vegetables, fruits, all kinds of grains, nuts, seeds, grease and fat, soil conditioner, fertilizers, plant growth regulators • Preapproved visa for the import of agricultural insecticides 	<ul style="list-style-type: none"> • Issue phytosanitary certificates for Edible vegetables and certain roots and tubers; edible fruits and nuts; green or dried thyme
Service of Agricultural industries	No	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Exporters must fill export forms for Grape juice and catheter, wine,
Laboratories of the Ministry of Agriculture	No	<ul style="list-style-type: none"> • Analysis certificate for the import of agricultural insecticides 	<ul style="list-style-type: none"> • None

Ministries/Authorities	Presence at Port	Role	
		Import	Export
Ministry of Culture Directorate General of Antiquities	No	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Permits for petrified fish
Ministry of Defense	No	<ul style="list-style-type: none"> • Import Visa for GPS equipment 	<ul style="list-style-type: none"> • None
Lebanese Armed Forces	Yes may require military specialists	<ul style="list-style-type: none"> • Import Licenses for ammonium nitrate (above 30% nitrogen) and all military-related equipment • Permits for all merchandize that contain military signages • Obligatory Technical Inspection at all points of entry of all dual-use substances (and precursors for narcotic production) • Chemicals like hydrochloric and sulfuric acid require preapproved permission 	<ul style="list-style-type: none"> • Export Licenses for ammonium nitrate (above 30% nitrogen) and all military-related equipment and military maps. • Permits for all merchandize that contain military signages • Obligatory Technical Inspection at all points of entry of all dual-use substances (and precursors for narcotic production)
