



Reforming and Rebuilding Lebanon's Port Sector:

LESSONS FROM GLOBAL BEST PRACTICES

DECEMBER 2020

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Although the Authors have made every effort to engage with a wide spectrum of stakeholders and involve highly qualified, relevant peer reviewers, this Note remains a living document to be updated as and when additional information is made available. It provides an overview of global experiences and offers a set of guiding principles to help inform port sector reforms in Lebanon and pave the way to rebuild a better Port of Beirut.

Acronyms

3RF	Reform, Recovery, and Reconstruction Framework
AEO	Authorized Economic Operators
ASYCUDA	Automated System for Customs Data
BCTC	Beirut Container Terminal Consortium
BMPH	Berth Move per Hour
CGEPB	Compagnie de Gestion et d'Exploitation du Port de Beyrouth SAL
DTI	Department of Trade and Industry
ESCWA	Economic and Social Commission for Western Asia
EU	European Union
EXBS	Export Control and Related Border Security
FAL	Facilitation of International Maritime Traffic
HPA	Hamburg Port Authority
IAPH	International Association of Ports and Harbors
IBM	Integrated Border Management
IMO	International Maritime Organization
IPCSA	International Port Community Systems Association
ISPS	International Ship and Port Security
KPI	Key Performance Indicator
LPI	Logistics Performance Index
LSCI	Liner Shipping Connectivity Index
MENA	Middle East and North Africa
MPA	Maritime and Port Authority
MPWT	Ministry of Public Works and Transport
MSW	Maritime Single Window
NSW	National Single Window
NTFC	National Trade Facilitation Committees
OECD	Organization for Economic Co-operation and Development
PCS	Port Community System
PoB	Port of Beirut
PoT	Port of Tripoli
PPP	Public Private Partnership
RDNA	Rapid Damage and Needs Assessment
RKC	Revised Kyoto Convention
RVO	Netherlands Enterprise Agency
SDI	Spatial Development Initiative
SOP	Standard Operating Procedures
TAB	Trade Across Borders
TEU	Twenty-foot Equivalent Units
TFA	Trade Facilitation Agreement
TMPA	Tangiers Med Port Authority
TMSA	Tangier Mediterranean Special Agency
TNPA	Transnet National Port Authority
TPT	Transnet Port Terminals
TRS	Time Release Studies
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WCO	World Customs Organization
WTO	World Trade Organization

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Executive Summary

On August 4, 2020, a massive explosion in the Port of Beirut (PoB) devastated the city, killing at least 200 people, wounding thousands, and displacing around 300,000.¹ A Rapid Damage and Needs Assessment (RDNA), prepared by the World Bank in cooperation with the United Nations (UN) and the European Union (EU), estimated damage to the port at about US\$350 million. This Note was prepared by the World Bank to provide guidance to policy makers in Lebanon on the crucial additional requirements to be undertaken in the rebuilding of the PoB in terms of both improving its resilience and addressing the underlying governance concerns that are broadly acknowledged to have contributed to the tragedy. The Note summarizes global best practices in port management and border management reforms.

The PoB is the main gateway for the external trade of Lebanon, but it has failed in the key role as an enabler of economic development in the country. Despite the growth in volumes and revenues in the port over the last 10-15 years, the PoB has evidently failed to guarantee safe and efficient operations, and to undertake the necessary long-term planning for the benefit of the port and the country. More importantly it has underperformed in its key role as an enabler of economic development at a national level and has made a limited contribution to fostering socio-economic development more broadly.

These failures are a direct result of the current governance framework of the PoB. Lebanon adheres to a port management system that arguably reflects the complex political-economic realities, and which as a result run counter to many recognized good practices. The governance of the sector is a patchwork of ad-hoc institutions, structures, laws and regulations that preclude the development of a coherent integrated strategy. The current framework inhibits efficiency as several key government agencies for transport, trade, and border management have overlapping mandates, divergent strategies, often operate under outdated processes and regulations and do not coordinate among themselves.

Since 1990, the PoB has been managed by a temporary administrative committee, established in a legal vacuum. This has resulted in serious governance, transparency, and accountability issues. The Lebanese Customs is not structured to perform its mission properly. Its two parallel institutions, the Higher Council for Customs and the Customs Directorate have proven to be inefficient and subject to political exploitation and power struggles. The tragic explosion in PoB clearly illustrates the evident shortcomings of the current institutional set-up as well as the risks emanating from the no-reform scenario.

Therefore, a crucial pre-requisite to the rebuilding of PoB is the establishment of a robust institutional framework for the port sector. This new framework will restore trust of the Lebanese society and economic operators into its capacity to strengthen the economic fabric and provide support in overcoming the country's economic crisis. While economically sustainable measures do not preclude Lebanon from adopting temporary measures to speed up functional recovery of the port for a limited transition period, the ultimate objective must involve sustained implementation of this institutional framework to make the PoB a modern, transparent and efficient port.

The reconstruction of the PoB should have four key foundation stones: (i) a new governance structure based on the landlord port model; (ii) efficient and modern Customs, border agency and trade processes that have an essential role in addressing transparency, predictability and security issues; (iii) open and transparent bidding processes for selecting operators or concessionaires; and (iv) quality infrastructure that is contingent on a countrywide strategy for the port sector and a revised masterplan for the PoB.

- **Firstly, for the port's governance to meet global standards, a well-developed port sector law, anchored in a clear vision for the Lebanese port and maritime sector must be enacted.** This Note recommends as the preferred model for Lebanon a three-tiered structure: (i) a national port and maritime administration responsible for strategic planning and policy setting; (ii)

¹ Beirut Rapid Damage and Needs Assessment (RDNA), August 2020, World Bank Group <http://documents1.worldbank.org/curated/en/650091598854062180/pdf/Beirut-Rapid-Damage-and-Needs-Assessment.pdf>

landlord port authorities for each main port; and (iii) commercial operations in the hands of specialist private terminal operating companies and licensed stevedoring operators. The country relies on a limited number of ports of strategic importance economically and, given the urgent need for an accountable and transparent governance structure in Lebanon, the creation of a port authority would provide a clear delineation of responsibilities and functions among public and private entities.

- **This model offers governments the ability to safeguard long-term public interests while harnessing the private sector's capacity for short-term responsiveness and cost-efficiency and continued long term engagement.** The port authority could be corporatized in the form of a joint-stock company with full public ownership of its shares. This arrangement would give the port authority the flexibility of a corporate entity, aligning its management protocols with regular accounting and auditing standards. It would allow it to remain an implementing mechanism of government policy but keep it at arm's length from political interference. It would also ensure transparency in the port authority's financial performance. The new port authority can also award long-term concession contracts to rebuild and operate the port's infrastructure under explicit and transparent public procurement rules.
- **Secondly, port sector reform must be complemented by the reorganization of the Customs administration, followed by the streamlining of trade procedures to address efficiency, transparency, and security issues.** The adoption of digital solutions, including a national single window integrating the port community and IMO FAL convention mandatory data elements, with appropriate cyber-security, will be critical to implement those reforms. Several of the necessary changes have already been set in motion, with the drafting of a new Customs law, and an initiative to restructure the Customs administration into a "one head one body" organization. Without these, the overlapping regulatory requirements, repetitive inspections by different authorities, and submission of redundant documentation will continue to be the daily reality that traders have to face in their operations at the port.
- **Thirdly, all procurement should be undertaken in an open and competitive manner, in line with the reformed public procurement and Public Private Partnership (PPP) laws.** This will be essential to facilitate rebuilding the basic infrastructure whilst ensuring value for money, and mobilization of the private sector in financing, reconstruction and operation of the port terminals and other logistics and free zone areas. The explosion at the PoB fueled public anger by highlighting a combination of negligence and corruption: implementing port-specific corruption risk management plans would help address these public concerns. The proposed national anti-corruption commission should be established and made functional as soon as possible so that the commission can look into corruption risks and their mitigation in the port operations. The public procurement law (currently under parliamentary review) should be ratified, and a public procurement reform strategy developed and implemented to ensure effective oversight and accountability in all procurements related to the Port of Beirut.
- **Finally, the recent tragedy presents an opportunity to rethink the nature, function and location of facilities in the PoB with the twin aims of both enhancing port performance and competitiveness and optimizing capacity and land use.** Any revisions to the Masterplan of the PoB should be undertaken within the framework of a new port and maritime strategy for Lebanon that promotes complementarity among the ports. This strategy should optimize and align objectives, development plans, and operations of various country ports and other logistics infrastructure. It should also address the issues of access and urban congestion around the PoB and reduce environmental and chemical hazard risks. Decongesting the port would also allow valuable real estate to be developed in the rest of the city in a safer, more integrated way.

When effectively implemented in a transparent and participatory manner, these reforms would meet the demands and aspirations of the Lebanese people and all stakeholders towards the efficient functioning of PoB. From the outset in the preparation of this Note, the World Bank team has sought input from public and private sector organizations, as well as from members of civil society, academia, and the diplomatic and donor communities. The World Bank stands ready to engage with the port sector stakeholders and a reform-minded government to reform the port sector of Lebanon and rebuild a modern and efficient PoB, based on the global best practices presented in this Note.

A photograph of a demolition site. In the foreground, a person in a blue shirt and dark shorts stands on a concrete wall, taking a picture with a camera. To the right, another person in a dark shirt is partially visible. The background shows a large pile of rubble and several tall cranes. In the distance, a city skyline with modern buildings is visible under a clear blue sky. The left side of the image is overlaid with a semi-transparent blue rectangle.

