

September 28, 2010



Republic of Lebanon
Presidency of the Council of Ministers

Improving the Business Environment in Lebanon

Recommendations

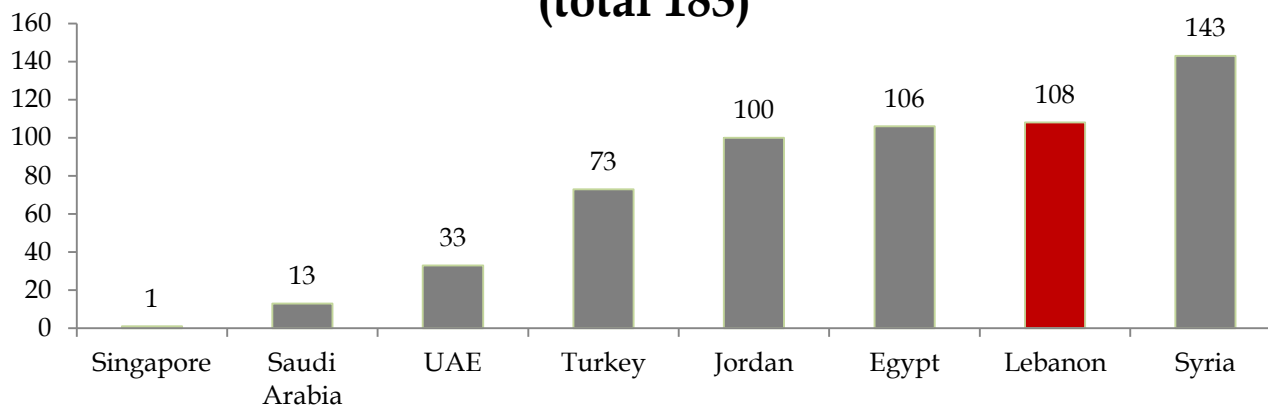
Improving the Business Environment in Lebanon

- Lebanon experiencing impressive growth rates for the last three years
- Private sector to be allowed to play a greater role
- Growth to become more internally driven
- Bottlenecks and overlapping mandates need to be removed

Rules, regulations and cumbersome procedures delay private sector activity

- Lebanon's IFC Doing Business ranking:
2008: 85/178
2009: 101/183
2010: 108/183

**Ease of Doing Business 2010- Global Rank
(total 183)**



Source: IFC

Improving the Business Environment in Lebanon

- IFC ranking used as a tool for measuring performance
- PCM has formed a series of working groups to help develop solutions that will form the core of the GoL's investment climate reform agenda.
- Relevant stakeholders:

Ministry of Justice, OMSAR, Ministry of Labour, Ministry of Finance, Ministry of Economy and Trade, Central Bank, Ministry of Public Works...

Chamber of Commerce, Order of Lawyers, Order of Engineers, Association of Banks, Association of Industrialists, Port Authority, Consultants...

Improving the Business Environment: a Collaborative Approach

- Six workshops held:
 1. Starting a Business (rank 108)
 2. Construction Permitting (rank 125)
 3. Access to Credit and Secured Lending (rank 87)
 4. Trading Across Borders (rank 95)
 5. Enforcing Contracts and Alternative Dispute Resolution (rank 121)
 6. Closing a Business/ Insolvency (rank 124)

- Doing Business Report areas not yet addressed:
 1. Employing Workers (rank 66)
 2. Registering property (rank 111)
 3. Protecting Investors (rank 93)
 4. Paying Taxes (rank 34)

Source: IFC Doing Business 2010, rank over 183

Working Group 1: Starting a Business

Objective 1: Streamline process and reduce cost of starting a business, and enhance transparency to public

Process Streamlining and Automation	<ul style="list-style-type: none">➤ Map and redesign business registration process➤ Standardize incorporation documents➤ Complete automation of commercial registry
Fee Structure	<ul style="list-style-type: none">➤ Remove MoF's stamp fee➤ Consider eliminating the mandatory use of legal counsel when establishing a company ("SARL")
Legislation	<ul style="list-style-type: none">➤ Adopt a new law to create a single partnership company as a corporate structure➤ Eliminate the minimum paid-in capital requirement