Ministry of Economy and Trade	No	<ul style="list-style-type: none"> • Pre-approved Import licenses for ammonium nitrate and all military-related equipment, diamond, • Pre-approved Import license for some organic and non-organic chemical materials, fertilizers that might be dual use as explosives as well gun powders, explosives, fireworks • Import license for cartridge and ammunition making machines, hunting rifles, air rifles • Issue import Visa for food products such as honey and steam generated boilers • Pre-approved import for soya and oyster salsa • Analysis of animal, poultry, and fish fat. Analysis of Vegetable oil 	<ul style="list-style-type: none"> • Pre-approved Export Licenses for chemical products, ammonium nitrate, and all military-related equipment • Pre-approved an export license for some organic and non-organic chemical materials, fertilizers that might be dual use as explosives as well gun powders, explosives, fireworks • Import license for cartridge and ammunition making machines, hunting rifles, air rifles,
I. Department of Intellectual Property Protection	No	<ul style="list-style-type: none"> • Based on request 	<ul style="list-style-type: none"> • None

Ministries/Authorities	Presence at Port	Role	
		Import	Export
2. Directorate of Consumer Protection	Yes	<ul style="list-style-type: none"> • Import Visa for Butter, Cheese, Honey, Flour, animal and poultry fat, vegetable oil, tin cans for prepared meat, fish and crustaceans, sugar, cacao butter, chocolate, prepared food, water and beverages, table salt, printed paper for food and makeup. 	<ul style="list-style-type: none"> • None
3. Fraud Suppression Department	No	<ul style="list-style-type: none"> • Visa for industrial coloring for food and beverages 	<ul style="list-style-type: none"> • None