I. Introduction



The context

1. **On August 4, 2020, a massive explosion in the PoB devastated the city, killing at least 200 people, wounding thousands, and displacing around 300,000.** In the immediate aftermath of the blast, the World Bank, in cooperation with the United Nations (UN), the European Union (EU) and other partners, launched a Rapid Damage and Needs Assessment (RDNA)² to estimate the impact of the disaster on the population, physical assets, infrastructure, and service delivery in Beirut. The explosion caused between US\$3.8 and US\$4.6 billion in damage to physical assets, with damages to the PoB amounting to around US\$350 million. The blast also resulted in losses, including changes in economic flows, estimated to be in the range of US\$2.9 to US\$3.5 billion.
2. **Prior to the explosion, Lebanon had already been facing multiple crises.** These included: (i) spillovers from the conflict in Syria, which led Lebanon to host the largest per capita refugee population in the world; (ii) a financial and economic crisis that induced systemic macro-financial failures, such as impairments of the banking sector, risks to deposits, an exchange rate collapse, a default on sovereign debt, triple digit inflation rates, and severe economic contraction; and (iii) impacts from the COVID-19 pandemic. The impacts of these crises are reversing hard-won development gains. Poverty in Lebanon is likely to continue to worsen, surpassing half of the population by 2021.³
3. **These issues added to the country's long-term structural vulnerabilities which include low-grade infrastructure, weak public financial management, large macroeconomic imbalances, and deteriorating social indicators.** These vulnerabilities are taking place alongside high levels of corruption and weak governance. Internationally, Lebanon has been sub-optimally integrated into the global economy and global value chains, and the sizable and persistent migration of its highly educated human resources to foreign labor markets has further contributed to poor productivity.
4. **Lebanon's worsening conditions have been accompanied by increased political turmoil.** Trust in government and in public institutions has reached an all-time low. Major protests erupted in October 2019 due to people's growing frustration with corruption and mismanagement. The population has since been more vocal about the government's lack of transparency, and trust in public expenditure in most sectors has fallen. In addition, while the population of Lebanon usually shows more trust in the private sector, a movement against the full privatization of public assets has been initiated, due to lack of public trust in the procurement process and the long-term impact on state revenues of such operations.
5. **The international community is committed to contribute to 'building back a better' Lebanon, in a process to be led by the Lebanese people.** Based on the findings of the RDNA, a Reform, Recovery, and Reconstruction Framework (3RF)⁴ was developed by the World Bank, the UN and the EU to guide the "building back of a better Lebanon" based on principles of transparency, inclusion, and accountability. The 3RF is designed as a collaborative and coherent process. It is intended to be citizen-focused and to follow a "Whole-of-Lebanon" approach that brings together the government, the civil society, the private sector, think tanks, development partners, donors, international financial institutions, the UN, and international non-governmental organizations. Under this framework, and based on the needs identified in the RDNA, a unified platform for communication, coordination, and exchange of expertise and international best practices was set up among the donor community to plan the way forward in the port sector with the aim of rebuilding better the PoB.

The objectives of the Note

6. **This Note outlines the key principles of port management and border management agencies reforms.** The foundation for any substantive reform is a new governance model for the two sectors with clear delineation of roles and mandates. Building on this foundation, the Note further describes how (i) improvements in Customs and other border agencies, and (ii) better inter-agency collaboration between the private sector and compliance agencies, can make trading through the PoB more secure, more efficient and more transparent.
7. **The PoB currently fails in the role as an enabler of economic development.** Ports often attract clusters of economic and industrial activity through improved connectivity to the rest of the world. Both PoB and Port of Tripoli (PoT) have adjacent free zones, but their impact is limited. By expanding the market opportunities for both national and international firms,

2 Beirut Rapid Damage and Needs Assessment, August 2020, World Bank Group

3 Lebanon Economic Monitor, The deliberate Depression, Fall 2020, World Bank <http://documents1.worldbank.org/curated/en/474551606779642981/pdf/Lebanon-Economic-Monitor-The-Deliberate-Depression.pdf>

4 <https://www.worldbank.org/en/country/lebanon/publication/lebanon-reform-recovery-reconstruction-framework-3rf>

PoB and PoT could attract industrial investors creating jobs and positive externalities (increasing tax and business revenues)⁵. For these benefits to materialize, port operations must be as cost-effective as possible to enhance export competitiveness and minimize import costs. This also requires stability and clarity in the investment environment.

8. **There is an urgent need for profound change in the port sector in Lebanon.** Lebanon adheres to a port management model that arguably reflects the complex political-economic realities, and which runs counter to recognized good practices. There is a need for a robust governance structure at various levels, with a clear delineation between policy setting, regulation, port management, and commercial operations. This would need to be anchored in structures endowed with enough capacity to enforce transparency and efficiency and thus maximize economic benefit for the Lebanese people.
9. **Defining and introducing the optimal governance framework for the PoB will only be possible if there is a significant change in mindset by all the stakeholders in the port sector in Lebanon.** Therefore, rather than trying to bring together various pieces (of uneven legal status) in an undefined institutional environment, a new foundation is proposed to allow the incoming government to redefine the relationships between the different public actors involved in the country's ports and adjust their legal arrangements accordingly. When countries undertake substantive institutional reforms, these reforms must produce robust legal and regulatory frameworks to ensure the development of the sector for the long-term. While economically sustainable measures do not preclude the adoption of temporary arrangements to speed up a functional recovery during a limited transition period, the ultimate objective must remain the implementation of a substantive, long-lasting, and transparent institutional framework.
10. **The explosion of August 4, 2020 in the PoB clearly illustrates the evident governance shortcomings of the current institutional set-up as well as the risks emanating from the no-reform scenario.** The current port sector model, with its opaque governance and lack of accountability, was one of the underlying factors that contributed to the tragedy and ignoring it could exacerbate existing vulnerabilities, generate further crises, and delay meaningful change. Another contributing factor was the lack of operational coordination between the port management and trade compliance agencies, intensified by their outdated procedures and limited use of automation. Recovery must therefore hinge on the establishment of a robust institutional framework that would prevent such a catastrophic event from occurring again, building confidence in a critical segment of the national economic fabric, and supporting Lebanon in overcoming its current economic crisis.
11. **The establishment of an optimal institutional framework for the port sector would provide a beacon to other sectors.** Creating trust in the public institution governing ports starts with identifying and enabling the conditions for a successful port sector reform.

The outline of the Note

12. **This Note summarizes good practices in port and border agency management to guide the definition and introduction of the most appropriate governance model for the port sector in Lebanon.** The first section describes the current structure of the port sector in Lebanon and its performance. The second part explores different models for managing a port and the main drivers for recommending the landlord port model in Beirut. The final section recommends a road map for the reform and reconstruction of the PoB developed by the group of experts from the donor community, coordinated by the World Bank.

⁵ Tangiers Med is a good example of successfully attracting private investment: it constitutes an industrial hub for more than 1,000 companies representing a yearly export turnover in excess of US\$8.8 billion in sectors such as automotive, aeronautics, logistics, textile and trade. The project created some 6,000 jobs at the port and 70,000 others in the trade zone area (Reuters, interview with TMPA General Manager, June 26, 2019).

An aerial photograph of a large port facility. In the foreground, there are numerous stacks of colorful shipping containers in various colors (blue, red, white, green, yellow). Several large blue gantry cranes are positioned along the pier, some with red containers on their booms. In the bottom left corner, a large white container ship is docked at the pier. The background shows a wide expanse of blue water with several smaller ships and a distant city skyline under a clear sky.

II. Overview of ports and trade in Lebanon



Port governance

13. **Since 1990, which saw the end of a 30-year concession for the “Compagnie de Gestion et d’ Exploitation du Port de Beyrouth SAL” (CGEPB), the PoB has been a national public property managed by a temporary administrative committee, the “Temporary Committee for Management and Investment of the Port of Beirut”.** The Temporary Committee is responsible for spending its revenues, specifying the works needed, and awarding corresponding contracts. Unlike a registered corporation, the Temporary Committee does not publish balance sheets or financial statements. It is not in itself a legal entity. The absence of a real port authority, coupled with mismanagement by the Temporary Committee have involved serious governance, transparency, and accountability issues. This has also resulted in a lack of focus on socio-economic development, a lack of planning, poor safety and declining efficiency of operations. It has also resulted in a failure to create a level playing field and the right conditions to give the port a competitive edge. An internal assessment of the status of the CGEPB provides insight into its financial situation, as illustrated in Figure 1. The financial indicators for the PoB show results that are common in the port industry, with a high percentage of operating profit over total revenue and capital expenditure that can be largely funded through regular cashflow. The mismanagement of this cashflow has resulted in declining revenues for the Treasury from the PoB.
14. **Container terminal operations at the PoB are subcontracted by the authorities to the Beirut Container Terminal Consortium (BCTC).** BCTC is a joint venture between Lebanon’s International Port Management Beirut SAL, the United Kingdom’s Portia Peel Ports Limited, and the United States’ Logistics and Port Management Americas LLC. BCTC signed a ten-year management contract in 2005, which was then extended for five years and has since been renewed on a three-month rolling basis. Under a management contract, the operator is paid a fee by the port authority, which collects revenue from handling, whereas in a concession, the terminal operator is collecting the revenue derived from handling and pays the authority a concession fee. The distinction between the two has little consequences on the performance of the operator, but that specific arrangement for the PoB revealed its fragility with the currency crisis and the explosion. The maintenance of the equipment falls under the responsibility of BCTC, but the financial arrangement makes it extremely difficult to access hard currency to acquire the spares for the crane repairs. A public tender was launched prior to the explosion in August 2020 and then put on hold due to the temporary status of the Temporary Committee. BCTC contributes to approximately 75 percent of the PoB revenues.

