



MIDDLE EAST ECONOMIC GROWTH BEST PRACTICES PROJECT (MEG)

Port of Beirut Assessment

Final Report

February 15, 2021

DISCLAIMER This report was produced for review by the United States Agency for International Development. It was prepared by the USAID Middle East Economic Growth Best Practices (USAID/MEG) Project implemented by The Pragma Corporation. The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Prepared for the United States Agency for International Development, USAID Order AID-OAA–
M-17- 00007

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 2204

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 CUsStoms 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

TABLE OF CONTENTS

I.	POB Governance and Administration	1
II.	Port Development Options	2
III.	Restoring and Enhancing POB Operations.	5
	4Operations and Logistics	
	Removal of Debris, Damaged Assets, and Sunken Vessels	6
	Judicial Decisions	7
	Safety and Security	7
	Grain Silos	7
	Urgent Governmental Decisions	8
IV.	Trade Facilitation	8

PORT OF BEIRUT ASSESSMENT

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. 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 possible contractual corruption/kickbacks, fraud, and misuse of funds. Graph 1 at the end of this summary exhibits the proposed POB governance structure.

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)

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.

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 Buri 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 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.

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.

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 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 months. Notwithstanding explosion damages, there are significant improvements required to build a better POB, for a total cost of around US\$ 128M.

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 1 below. They cover operations and logistics; removal of debris, damaged assets, and sunken vessels; judicial decisions; safety and security; grain silos, and urgent governmental decisions.

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.

Table 1 – 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.

Table 2 – 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 Survey¹ 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

⁸ LCL = Less than Container Load (groupage)

	11. Conduct a study for optimizing cargo movement within the port complex
Medium-Term	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	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 4.⁹

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. 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

⁹ This process has started with support from the Netherlands.

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.¹⁰ 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 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.

¹⁰ 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).

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). 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"> <li data-bbox="444 1570 1343 1671">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). <li data-bbox="444 1680 1343 1780">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. <li data-bbox="444 1789 1343 1885">3. Allow electronic access to relevant supporting documents (e.g., certificates) by trade-related ministries and agencies for approvals and issuance of visas.

	<ol style="list-style-type: none"> 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. 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