4. Technical Office of the Pricing Policy	No	<ul style="list-style-type: none"> • Visas for diapers and sanitary products printed paper for food and makeup, prepared salsas, industrial coloring for food and beverages 	<ul style="list-style-type: none"> • None
Ministry of Environment	No	<ul style="list-style-type: none"> • Issue permits for importing human and animal hair waste, bird feathers, ivory, fish waste, plant waste and wine residue, raw material for animal feed. Chemical and metallic waste basically any goods for recycling. Gases that affect the ozone layer. • Visa for the import of metal scrap 	<ul style="list-style-type: none"> • None
Ministry of Industry	No	<ul style="list-style-type: none"> • License to import gypsum and lime material, white cement, • Preapproved license for asbestos 	<ul style="list-style-type: none"> • None
Directorate General of Industry	No	<ul style="list-style-type: none"> • Permit to import Copper wires, electrical aluminum wires, electrical wires, and telephone cables 	<ul style="list-style-type: none"> • None
Ministry of Interior and Municipalities	No	<ul style="list-style-type: none"> • Pre-approved Import license for some organic and 	<ul style="list-style-type: none"> • Pre-approved export license for

Ministries/Authorities	Presence at Port	Role	
		Import	Export
		<p>non-organic chemical materials, fertilizers that might be dual use as explosives as well gun powders, explosives, fireworks</p> <ul style="list-style-type: none"> • Import license for cartridge and ammunition making machines, hunting rifles, air rifles, 	<p>some organic and non-organic chemical materials, fertilizers that might be dual use as explosives as well gun powders, explosives, fireworks</p> <ul style="list-style-type: none"> • Import license for cartridge and ammunition making machines, hunting rifles, air rifles