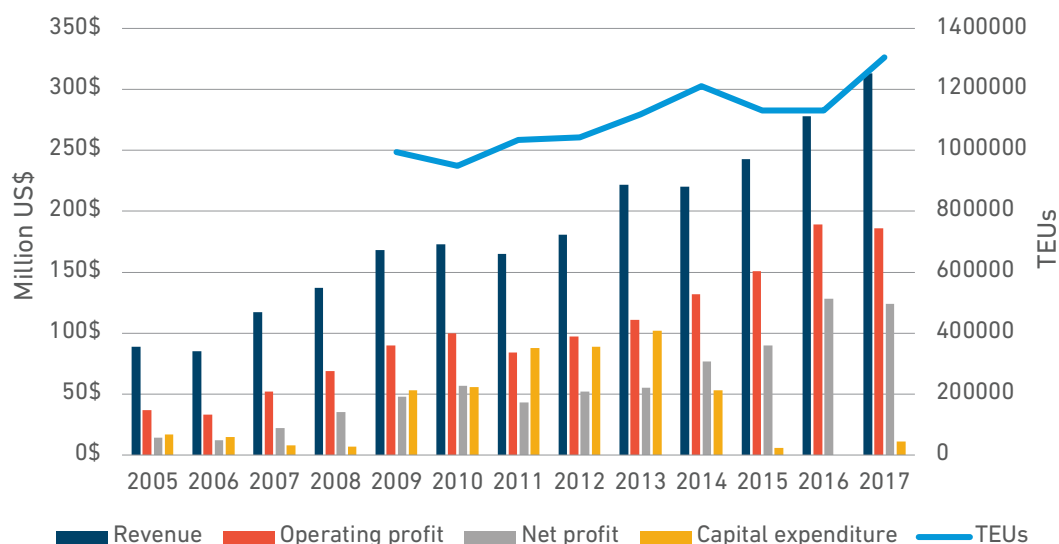


Figure 1: Key financial indicators for PoB⁶

15. **At Port of Tripoli (PoT), the new container terminal is operated by GulfTainer, now partly owned by CMA CGM, through a concession.** The port has a Governing Board, appointed by the Ministry of Public Works and Transport (MPWT), with a renewable term of three years. PoT is independent, both administratively and financially, and is governed by the General Code for Public Institutions, according to a Lebanese government decree, Number 4513.

⁶ Source: Port of Beirut website

16. **The governance of the port sector in Lebanon is a patchwork of ad-hoc institutions and structures that does not allow for a coherent strategy.** A port is not a monolithic structure delivering a service to traders, it is primarily a place where many public and private stakeholders interact and play a part in providing essential service to the economy as gateway to the rest of the world. The current governance is not conducive to efficiency as several key government agencies for transport, trade, and border management have overlapping mandates, divergent strategies, and often operate under outdated processes and regulations. A comprehensive strategy for the port sector aligning its various objectives, development plans, and operations is urgently needed.

Port activity



Figure 2: Ports of Lebanon

17. **Lebanon’s main gateways to the world include the PoB, the PoT and Beirut International Airport.** The PoB has been the main commercial port of Lebanon and a hub for maritime trading in the Mediterranean Sea. It has seen a very rapid increase in container traffic over the past 15 years, from 200,000 Twenty-foot Equivalent Units (TEU) in 2004 to 1.3 million TEU in 2018. But though throughput has grown overall, it has been decreasing recently, because of Lebanon’s

economic and financial crises and the impact of the COVID-19 pandemic. PoT, the second main port, is the gateway to Northern Lebanon, and was also the gateway to Syria prior to the Syrian conflict. With a capacity of 400,000 TEU per year, planned to be extended to 700,000 TEU by 2023, PoT handled around 65,000 TEU in 2019. It is composed of the old port and a new container terminal.

- The PoB is the main gateway for Lebanon's external trade, particularly for imports, and has increased its regional role.** As illustrated in Figures 3 and 4, it handles 78 percent of the country's imports and 48 percent of the exports (2019 figures) in tonnage, and very close proportions in value, respectively 73 percent and 46 percent. The PoT plays a more modest role, with respectively 14 percent and 22 percent of imports and exports in tonnage, but only 5 percent in value. Beirut International Airport plays a marginal role in imports and exports in terms of volume, but a larger role when it comes to value. Beyond their role for the economy of Lebanon, both ports play a regional role, with transit traffic to Syria and Iraq, as well as transshipment consignments. Transshipment represents around one third of the container traffic of the PoB (Figure 5) and is expected to rise in the PoT. Transit volumes have been increasing in recent years in both ports.

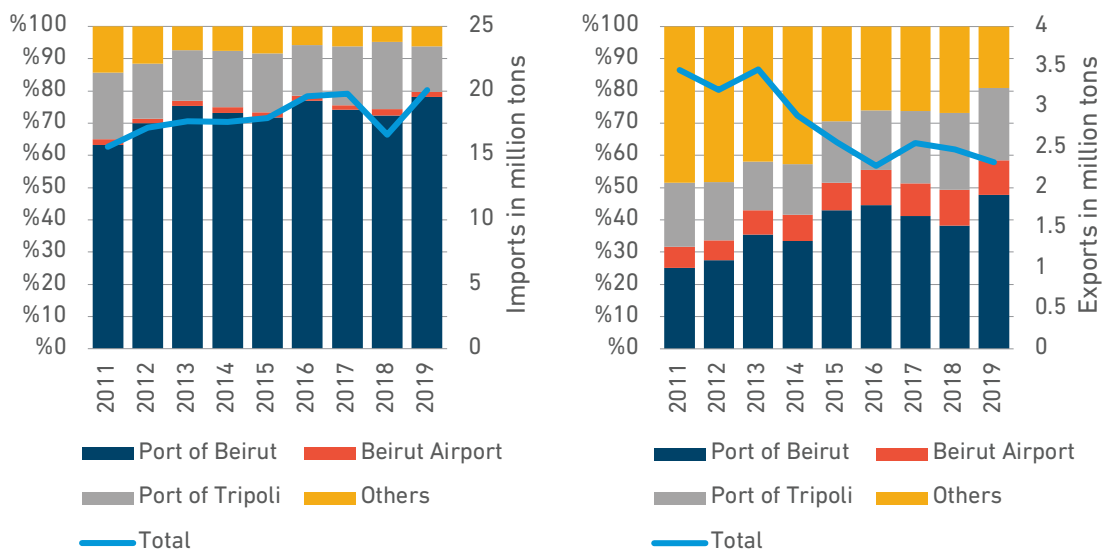


Figure 3: Lebanon imports and exports in million tons by Customs office of clearance⁷

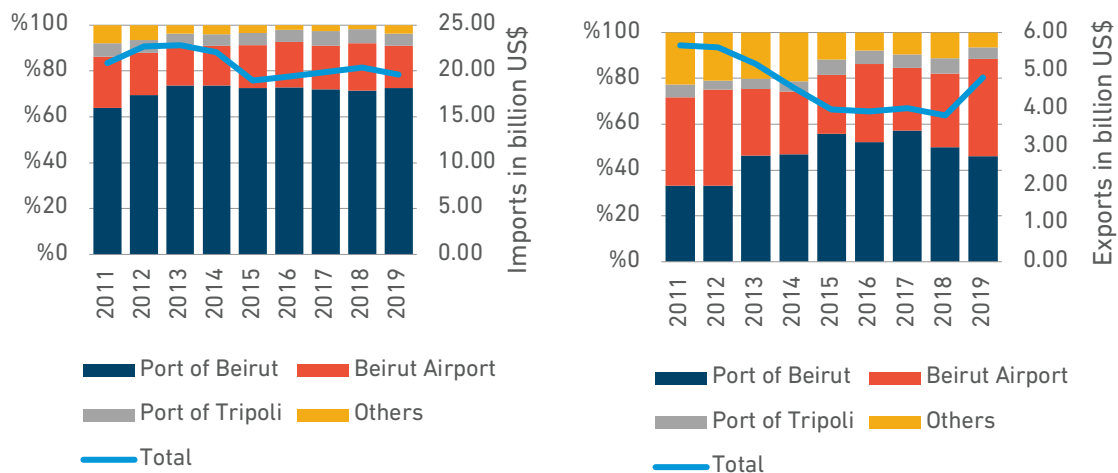


Figure 4: Lebanon imports and exports in billion US\$ by Customs office of clearance⁸