Graph 1 - POB Development SAL

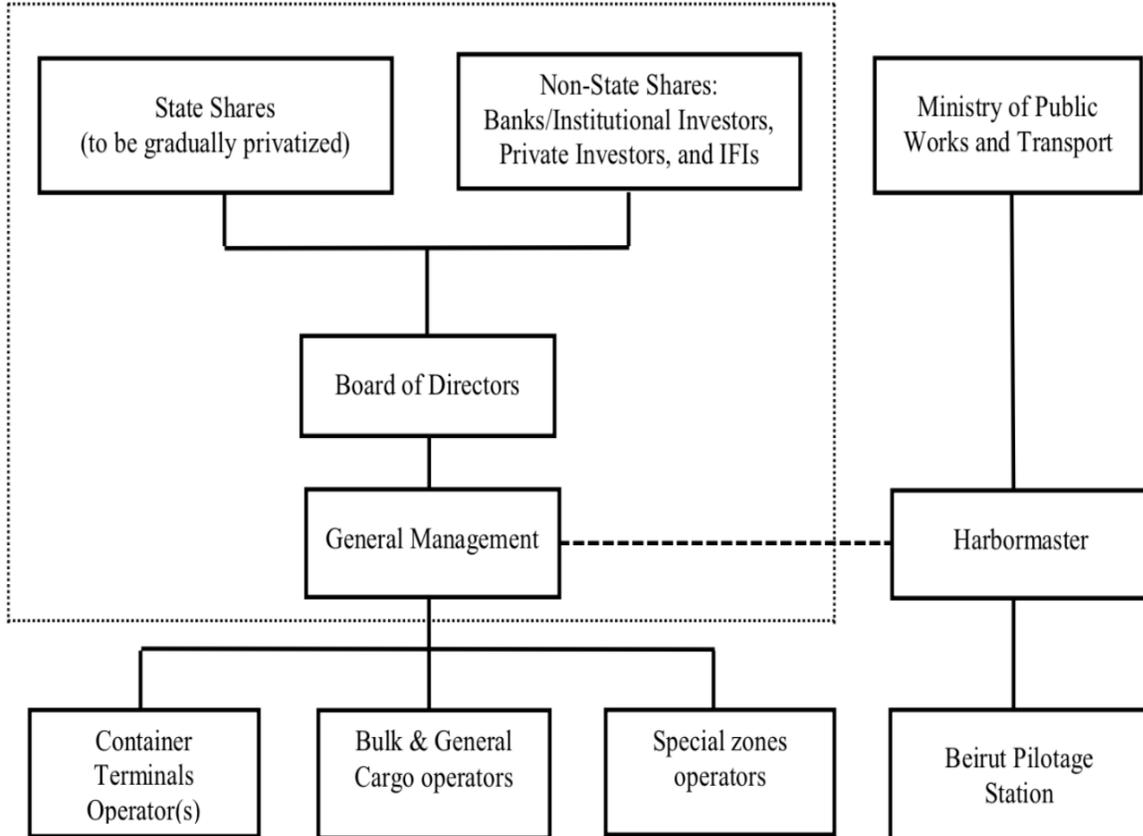
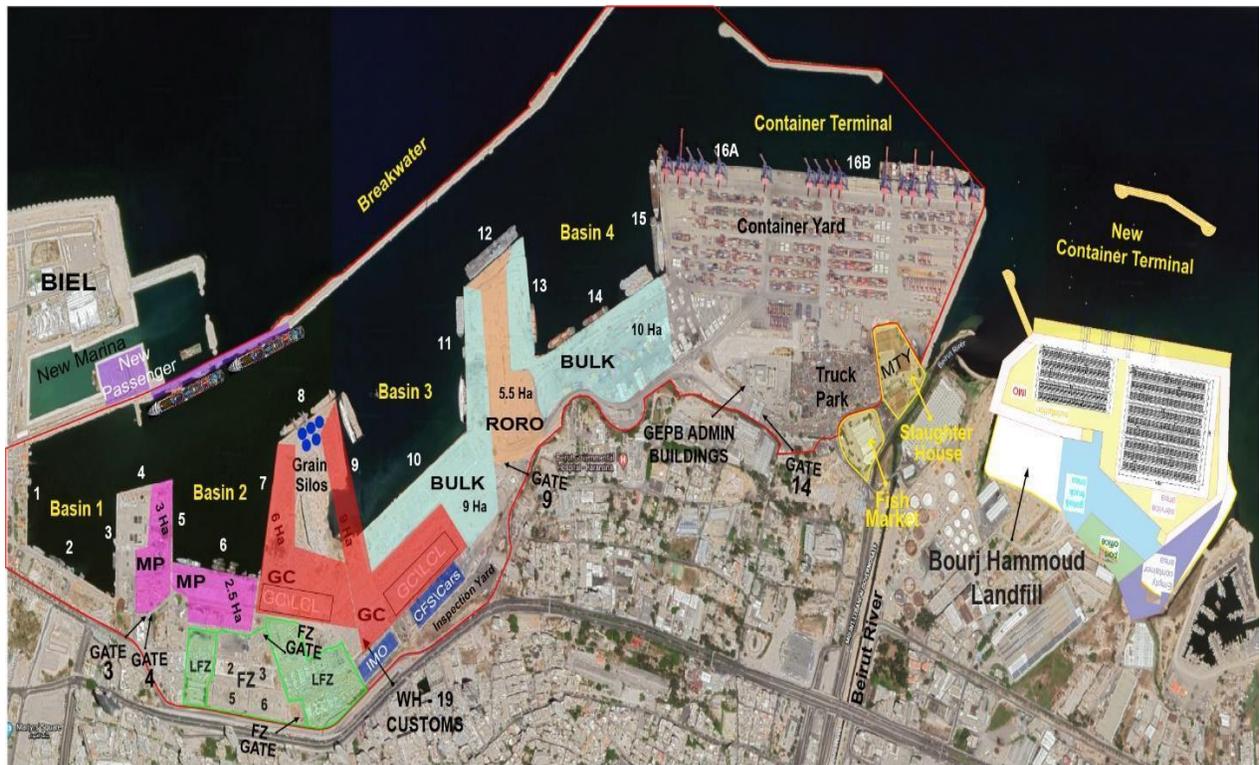


Figure 1 – Existing Map of the Port of Beirut



Source: USAID MEG based on Google Map

Figure 2 – Recommended Development of the Port of Beirut



Source: USAID MEG based on Google Map