Ministry of Public Health Directorate of Public Health Laboratory	No	<ul style="list-style-type: none"> • Shipping conditions for medicinal and non-medicinal food supplements • Pre-approved import permit for Medicinal plants and herbs, diet preparations, vitamins, minerals, and nutritional supplements, of pharmaceutical forms, water, refreshments, radioactive materials. pesticides for home use, X-ray machines, and its parts, • Approvals for the import of refurbished medical tools 	<ul style="list-style-type: none"> • License to export human blood
	No	<ul style="list-style-type: none"> • Issue Analysis Certificates for chicken products, Dairy products, Luncheon meat (Meet products), Honey, potato products, Frozen vegetables, grain starch, sugar, baby food, bread, glucose syrup, cocoa powder, chocolate and its products, food products, ice cream, beer, bottled drinking water, salt, food colorings. 	<ul style="list-style-type: none"> • None
	No	<ul style="list-style-type: none"> • Import permit for infant and Baby formula, medicinal nutrition, vitamins, antibiotics, hormones, extracts of glands, immunological products, vaccine, and drugs for human medicine, chemical contraceptives 	<ul style="list-style-type: none"> • Visa for the export of infant and baby formula, drugs for human and veterinarian use, beauty products, enzymes, vitamins, hormones, Drugs for human and veterinary

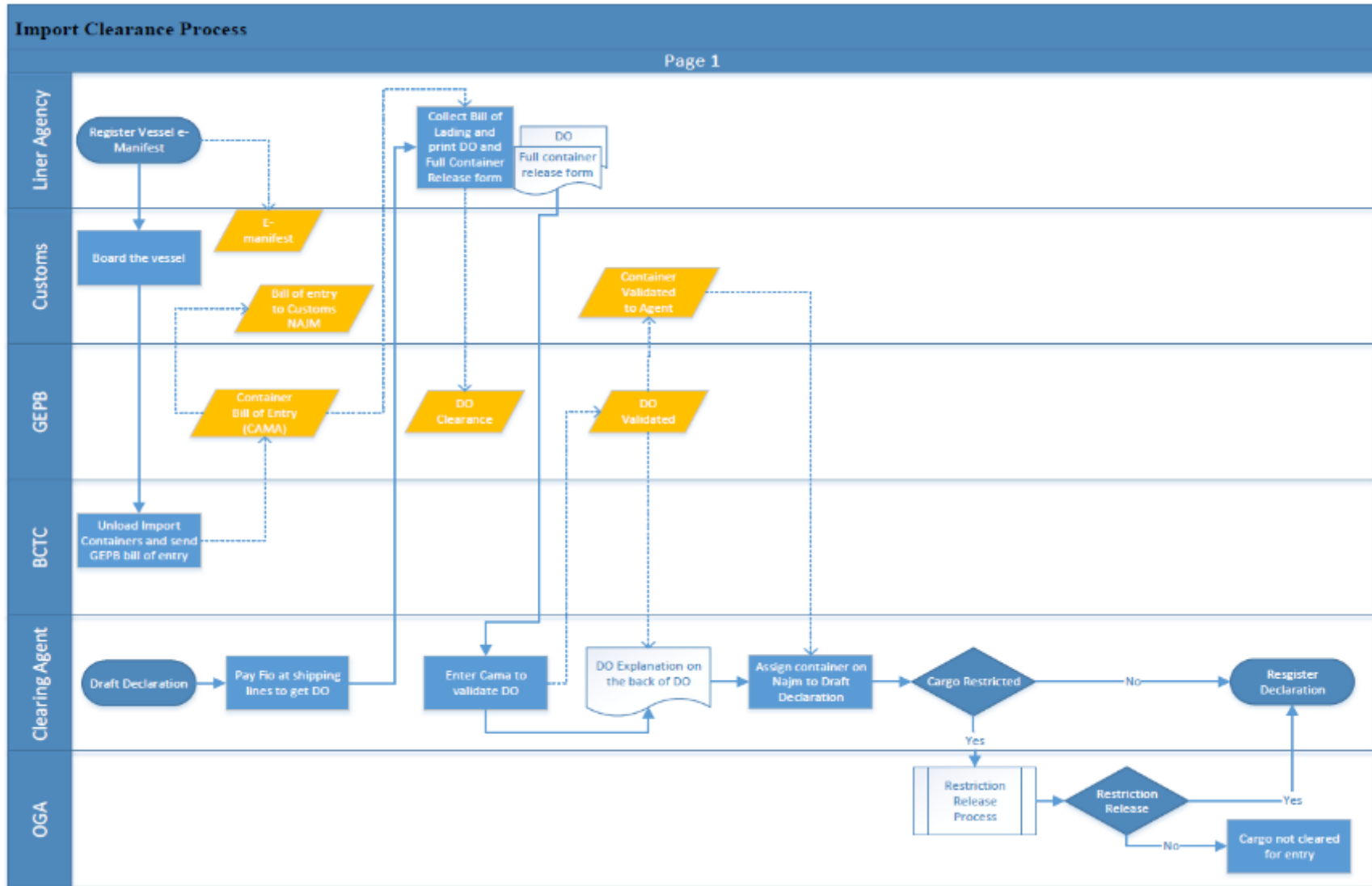
Ministries/Authorities	Presence at Port	Role	
		Import	Export
Department of Import and Export of Medicines	No	<ul style="list-style-type: none"> • Visa for radioactive materials, hormones, enzymes, veterinary drugs, bandages, pharmaceutical goods, Beauty or make-up preparations and preparations for the care of the skin manicure or pedicure preparations, Pre-shave, shaving or after-shave preparations, personal deodorants, sterile materials • Preapproved license and withdrawal permissions with the presence of a pharmacist inspector for the