7 Source: Lebanese Customs

8 Source: Lebanese Customs

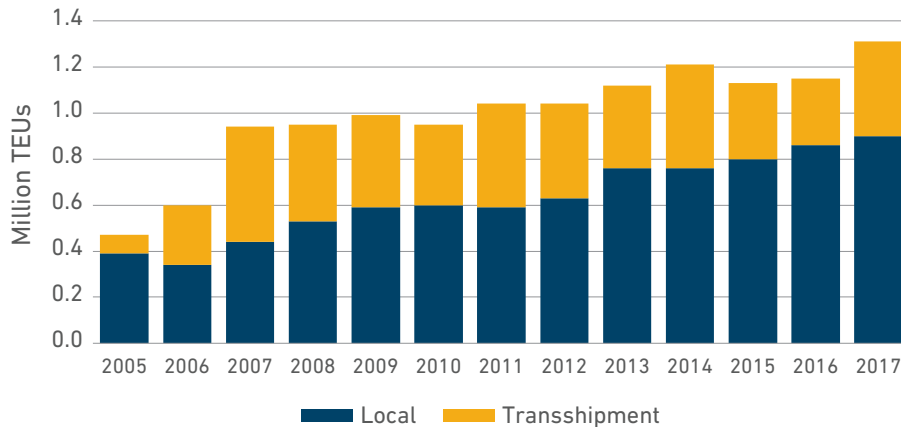


Figure 5: Container traffic at the PoB in million TEUs

Port and trade performance

19. **The World Bank Logistics Performance Index⁹ (LPI) and the United Nations Conference on Trade and Development (UNCTAD) Liner Shipping Connectivity Index (LSCI) are the two common indices used to compare countries. Lebanon underperforms in both indices.** The charts below compare Lebanon to the top performer in the region, the United Arab Emirates, for both indices, and with the competing Eastern Med hubs for the LSCI (Egypt and Israel). Regionally, the situation is very competitive. As illustrated in Figure 6, Lebanon is comparable to Israel (which is actively developing Haifa as a regional hub and therefore a direct competitor) but lags far behind Egypt and its transshipment hubs on the Suez Canal. For trade competitiveness and efficiency in terms of national logistics, the LPI points to issues with skills for logistic operators, and Customs performance (Figure 7).

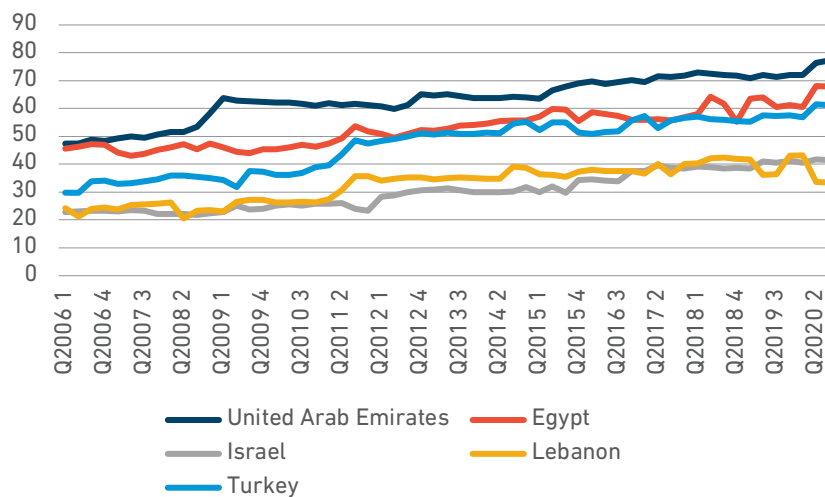


Figure 6: Lebanon LSCI score against other countries in the Eastern Mediterranean 2006-2020

9 The Logistics Performance Index (LPI) represents the weighted average of the country scores on six key dimensions:

- 1) Efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities) by border control agencies, including Customs;
- 2) Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology);
- 3) Ease of arranging competitively priced shipments;
- 4) Competence and quality of logistics services (e.g., transport operators, customs brokers);
- 5) Ability to track and trace consignments;
- 6) Timeliness of shipments in reaching destination within the scheduled or expected delivery time.

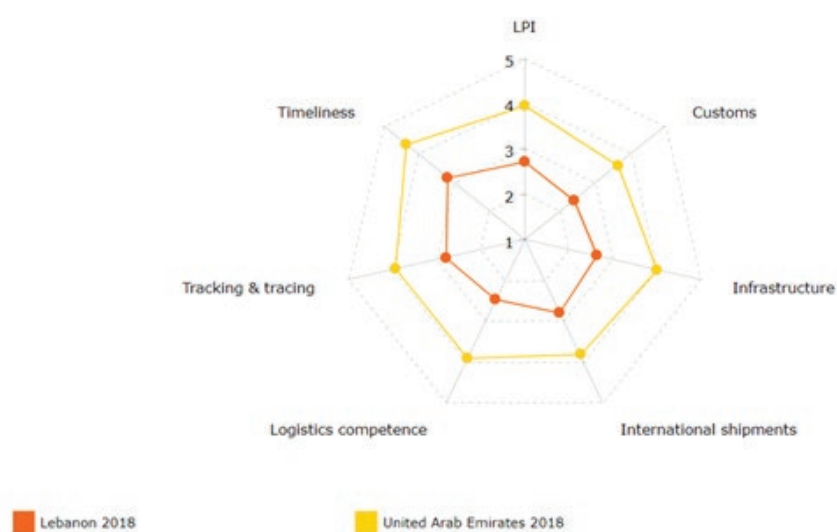


Figure 7: Lebanon LPI against top performer in the region (United Arab Emirates) in 2018

20. **From an operational perspective, the performance of the Container Terminal in the PoB compared well.** Prior to the explosion, container terminal productivity of the PoB was comparable to top performers' in the Eastern Mediterranean area. Among the top transshipment contenders for the Eastern Mediterranean area, PoB ranked second after the top performer, Port Said (Table 1). This is largely attributable to the fact that the container terminal is operated by the private international operator, BCTC. However, the operating efficiency of a terminal is moot, if the governance framework is non-optimal, as the volumes through the terminal will reflect the physical and economic hinterland, and the efficiency of the other public agencies at the border. After the August explosion, both the shipping lines and the operator of the container terminal recognized that productivity was down by around 50 per cent due to maintenance issues on cranes. Spare parts for the cranes were destroyed in the explosion, and the currency crisis is making it difficult for the operator to finance the acquisition of new spares because it does not have the required financial autonomy due to the nature of its contract with the Temporary Committee managing the PoB.

Table 1: Port productivity in Berth Move per Hour (BMPH)¹⁰

	Call Size	Call Size	BMPH	BMPH
	Jan 2017-Jun 2018	Jul 2018-Dec 2019	Jan 2017-Jun 2018	Jul 2018-Dec 2019
PORT SAID	1,343	1,102	53.7	55.3
BEIRUT	1,011	1,031	48.3	45.9
MERSIN	972	871	46.8	54.8
HAIFA	1,120	1,024	43.8	44.0
PIRAEUS	1,116	1,020	43.0	47.9
DAMIETTA	750	744	35.8	34.8
TRIPOLI	347	126	29.7	48.7
LIMASSOL	425	343	24.9	25.7

¹⁰ Source: IHS Markit

21. **On the landside port operations, the situation is more problematic.** Trading across borders is expensive and time-consuming for Lebanese traders. Similar to the LPI, the Doing Business 2020 report indicates that importing goods into Lebanon costs more than it does in an average country in Middle East and North Africa (MENA), and takes much longer (see Table 2). Compliance with documentary requirements contributes to burdensome import and export procedures. Although reforms to help ease trade are greatly needed, the government has not implemented any changes for a long time and traders have therefore not seen any substantial reductions in time or cost to import or export goods. As a result, Lebanon ranks 153rd out of 190 countries in the Trade Across Borders (TAB) indicator in 2020, lower than many countries in the region that also use port data to calculate TAB.

Table 2: Lebanon's performance on the Doing Business TAB indicator¹¹

Country	TAB rank	TAB score	Time to export (hours)	Cost to export (US\$)	Time to import (hours)	Cost to import (US\$)
OECD high income	26	94	15	170	12	122
MENA Region	117	62	119	683	167	775
Greece	34	94	25	330	2	0
Cyprus	50	88	20	350	17	385
Jordan	75	79	59	231	134	396
Saudi Arabia	86	76	48	392	104	731
Tunisia	90	75	15	575	107	740
Libya	129	65	144	625	175	697
Lebanon	153	58	144	580	252	925

22. **The Lebanese Customs is not structured to perform its mission efficiently and effectively.** It is comprised of two parallel institutions, the Higher Council for Customs which sets the policies, and the Customs Directorate which performs Customs control and clearance functions. This duality has proved to be inefficient and subject to political exploitation and power struggles. Today, Customs is perceived by traders and logistics service providers as highly corrupt agency reflecting the widespread lack of transparency in the broader public sector. Lack of coordination and consultation with stakeholders has also led to the design of policies and strategies that were never, or at best only partially, implemented on the ground. In addition to structure-related handicaps, the legal and regulatory infrastructure is not currently in place to reflect the desired high-level mix of revenue collection, trade facilitation, and border security objectives. The Customs Law is outdated and notably does not include internationally recommended good practices from the Revised Kyoto Convention (RKC) or align to the WTO Trade Facilitation Agreement. The adoption of a new Customs law and its respective regulations, together with a reorganization of the Customs administration removing the duality, should therefore be a priority reform focus for the government to prepare for more substantive reforms to automate processes and connect with other border agencies.
23. **Customs is not the sole source of concern, as several other government agencies with overlapping mandates delay clearance at the port.** There are large numbers of government entities operating at the port. Apart from the transport regulatory and border compliance agencies, a variety of security agencies with overlapping mandates are permitted access to the port territory and interfere on a discretionary basis in the cargo clearance process. As a result, clearance is a long and cumbersome process that penalizes traders, leading to a clearance time averaging 11 days and much longer if it requires clearance from other trade regulatory agencies for specific commodities.
24. **Automation did not bring the expected benefits due to partial and uncoordinated implementation.** Customs processes, although in theory computerized (using the UNCTAD Automated System for Customs Data (ASYCUDA)), are inefficient, as all ICT transactions are subject to redundant paper-based processes. In that context, focusing on trade facilitation reforms will need to be integrated with more fundamental and structural reforms to ensure increased transparency, predictability and governance across all border agencies. Prior to the explosion, the PoB Operations and Management System (POMS) provided capabilities for integrated processes between the port authority and port operators via the use of several modules. However, it never evolved to be a full-fledged Port Community System (PCS). On the maritime

11 Source: Doing Business 2020

side, Lebanon is yet to comply with the IMO's mandatory requirement to introduce electronic information exchange between ships and ports. Finally, on the trade compliance side, past efforts from the HCC to design and implement a functional NSW did not materialize as they failed to receive clear political support and lacked consensus from the other border agencies.