Working Group 2: Construction Permitting

Objective 2: Fast track, reduce costs and increase transparency for construction permits

Process Streamlining	➤ Streamline and eliminate overlaps in construction permitting in Beirut and Tripoli and then all Lebanon
Fee Structure	➤ Review fee structure and ensure service delivery against each cost incurred by applicant
Regulation	<ul style="list-style-type: none">➤ Review and simplify system for building categorization➤ Introduce risk threshold to clearly determine low-risk projects that could benefit from fast track processes➤ Introduce mandatory time limits for granting permits
Public Information	➤ Provide guidelines, checklists and transparent information on construction permitting

Working Group 2: Construction Permitting

Objective 3: Ensure safety in construction and strengthen regulatory controls for construction permitting

Regulation

- Introduce robust third-party review mechanism focusing on higher-risk building applications, to ensure compliance

Legislation

- Complete building code and reference standards

Working Group 3: Access to Credit and Secured Lending

Objective 4: Modernize secured lending framework to facilitate access to credit

Legislation	➤ Enact the modern law on Secured Finance Transactions
Awareness and Public Information	<ul style="list-style-type: none">➤ Develop online collateral registry for movable assets and integrate with other asset registries➤ Conduct awareness campaigns for stakeholders

Working Group 4: Trading Across Borders

Objective 5: Streamline, automate and reduce costs of trading across borders

Process Streamlining

- Map and redesign procedures for import and export and reduce the list of documents required for customs clearance
- Create an electronic single window covering public and private entities
- Develop e-payment facilities
- Delegate inspections to Customs under a risk based system
- Develop in country logistics hubs/dry ports to address congestion at borders
- Synchronize and extend working hours across relevant public and private entities

Fee Structure

- Review and set port fees in transparent manner

Working Group 4: Trading Across Borders

Objective 6: Enhance regional and international trading relations

Legislation

- Expedite Lebanon's accession to WTO
- Sign mutual recognition agreement with the EU and other countries to ensure quality of imports with adequate level of inspection
- Review bilateral agreements with neighboring countries for trade and transit

Working Group 5: Enforcing Contracts and Alternative Dispute Resolution

Objective 7: Speed up commercial and civil proceedings and ensure faster trials

Process Improvement	<ul style="list-style-type: none">➤ Adopt and implement concept of “pre-trial’ judge➤ Implement fast track procedures such as “refere” / payment injunction procedure➤ Reduce grounds for objection to fasten execution process➤ Develop electronic notification process between lawyers➤ Limit availability of appeals before Court of Appeals and Court of Cassation
Institutional Improvement	<ul style="list-style-type: none">➤ Review the allocation of judges across regions
Legislation	<ul style="list-style-type: none">➤ Promulgate law for faster proceedings for small trials (less than LL15mill)

Working Group 5: Enforcing Contracts and Alternative Dispute Resolution

Objective 8: Ensure equitable and effective access to justice for citizens

Fee Structure

- Review judicial fee structure and introduce improvements to reduce costs of justice

Working Group 6: Closing a Business/ Insolvency

Objective 11: Develop a supportive insolvency framework for businesses

<i>Process Streamlining</i>	➤ Map and streamline insolvency procedures (NSSF and MoF)
<i>Framework</i>	➤ Develop framework for out-of-courts workouts and gain bank approval on adoption
<i>Regulation</i>	<ul style="list-style-type: none">➤ Develop a more robust entry process for insolvency practitioner profession➤ Develop code of conduct and discipline mechanism for insolvency practitioner profession➤ Review and adjust remuneration of insolvency practitioners
<i>Legislation</i>	➤ Enact modern and updated bankruptcy law

The Way Forward

- Improving the Business Environment in Lebanon is a long process requiring continuous effort from various stakeholders
- Formation of a Ministerial Committee
- Ongoing follow-up in workshops with relevant stakeholders
- Lebanon cannot stand still, as standing still means going back