import of licensed narcotics (Opium, cocoa leaves, etc.) for all dual-use goods (precursors for narcotic production) and chemicals such as hydrochloric and sulfuric acid 	<p>medicine, bandages, pharmaceutical goods,</p> <ul style="list-style-type: none"> • Preapproved license and export permit with the presence of a pharmacist inspector for the export of licensed narcotics (Opium, cocoa leaves, etc.) for all dual-use goods (precursors for narcotic production) and chemicals such as hydrochloric and sulfuric acid
Department of Narcotics		<ul style="list-style-type: none"> • Import Visa for medicinal food supplements, vitamins sold in pharmacies, water, refreshments, table salt, extracts of glands, immunological products, Vaccines, and drugs for human medicine, veterinary drugs, chemical contraceptives 	<ul style="list-style-type: none"> • None • Export visa for pesticides for home use, Instruments and Appliances Used in Medical, Surgical, Dental, or Veterinary Sciences, X-ray machines
Pharmacy Inspection Department	Yes, twice weekly	<ul style="list-style-type: none"> • Import visa for sugar alternatives, Medicinal plants and herbs, diet preparations, vitamins, minerals, and nutritional supplements of pharmaceutical forms, pharmaceutical goods, sterile materials, pesticides for home use. New and used medical equipment, x-ray machines, 	<ul style="list-style-type: none"> • None
Service of Sanitary Engineering	No	<ul style="list-style-type: none"> • Fumigation of Other Worn Textile Articles 	

Ministries/Authorities	Presence at Port	Role	
		Import	Export
Department of Quarantine	No		
Ministry of Telecom	No	<ul style="list-style-type: none"> License from the ministry and visa from the minister himself for the import of Fax and copying machines, telephones, mobiles, Telex machines, wireless devices, GPS remote guidance devices. RF devices, satellite dishes 	<ul style="list-style-type: none"> None