25. **Once the regulatory and institutional reforms for the Port, Customs and other border agencies are completed, further improvements should be pursued conforming to recommended international best practices.** Although Lebanon is not a World Trade Organization (WTO) member and is thus not obliged to align its policies with the Trade Facilitation Agreement (TFA), its Customs administration is a World Customs Organization (WCO) member and should comply with the provisions of the RKC which are in full accordance with the TFA articles. As of today, the government has not undertaken a comprehensive trade facilitation and border management gap analysis to guide reform planning and implementation. The suggestion is that the government undertake a formal trade facilitation and border management gap analysis including the current implementation of the RKC.

THE WTO-TFA

The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between Customs and other appropriate authorities on trade facilitation and Customs compliance issues. It further contains provisions for technical assistance and capacity building in this area. The Agreement will help improve transparency, increase possibilities to participate in global value chains, and reduce the scope for corruption.¹²

12 WTO Trade Facilitation Agreement Facility, 2020.

An aerial photograph showing a city skyline in the background with numerous high-rise buildings. In the foreground, there is a large, active construction site. The site is filled with construction materials, including a large pile of rebar for a building's skeleton, several colorful shipping containers, and a large white cylindrical tank. A multi-lane highway runs through the middle ground, separating the construction site from the city. The left side of the image is overlaid with a semi-transparent blue filter.

III. Criteria for selecting the best port governance model for Lebanon



Missions and principles applicable to any port

26. **To perform optimally, port administrations need to simultaneously discharge three distinct and complementary missions: a statutory mission, a catalyst mission, and a facilitation mission.**
- **The statutory mission** includes national duties related to transport safety, environmental protection, coastal management, and port–city relationships. It also involves developing and managing port infrastructure, ensuring nautical order, public safety and security in all port areas, and implementing environmental protection regulations.
 - **The catalyst mission** is two-fold: (i) to finance transport and logistics assets that would be unlikely to get access to private or alternative financing sources, and whose completion is clearly needed for critical development like basic protection and access infrastructure (breakwaters, channels) or access connections with inland transport networks (road, rail, waterways); and (ii) to create a regulatory and enabling environment for private sector participation by being a guarantor of public order and contributing to an appropriate social climate. This entails implementing an appropriate legal and regulatory framework to ensure fair competition and avoid or control monopolies and rent-seeking activities.
 - **The facilitation mission** consists of inserting ports within the broader national logistics chain to ensure the smooth delivery of transport services across modes. It focuses on: (i) improving the institutional ability to monitor PPPs and oversee operations without interfering in the commercial sphere; (ii) liaising with Customs and other border inspection agencies over regulations, and assisting in designing and implementing efficient and enhanced communication and digitalization systems; and (iii) assisting in financing the first development phases of potential dry port facilities and related intermodal connections.
27. **The successful delivery of these missions requires compliance with two straightforward principles: (i) the clear separation of regulatory functions from commercial activities; and (ii) the definition of relationships in explicit contractual arrangements with private operators.** The former will protect against any potential conflict of interest, while the latter will foster transparency and confidence in the management of ports as critical national economic assets. To further bind together formal public and private actors with various port users, formally establishing and recognizing local “Port Communities” will give voice to all port stakeholders and provide an open forum to guide decision-making by port management.

Administration and management structure

28. **A modern port administration and management structure will typically follow a three-tier architecture, with:**
- **The government/ministerial level** where policy-making and strategic planning functions, for the country as a whole, are vested in: (i) a line ministry with sector responsibilities for policy setting; and (ii) a maritime administration, which will establish the rules of the game and sector regulations. Enforcement is then undertaken by the maritime administration via local port authorities—sometimes with the assistance of a council comprising top representatives from relevant ministries, mayors of port cities, and port authorities’ managers;
 - **The port level** where each port is locally managed by a port authority, autonomous public institutions or public joint-stock companies, which are granted the right to use state-owned land, and administer, maintain, and develop port infrastructure assets to the extent required by port activities. The port authority can also manage and enforce navigation safety measures, enforce relevant environmental protection regulations, monitor the concessions, lease contracts governing private sector activities in the port area, and market the port facilities to attract new investors. It would also simultaneously ensure that port finances are balanced while striving to deliver port services at the lowest possible cost to the user;
 - **The port operations level** where mostly private port operators (for example, stevedoring firms, cargo handling companies, terminal operators, and industrial companies), working within explicit contractual arrangements with the port authority, typically pursue conventional microeconomic objectives, such as profit maximization, growth, and additional market share.
29. **It is recommended that all port stakeholders, including city representatives, form a port council** and develop formal consultation mechanisms with each port authority to enable the private operators to participate in the decision-making by the port management.

Port management models

30. **Four main categories of ports have emerged worldwide over time and are classified as follows: the public service port, the tool port, the landlord port, and the fully privatized port.** Each model depends on the different possibilities for engaging public and private parties in port operations (Table 3) and each has its advantages and disadvantages (Table 4).
- **The public service port**, where the port authority and port operator levels are merged into a single government-owned entity that offers the complete range of services required for the functioning of the seaport system. The public service port is usually controlled by the Ministry of Transport. It owns, maintains, and operates every available asset (fixed and mobile), and its cargo handling activities are executed by labor employed directly by the port authority. Though some ports in developing countries are still managed according to the service model many former public service ports are in transition toward a landlord port structure, such as Colombo (Sri Lanka), Nhava Sheva (India), and Dar es Salaam (Tanzania). The public service model is today considered the least effective, mostly because it keeps the private sector out of port services.
 - **The tool port model**, where the port authority owns, develops, and maintains the port infrastructure as well as the superstructure, including cargo handling equipment, such as quay cranes and forklift trucks. Port authority staff usually operate all the equipment owned by the port authority, while other cargo handling, on board vessels as well as on the apron and on the quay, is usually carried out by private cargo handling firms contracted by shipping agents or other principals licensed by the port authority.
 - **The landlord port** is characterized by its mixed public-private orientation. Under this model, the port authority acts as regulatory body and as landlord, while port operations are carried out by private companies. Infrastructure is leased or contracted out to private operating companies or to industries such as refineries, tank terminals, and chemical plants. Private port operators provide and maintain their own superstructure, including buildings (offices, sheds, warehouses, container freight stations, workshops). They purchase and install equipment as their business requires; gantry cranes would be one example. Long-term concession contracts, typically lasting up to 30 years, also allow operators to build new port infrastructure (berths, terminals) that they can operate before handing them back to the port authority when the concession terminates. Dock labor is employed by private terminal operators, although in some ports some labor may be provided through a port-wide labor pool system. Examples of landlord ports are Rotterdam, Antwerp, New York, and since 1997, Singapore. The new port of Tangiers Med, in Morocco, has been successfully developed over the last ten years using these principles as well.
 - **The private port model** merges the port authority and port operator level in a single corporate structure, under a majority of private ownership, with no reporting line to the government other than compliance with generic company law and business and labor regulations. Public authorities may sometimes retain a modicum of control over specific management decisions through golden share arrangements, but by and large the port company operates fully in the commercial sphere with very limited government interference. For instance, the Harbor Master's Office may still be publicly operated for safety and security purposes but without any impact on operational management. From a public policy perspective, private ports are effective in two cases in particular: (i) when the port or terminal is part of a vertically-integrated industrial supply chain, with metal ores or petroleum products, and is dedicated to handling that sole commodity, for instance; and (ii) when there are enough ports competing for traffic along the national shoreline to allow competitive pressure to apply, so that the government is satisfied that economic needs will be met in a cost-effective and reliable way. It is rarely used except, for example in the United Kingdom.

Table 3: Port management models¹³

	Infrastructure	Superstructure	Port labor	Other
Public Service Port	Public	Public	Public	Mainly Public
Tool Port	Public	Public	Private	Mainly Public
Landlord Port	Public	Private	Private	Mainly Private
Fully Privatized Port	Private	Private	Private	Mainly Private

Table 4: Strengths and weaknesses of port management models

	Strengths	Weaknesses
Public Service Port	<ul style="list-style-type: none"> • Superstructure development and cargo handling operations are the responsibility of the same organization (unity of command). • Ports are usually highly profitable, generating income for the Government. 	<ul style="list-style-type: none"> • Wasteful use of resources and underinvestment as a result of government interference and dependence on government budget. • No access to highly developed private expertise in the port sector.
Tool Port	<ul style="list-style-type: none"> • Investments in port infrastructure and equipment (particularly ship/shore equipment) are decided and provided by the public sector, thus avoiding duplication of facilities. 	<ul style="list-style-type: none"> • The port administration and private enterprise jointly share the cargo handling services (split operation), leading to conflicting situations. • Private operators do not own major equipment; therefore, they tend to function as labor pools and do not develop into firms with strong balance sheets. This causes instability and limits future expansion of their companies.
Landlord Port	<ul style="list-style-type: none"> • Private terminal operators are generally better able to cope with market requirements. • Competitive selection of concessionaires brings the best value for money. 	<ul style="list-style-type: none"> • Risk of overcapacity as a result of pressure from various private operators. • Risk of misjudging the proper timing of capacity additions.
Fully Privatized Port	<ul style="list-style-type: none"> • Maximum flexibility with respect to investments and port operations. • No direct government funding for port development. • Market-oriented port development and tariff policies. 	<ul style="list-style-type: none"> • Government has limited capability to control monopolistic behavior. • The government (national, regional, or local) loses its ability to execute a long-term economic development policy with respect to the port business. • There is a serious risk of speculation with port land by private owners.

Considerations when choosing a governance model

31. **The preferred port governance model is subject to a port's specific needs and circumstances.** However, taking into account the current organization of the PoB, its institutional structure and governance record, most of the debate today revolves around the landlord port and the fully privatized port models. The Ports of Beirut and Tripoli cater to multiple users and are active in different cargo segments. The terminal operators focus on their own core processes and rely on public services and utilities provided by public service providers.
32. **When a country relies on a limited number of ports of strategic importance economically, as in Lebanon with Beirut and Tripoli, the fully privatized port formula raises some critical issues.** First, it curtails the government's ability to steer the development of the sector in a given strategic direction because most management and investment decisions would rest with the port company and its shareholders. The government may restrict, by law, shareholdings in the port company to nationals, but this would defeat the purpose of attracting foreign investment, typically an objective in infrastructure financing in emerging markets. Second, it creates a local monopoly and transfers to a private company a unique infrastructure that cannot easily be duplicated. In a situation of limited competition for domestic traffic, it limits the government's capacity to control and regulate port tariffs and costs under a regular commercial regime and, if the government tries to do so through specific ad-hoc legislation, it risks deterring potential shareholders from joining the venture. Preventive public tariff supervision is difficult to accomplish and very often leads to troublesome legal procedures. The choices the port company will then make to maximize its profits may not systematically align with public economic priorities; the temptation will exist to make captive traffic pay more to allow the port to offer competitive transshipment rates, for instance. Finally, the private port option makes the implementation of the two principles mentioned above obviously impractical: first, apart from complying with company law, the port company self-regulates its operations with the legitimate objective of maximizing its profits, which would create potential conflicts of interest in case some shareholders are also port clients; and second, the contractual relationships it enters into will usually remain confidential, stifling the transparency objective.
33. **Given the urgent need for an accountable and transparent port sector in Lebanon, with clear and distinct roles and responsibilities, opting for the creation of a port authority operating under the Landlord Port Model would be a sensible choice in the Lebanese situation.** The landlord port formula offers the ability to plan for the development of the sector to satisfy the long-term needs of the country, whilst protecting the public interest. As a public authority, the port authority is well placed to interact with Customs and the other border agencies responsible of ensuring safety and security and optimizing the clearance and release processes of goods. The port authority can also take the lead in designing and implementing, together with Customs and other border agencies, a PCS built around Single Window platforms, such as the National Single Window (NSW), to facilitate external trade procedures and expedite the delivery of port services.
34. **The landlord port model helps mobilize private sector operational skills and investment capacity.** The public port authority owns the land and infrastructure and awards operational licenses, leases and concessions to one or several private operators. Concessions are awarded under explicit public procurement and application rules so that the port can avail itself of all the commercial services it requires to deliver on its mandate. In the case of concessions, a private operator may also invest in developing new infrastructure using either project or corporate financing, and then operate it for a period of time before handing it back to the port authority when the contract ends. Long-term concession contracts, typically of up to 30 years, allow operators to build or rebuild new port infrastructure (berths, terminals) and other areas of the port that cannot be readily converted into integrated terminals, for instance areas for general cargo and breakbulk. This infrastructure can also be operated by licensed stevedoring companies serving ships on public berths (Figure 8). In all instances, the port authority will safeguard the long-term public interest while harnessing the short-term responsiveness and cost-efficiency of the private sector guided by clear and transparent regulations.
35. **It is worth noting that in the landlord port model, the public port authority can still be corporatized in a form of a joint-stock company with full public ownership of shares.** This gives the port authority the flexibility of a corporate entity, aligning its management protocols along regular accounting and auditing standards while remaining an implementing mechanism of government policy at arm's length from political interference. It also ensures full transparency for the financial performance of the authority. Public shareholders often include the Treasury/Ministry of Finance but can also include the municipality hosting the port area, providing an explicit institutional link between the port's and the city's management policies.

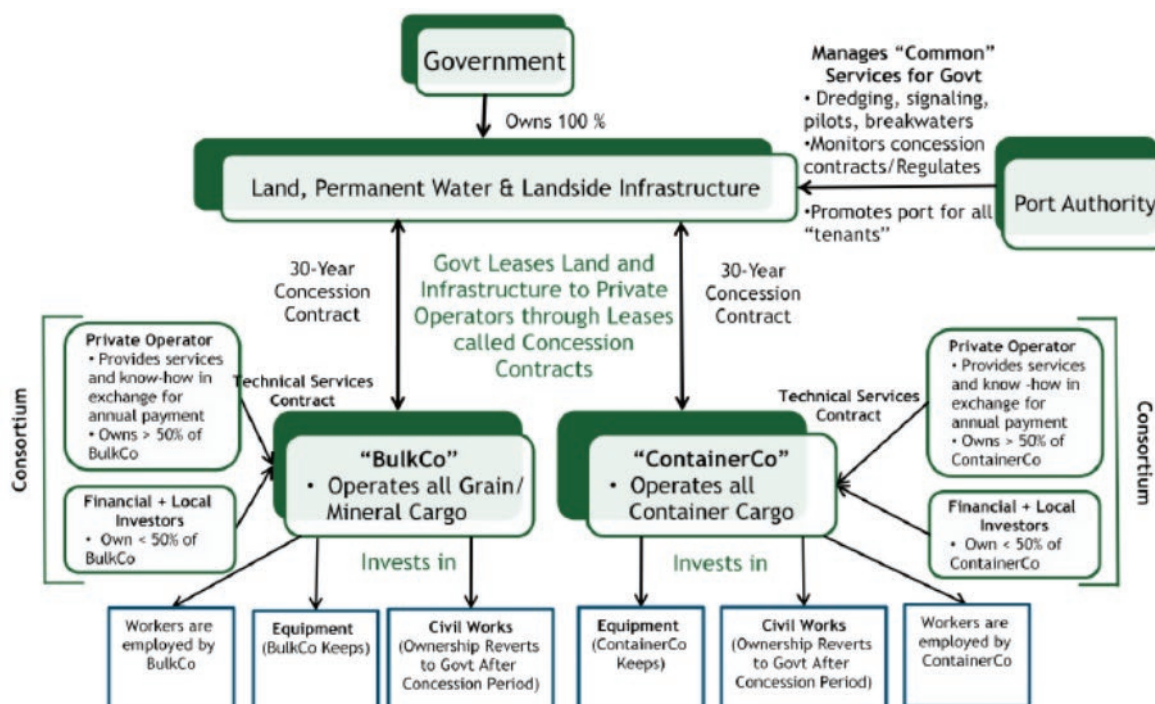


Figure 8: Why it is called a "Landlord Port"¹⁴

36. **For the landlord port model to be fully successful, capacity building at ministerial and port levels is required to ensure that both levels have the expertise required to carry out their duties and that they are fully aware of the laws, decrees, decisions, and institutional and regulatory frameworks, as well as their roles and responsibilities.** Moreover, at the port's operations levels, and to keep the operator focused on delivering the best results, a formal customer feedback loop ought to be defined in the port's institutional and contractual arrangements. One conduit to channel feedback could be the port's community platform, which has a critical role to play in improving the transparency of port operations for the benefit of all users and customers. The port community platform must be a formal structure with an explicit mandate and working arrangements, and should hold regular meetings, typically on a monthly basis, with its deliberations made public.