Directorate General of Operation and Maintenance	No	<ul style="list-style-type: none"> Import visas for RF controlled integrated circuits, Radio Remote Control Apparatus. 	<ul style="list-style-type: none"> Export visas for RF controlled integrated circuits, Radio Remote Control Apparatus
Industrial Research Institute	Yes (assigned personnel for sample collection only)	<ul style="list-style-type: none"> Issue Analysis Certificates for chicken products, Dairy products, Luncheon meat (Meet products), Honey, potato products, Frozen vegetables, grain starch, sugar, baby food, bread, glucose syrup, cocoa powder, chocolate and its products, food products, ice cream, beer, bottled drinking water, salt, food colorings. Issue Analysis certificate for animal and vegetable fats and oil and Their Cleavage Products; Prepared Edible Fats; Animal or Vegetable Waxes. Cement, materials for medical use, paint, perfumery, cosmetic or toilet preparations, soaps, Hydraulic brake fluids, and other prepared liquids for hydraulic transmission, plastic, and rubber products for medical use. Papers (toilet, notes), sterile clothes for medical use, ceramic tiles, window glass, metal wires for construction, mechanical and electrical appliances, sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles. Instruments and 	<ul style="list-style-type: none"> None

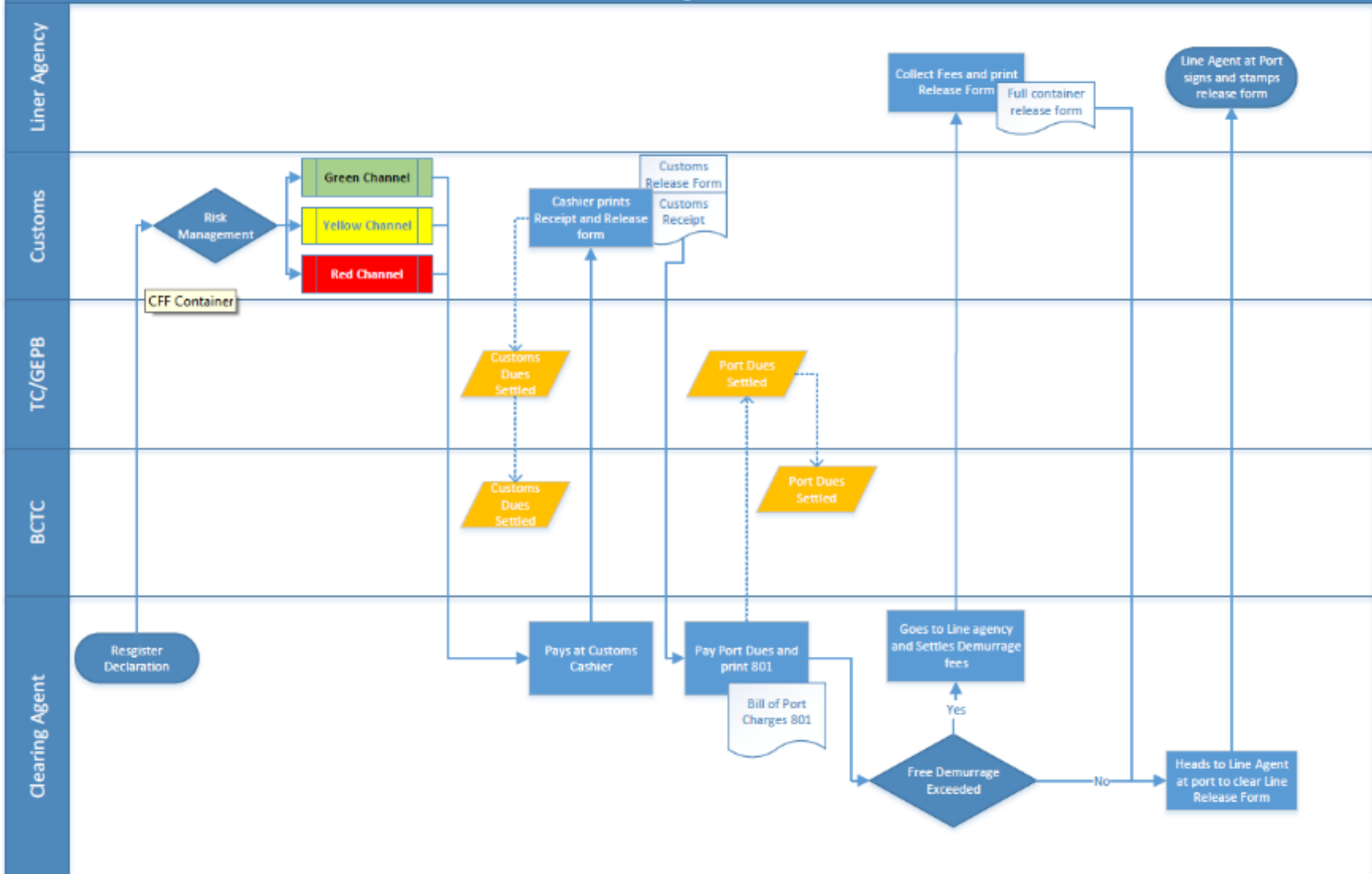
Ministries/Authorities	Presence at Port	Role	
		Import	Export
		appliances used in medical, surgical, dental, or veterinary sciences. Watches, electrical music instruments, electrical toys for children. Video games, baby diapers.	
Order of Lebanese Physicians	No	<ul style="list-style-type: none"> Issue Visa for medicinal food supplements, vitamins sold in pharmacies, extracts of glands, immunological products, vaccine, and drugs for human medicine, chemical contraceptives 	<ul style="list-style-type: none"> None