Global experience

37. **From Europe to Africa and Asia, the evolution of the administration and management of the port sector has, for the past 30 years, resulted in the expansion of the landlord port model.** Simultaneously, this development has made possible the mobilization of significant private sector investments in ports worldwide, in particular (but not exclusively) in container terminals. The World Bank's Private Participation in Infrastructure database shows that between 1990 and 2019, 70 countries attracted private investment in ports—investments that were spread over 471 projects for a total of over \$90 billion, with an average of \$200 million per operation. Most project sponsors are international container operators and shipping lines.
38. **The three-tiered structure offers flexibility to tailor the roles and responsibilities according to prevailing conditions in the country.** The national port administration can be combined with the maritime administration (as in Singapore) or remain independent (as in South Africa); in a country with multiple ports, the different ports can be managed as a system (as in South Africa, and to a large extent Morocco), or compete for their markets (as in Germany or Netherlands); the port authority can also accommodate in its Board local authorities, such as municipality or state, as it is the case in Germany and the Netherlands; stevedoring can be performed by private companies and terminal operators, which is the common scenario, but also partly by public entities (as in South Africa and Morocco):

14 PPP in Infrastructure Resource Center for Contracts, Laws and Regulations (PPPIRC), Victoria Rigby Delmon, LEGPS <http://www.worldbank.org/pppiresource>

- Morocco:** The “Agence nationale des Ports” (ANP) is the national administration managing all the ports except Tangiers Med which has a dedicated authority. The main stevedoring company is Marsa Maroc, present in 10 of the ports managed by ANP, a public company which was listed on the Casablanca stock exchange in 2016, which enabled opening 40 per cent of its shares to private and institutional investors. Due to the specific ambitions of the Tangiers Med port complex, a dedicated agency, Tangier Mediterranean Special Agency (TMSA), was established in 2003 for the development of the port and its industrial complex. TMSA established a subsidiary dedicated to port activity in 2008, the company Tangiers Med Port Authority SA (TMPA), to act as a landlord port authority of the port of Tangiers Med. The terminals are operated under a concession agreement with an international terminal operating company.
- South Africa:** South Africa has eight commercial ports, all managed by a single national port authority, Transnet National Port Authority (TNPA), using a common tariff schedule and applying uniform tariffs in the ports. TNPA is a subdivision of the state-owned Transnet that is wholly owned by the government through the State Enterprise Department. The maritime administration, South Africa Maritime and Safety Administration (SAMSA), is an independent agency under the Ministry of Transport. South Africa established in 2005 a Ports Regulator to exercise economic regulation. Port operations in South Africa are mostly private for non-containerized goods, but container terminals are operated by Transnet Port Terminals (TPT), another division of the Transnet group.
- Singapore:** The Singapore Maritime and Port Authority (MPA) regulates and licenses port and maritime services and facilities. It also manages maritime traffic in the Port of Singapore while ensuring safety and security. As Singapore’s national port planner, the MPA is responsible for the safe and optimal use of maritime space and coastal lands. While the port can accommodate the largest ships of today, the MPA is preparing for an increase in cargo and the mega-ships of tomorrow by deepening channels and fairways and developing the next generation of terminals. There are two main operators of commercial port terminals: PSA Singapore Terminals handles most of the container handling in Singapore, while Jurong Port Pte is Singapore’s leading bulk and conventional cargo terminal operator.
- Hamburg (Germany):** In Germany, the Federal Ministry of Transport and Digital Infrastructure is the policy and strategy setting institutions. Each of the ports in Germany is managed by an independent port authority. The Hamburg Port Authority (HPA), managing the largest port of the country, is a landlord port authority for the city state of Hamburg. One of the specificities of HPA is that beyond its role as port authority, HPA has a wider mandate relating to shore and land infrastructure, maritime traffic safety, port railways, property management and the business environment.
- Rotterdam (Netherlands):** In Netherlands also, the ports are structured with independent port authorities. The Rotterdam Port Authority is a limited liability company, with the State of the Netherlands and the Municipality of Rotterdam as shareholders. The Board of Directors and the Supervisory Board are made up of business-orientated functionaries who reflect the entity’s maritime and business-oriented objectives. It is a landlord port, with terminals developed and managed under concession agreements with international and local terminal operating companies. Port of Rotterdam Authority is responsible for the development, management and maintenance of port infrastructure in the Rotterdam port area, from which it derives an income through land leasing and port dues paid by ship operators. The Harbor Master is incorporated in Port of Rotterdam Authority, and is responsible for the safe, secure and efficient management of maritime traffic in, from and to the port. The Harbor Master plays an independent role in terms of the execution of public maritime competences mandated and attributed to him by public parties, and for which he is accountable to these public parties. Driven by its public orientation to serve the wider community and conditioned by being financially independent and sustainable over the long run, Port of Rotterdam Authority is the founding father of the Port Community System, and invests in projects to meet wider socio-economic imperatives, such as CO2 reduction and energy-transition-driven projects, and developing a digital maritime hub.



IV. Proposed road map for the reform and reconstruction of the PoB



Guiding principles

39. **Reforming the Lebanese port sector aims at establishing a sound and transparent framework.** This entails the adoption of the laws and regulations required to enable ports to: (i) deliver the most cost-effective services; (ii) support national economic development; and, (iii) create the enabling environment to attract more private sector investment. This approach should meet the demands and aspirations of all stakeholders with an interest in the efficient functioning of ports, including Customs and trade facilitation.
40. **To restore trust, a new independent Port Authority shall be established focusing on good governance and safe port operations, while creating added value for the Lebanese community.** To this end, certain essential conditions are required, and the reform package shall take into account the guiding principles outlined in Table 5. Public health and safety must also be a paramount consideration.

Table 5: Proposed guiding principles for the reform of the port sector in Lebanon

Setting the landscape right
<ul style="list-style-type: none"> • Formulating (and enacting) a national ports and corridors strategy and a PoB Masterplan • Passing a Port Law that adheres to principles identified globally: <ul style="list-style-type: none"> » Clear delineation of mandates <ul style="list-style-type: none"> • Public port policy role professionalized in a government department. • Clear separation of commercial and technical regulatory functions in a port authority. » Established Governance <ul style="list-style-type: none"> • Transparency in port tariff setting (informed by cost accounting principles). • Clear definition of Port Manager's (or General Manager, Managing Director) professional criteria. • Clear definition of Port Board(s) members' qualifications, responsibilities and accountabilities. » Transparency and Accountability <ul style="list-style-type: none"> • Transparency in the identification and nomination of Port Board(s) members, their terms and replacements, with nominations from both public sector and private sector associations. • Public disclosure of minutes of Board meetings. • Public disclosure of the annual independent audit of port accounts within three months of the end of each fiscal year. • Public disclosure of the annual port sector report within three months of the end of each fiscal year, giving transparency to port operational activities and plans with the publication of Key Performance Indicators (KPIs).
Managing the change
<p><i>Once the framework has been agreed upon and is being enacted, the implementation stage needs to cover investment, financial and operational aspects:</i></p> <ul style="list-style-type: none"> • Rebuilding basic infrastructure pending the update of the PoB masterplan, which in turn is contingent on a countrywide strategy for the port sector. • Developing sound management practices, relying on an accounting system based on cost accounting principles with defined cost recovery principles and established financial and operational KPIs.
Supplementing the port sector reform
<p><i>Promote Customs and border management agencies institutional reforms in order to enable integrated digital trade and trade facilitation reforms:</i></p> <ul style="list-style-type: none"> • Supporting Lebanese Customs structural reforms and improving the current institutional, legal, and regulatory framework according to best international practices. • Promoting port process digitalization via the establishment of a modern, secure, and interoperable Maritime Single Window (MSW), NSW and PCS platform. • Promoting integrated border management at Lebanese ports aiming at the reduction of clearance times for traders and logistics service providers. • Re-engineering and harmonizing of processes and procedures of trade and transport compliance agencies operating in the port and providing the necessary capacity building to improve their performances. • Advancing the alignment of border agencies (including Customs) to the trade facilitation international best practices (RKC, WTO-TFA) to reduce the time and cost of trade through Lebanese ports.

Building blocks for the reform and reconstruction of the PoB

41. **Building on the principles detailed above and as illustrated in Figure 9, the reconstruction of the PoB relies on four building blocks:** (i) a new governance structure based on the landlord port model; (ii) efficient and modern Customs and trade processes that have an essential role in addressing transparency and security issues; (iii) open and transparent bidding processes; and (iv) quality infrastructure that is contingent on a countrywide strategy for the port sector and a revised masterplan for the PoB.