Order of Lebanese Pharmacists	No	<ul style="list-style-type: none"> Issue Visa for radioactive drugs, medicinal food supplements, vitamins sold in pharmacies, extracts of glands, immunological products, vaccine, and drugs for human medicine, vaccine, and drugs for veterinary medicine, chemical contraceptives 	<ul style="list-style-type: none"> None
Pharmacist Retirement Fund	No	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Export visa for drugs with therapeutic and preventive characteristics as assigned by the ministry of health, skincare products, medicinal shampoo
Order of Lebanese Dentists	No	<ul style="list-style-type: none"> Visa for the import of dental x-ray machines. Tools and machines for dental medicine 	<ul style="list-style-type: none"> None
Lebanese Atomic Energy Commission	No	<ul style="list-style-type: none"> Conducting radiological laboratory Tests for some foodstuffs (Honey, Milk) and construction steel. License for radioactive equipment and material Preapproved license for radioactive material 	<ul style="list-style-type: none"> Scrap metal
Lebanese agriculture Research Institute (Under the supervision of the Ministry of Agriculture)	No	<ul style="list-style-type: none"> Issue Analysis Certificates for chicken products, Dairy products, Luncheon meat (Meet products), Honey, edible potato products, Frozen vegetables, grain starch, vegetable oil, sugar, baby food, bread, glucose syrup, cocoa powder, chocolate and its products, food products, ice cream, beer, bottled drinking water, salt, food colorings. Soil, beetroot 	<ul style="list-style-type: none"> None

Ministries/Authorities	Presence at Port	Role	
		Import	Export
		dregs, fodder	
Ministry of energy and water Directorate General for Oil	No	<ul style="list-style-type: none"> • Preapproved license for the import of fuel oil, jet fuel, natural gas; petroleum, propane, and butane gas; propylene, ethylene, • License to import petroleum coke, asphalt, benzene, kerosene, gas oil, • None 	<ul style="list-style-type: none"> • License to export petroleum oil, benzene, kerosene, fuel oil, asphalt, • License for liquid propane and butane gas
1. Chemical and pharmacology lab at AUB 2. Chemical and pharmacology lab at the French Health Institute	No	<ul style="list-style-type: none"> • Issue Analysis certificate for animal and vegetable fats and oil and Their Cleavage Products; Prepared Edible Fats; Animal or Vegetable Waxes. 	<ul style="list-style-type: none"> • None
Ministry of Finance Department of Indirect Taxes	No	<ul style="list-style-type: none"> • Preapproved Import permit for stamp machines • Transport permits beer, spirits, alcoholic substances, perfumes, beauty products with alcoholic content. 	<ul style="list-style-type: none"> • Transport permit for Alcoholic liquid, cement. • None
Directorate of General Security	Yes	<ul style="list-style-type: none"> • License to import Photographic plates, film, paper, paper board, and textiles, exposed and developed or not; Books, brochures, leaflets, newspapers, journals, and periodicals; Maps and hydrographic or similar charts of all kinds; Plans and drawings for professional use. calendars; printed pictures and photographs such as business catalogs, posters; gramophone records, recorded media or software, CD 	<ul style="list-style-type: none"> • None

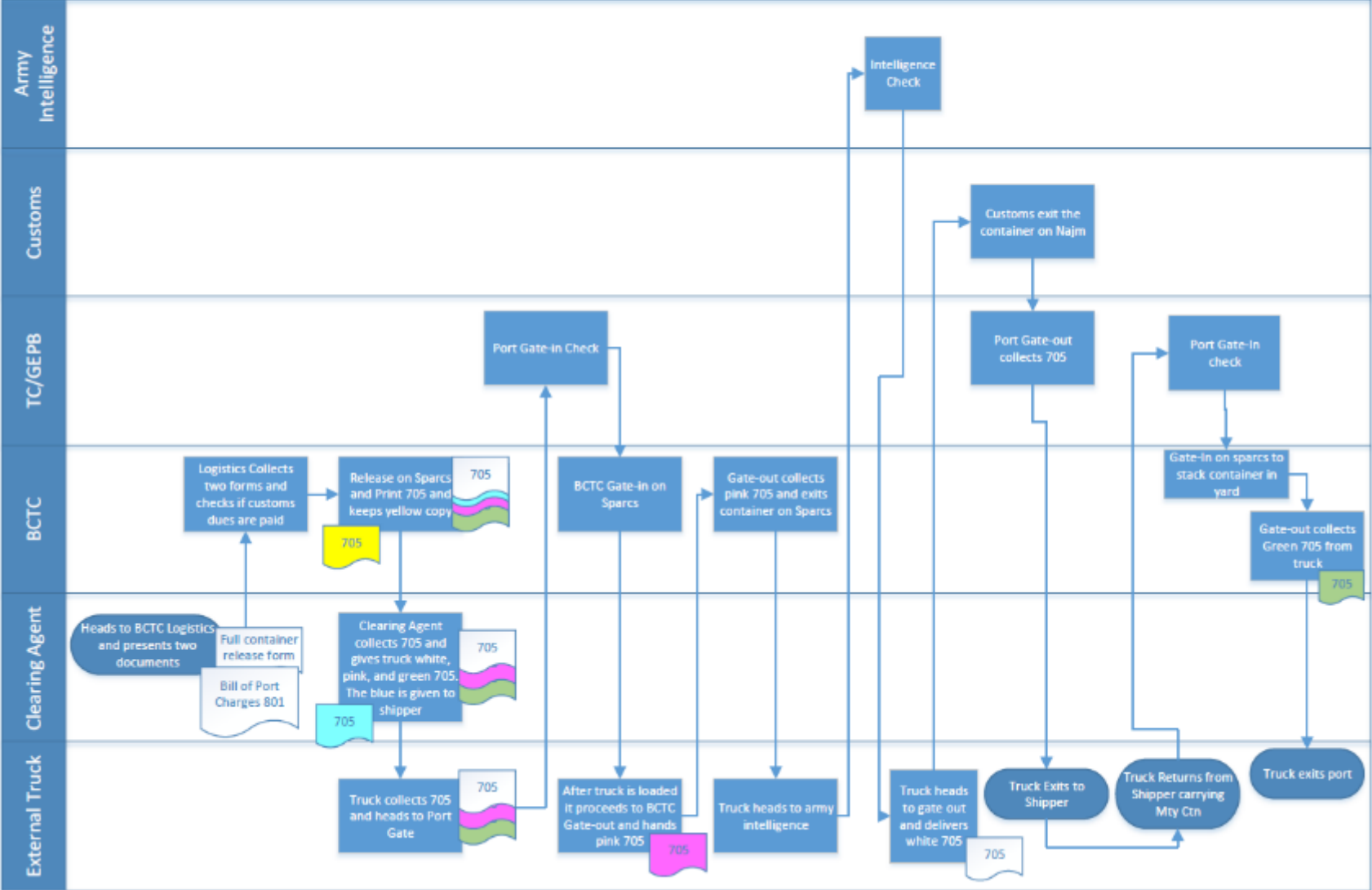
F.5 Import Clearance Process Map



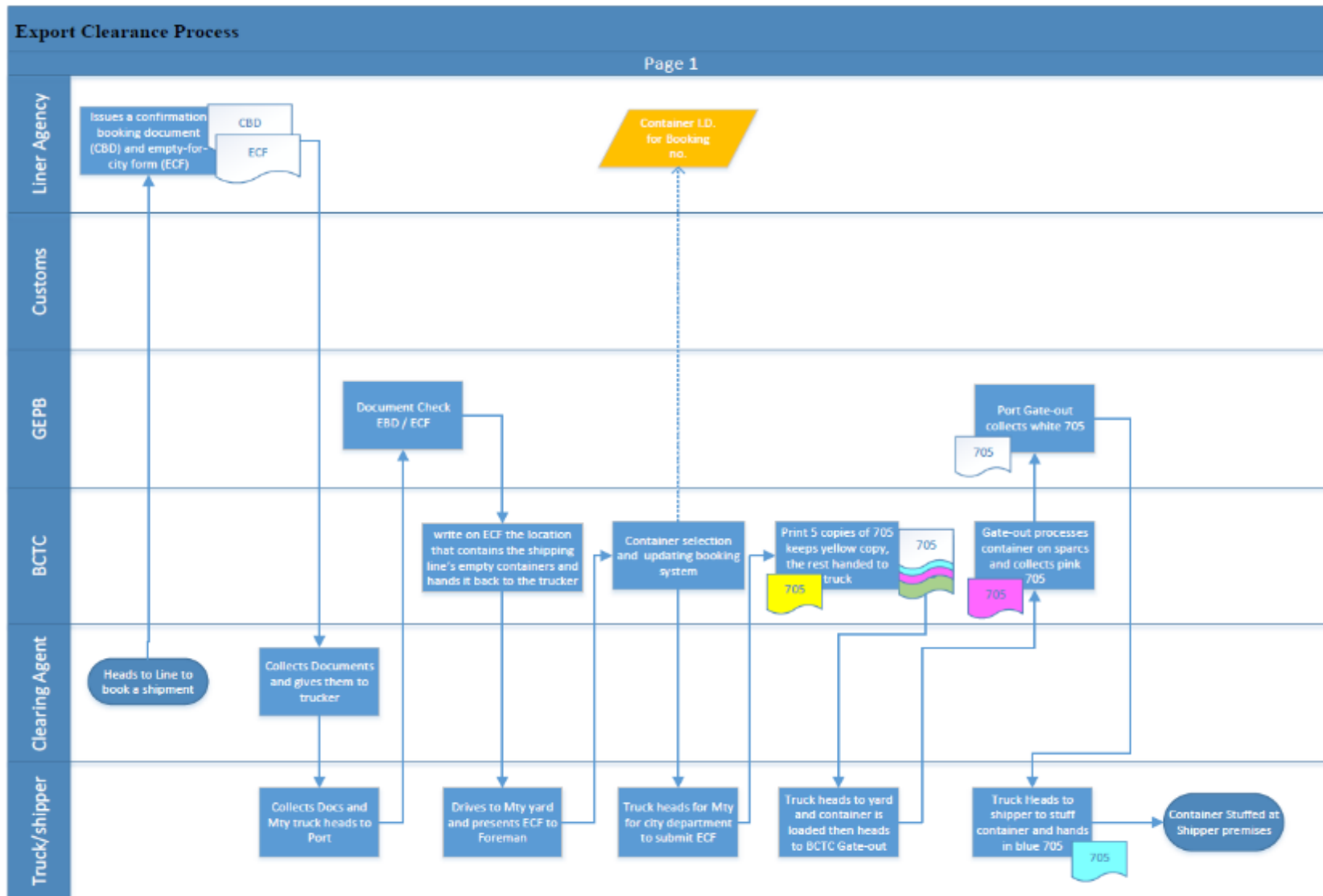
Import Clearance Process



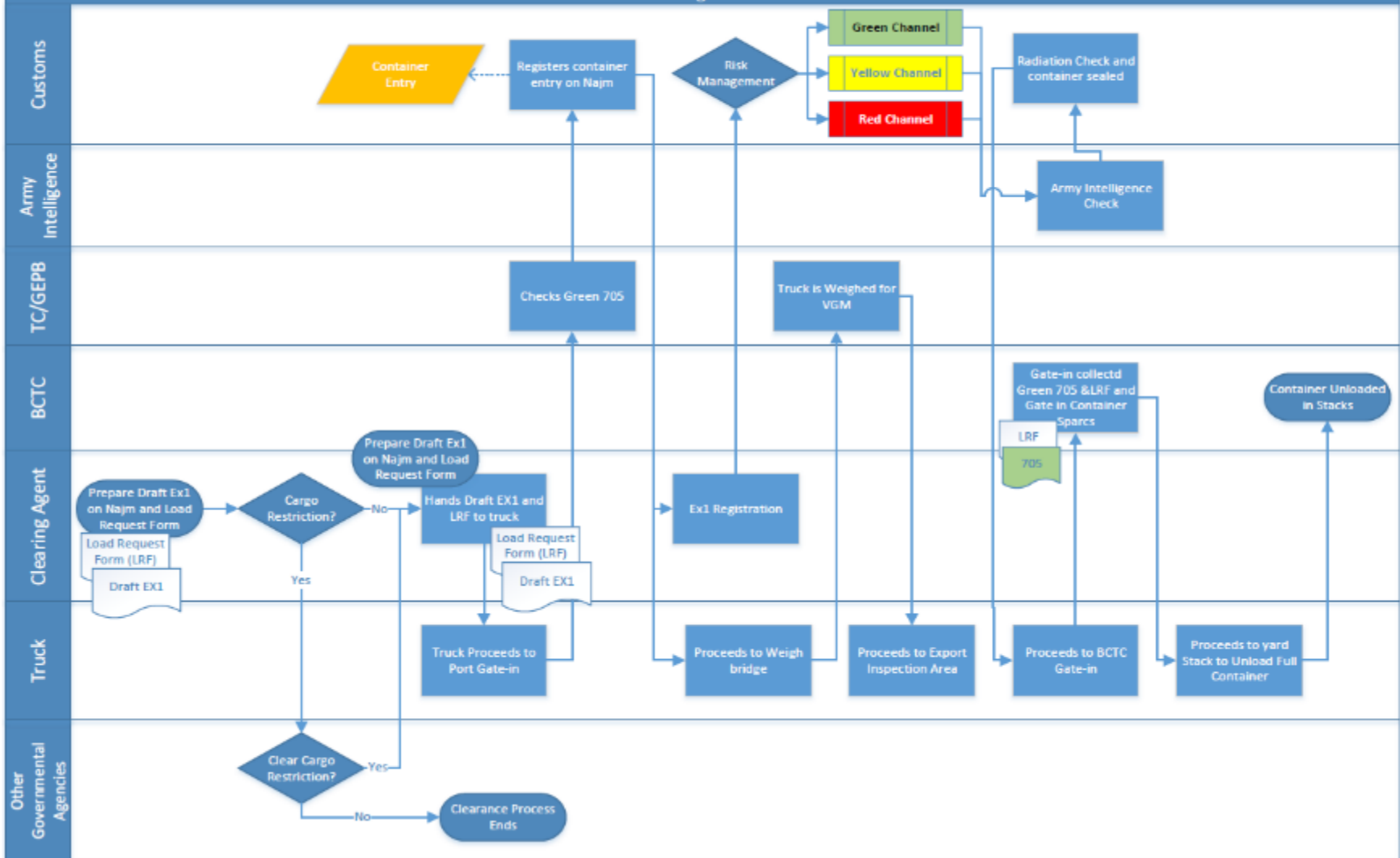
Import Clearance Process



F.6 Export Clearance Process Map



Export Clearance Process



Export Clearance Process