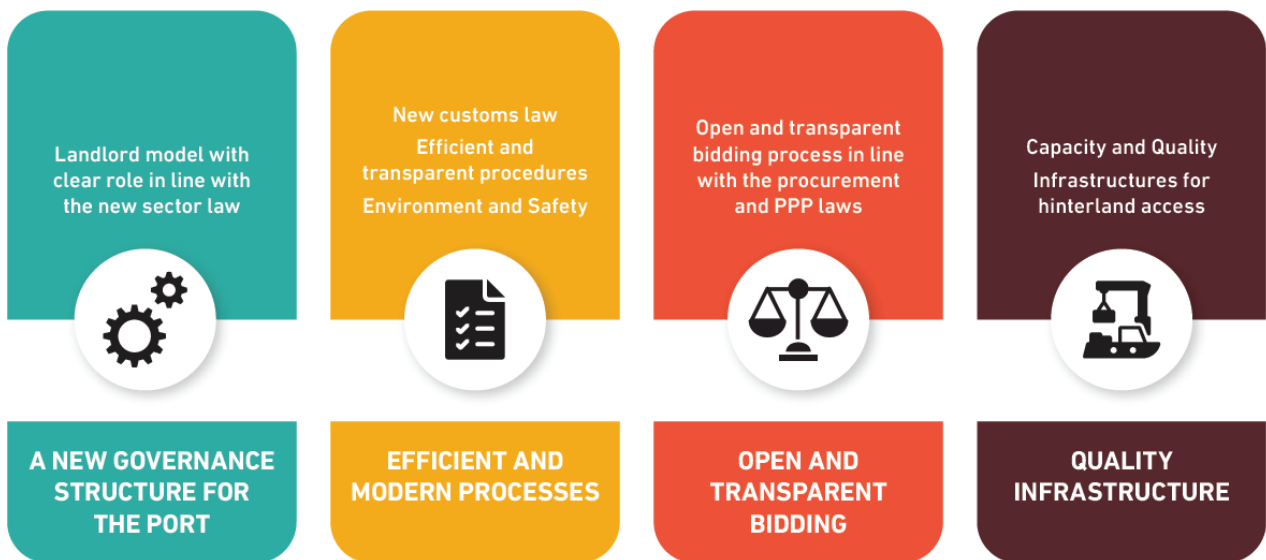


Figure 9: Building blocks for the reconstruction of the PoB

A NEW GOVERNANCE STRUCTURE FOR THE PORT

42. **The primary building blocks needed for a port governance structure that would meet global standards have at their core a well-developed port sector law, anchored in a clear transport strategy for Lebanon.** It is often thought that the sole purpose of a port sector law is to create an institutional framework to develop and manage seaports. It should, however, be emphasized that a port sector law should also establish a flexible business framework that enables a port authority to compete successfully in national and international transport markets. The port sector law often creates one or more port authorities, as well as a host of other port-related bodies, such as a port council/commission or similar advisory or regulatory body. It might set operational conditions for private operators as well. Finally, such a law may regulate organizational and financial relations between public organs, such as the state, regional governments, or municipalities, and the maritime administration. (See *World Bank Port Reform Toolkit Module 4, Legal Tools for Port Reform*).
43. **The development and implementation of the institutional reform of the port sector is one of the most pressing priorities identified by the group of experts from the donor community, coordinated by the World Bank.** This implies the development of a new legal framework based on the landlord port model, as discussed above, including a new governance model in which operations of the port authority should be as shown in Figure 10. The creation of port authorities, guided by business rules with a feasible business model, is an example of good governance with proper checks and balances focusing not only on managing the port but also on safe and reliable port operations by connecting with environmental and local authorities and implementing security policies according to international standards.

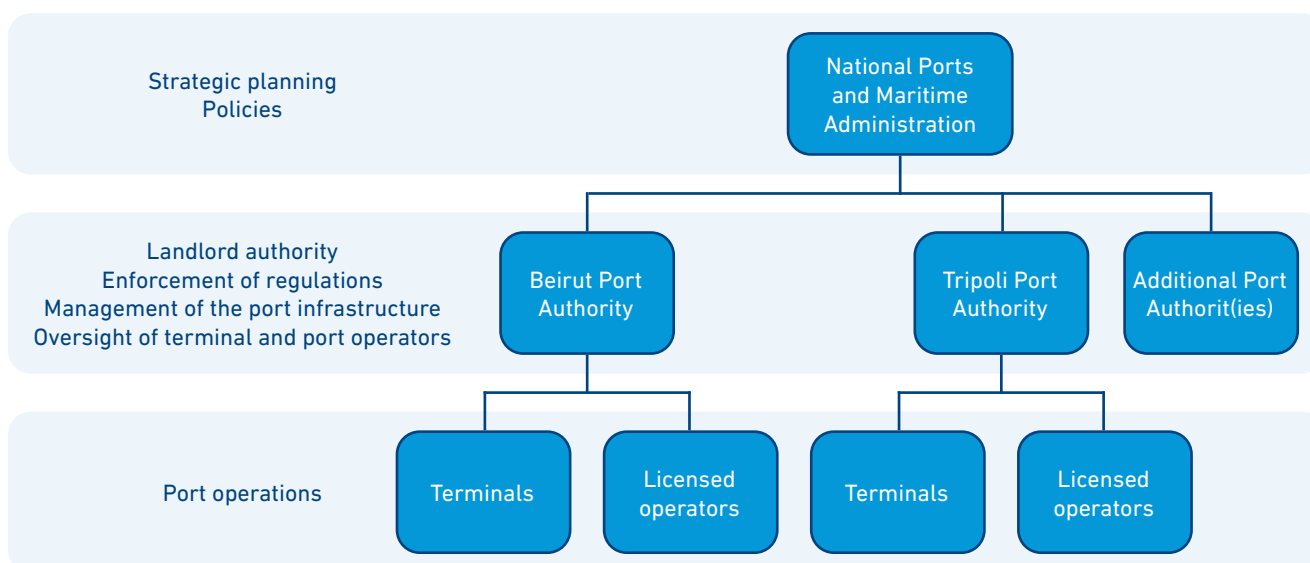


Figure 10: Proposed port administration and management structure for Lebanon

44. **The World Bank is working in close collaboration with Havenbedrijf Rotterdam N.V. (Port of Rotterdam Authority) to develop the new legal framework.** A report on “*Governance Framework Port Sector of Lebanon*” was developed to define the elements that will form the Terms of Reference for a port sector law in line with the content and terminology of this Note.

EFFICIENT AND MODERN PROCESSES

45. **The tragic event of the port explosion should be a catalyst for the long overdue reorganization of Customs and other border and trade management agencies, with a view to clarify their mandate and structure and improve their efficiency through the re-design and digitalization of processes.** Implementation of port sector reforms should be complemented by actions aimed at improving the management of marine and landside processes, as well as enhancing the environment for trade agencies operating in and around ports. Trade facilitation reforms can be leveraged to promote public policies outside the narrow trade and transport domain, with anti-corruption practices or e-governance programs.
46. **Several of the changes necessary have already been set in motion, with a new Customs law drafted and a push for the restructuring of the Customs administration into a “one head one body” organization.** These changes in the governance of the border and trade agencies are a critical prerequisite before any significant trade facilitation measure can be adopted and implemented. Without them, overlapping regulatory requirements, repetitive inspections by several different authorities, and the submission of redundant documentation will continue to be the opaque reality that traders have to face in their day-to-day operations at the PoB.
47. **The “top-down” approach to customs policy formulation without prior stakeholder consultation limits the chances of full and effective implementation.** There is no specialized body or institutional mechanism tasked with receiving, discussing, and providing inputs for formulating customs regulations. The establishment of a fully functional public-private consultation mechanism, based on the National Trade Facilitation (NTFC) model,¹⁵ could play this role. Moreover, information about export, import, or transit procedures is not available online. The multiple fees and charges imposed by governmental agencies are also difficult to ascertain. This is aggravated by frequent changes to regulations which increases the supply chain risk and reduces the predictability of trade operations. Finally, the absence of publicly available standardized operating procedures leads to discretionary decision-making and open the door to bribery by border officers.

15 As per Article 23.2 of the WTO-TFA

48. **Trade facilitation policies have to consider supply chain security.** Security, particularly in trade operations, is a concern that cannot be ignored in the design and implementation of trade facilitation policies and is particularly relevant for Eastern Mediterranean countries. Lebanon should consider programmatic solutions that ease cargo flows in a safe and secure manner. The government should look into the implementation of the WCO's Framework of Standards to Secure and Facilitate Global Trade, which sets out a range of recommendations to support secure trade¹⁶. A national Authorized Economic Operators (AEO) program could link up to respective programs in neighboring countries to recognize and offer them mutual benefits, allowing customs officials to focus their time and resources on risky cargo. The introduction of an AEO program might also create incentives for better compliance among exporters and importers, since long-term compliance record with Customs is indispensable for granting the AEO status.
49. **Information and communication technology systems play a critical role in enhancing the port's capability to coordinate trade and transport.** They have an important role in promoting effective oversight and accountability. Inter-organizational data exchange systems are known to promote instant information flows, reduce process complexity, and decrease transactional costs. However, adoption of IT infrastructure requires measures to address modern implementation challenges, especially those related to data interconnectivity and cyber-security. Several tools are available to optimize international trade processes:
- **Maritime Single Window (MSW)** focuses on the exchange of information between vessels and the various public authorities in ports. According to the Convention on the Facilitation of International Maritime Traffic (FAL) of the International Maritime Organization (IMO), it is a mandatory requirement for national governments to introduce electronic information exchange to assist clearance processes in connection with the arrival, stay, and departure of ships, persons, and cargo.
 - **Port Community System (PCS)** is a neutral and open electronic platform enabling intelligent and secure information exchange between public and private stakeholders in order to improve the competitive position of seaport communities¹⁷. A PCS optimizes, manages, and automates logistics-efficient processes through a single submission of data, connecting transport and logistics chains. Typically, the MSW is a component of the PCS.
 - **National Single Window (NSW)**, which typically refers to an electronic platform that allows the exchange of data between a centrally located customers information system and databases of other border management and technical inspection agencies. The NSW can focus on *upstream trade procedures*, notably import licenses and permits, but also on the *clearance* of goods at gateway ports and airports, or *both*.
50. **As multiple technical solutions and implementation modalities exist, it will be important to select the right institutional framework and business model.** Customs and port authority ITC systems are the cornerstone for MSW, NSW, and PCS. Defining their respective roles in the design, development, and operations of the digital systems before launching the process is a critical factor of success. Experience from other countries has also shown that involving port users such as trade and shipping stakeholders and other government agencies at any of the three stages is highly beneficial. Very often, the technical solution is provided by an operator likely to manage the system. In that case, several business models exist, often on a user-pay principle. The future users of the system need to be closely involved in the definition of the business model to ensure fair pricing for use of the system.

OPEN AND TRANSPARENT PROCUREMENT PROCESSES FOR RECONSTRUCTION AND OPERATIONS

51. **Ensuring competitive bidding in line with the reformed public procurement and PPP laws will be essential to rebuilding basic infrastructure and allowing private sector participation in the reconstruction and operation of the port container terminal, cargo and grains terminals, logistics and free zone areas.** The explosion has fed public anger by highlighting a combination of negligence and corruption. As part of the broader recovery and reconstruction efforts, governance reforms highlighted in the RDNA and 3RF reports should remain a priority. These priorities include: (i) establishing an Anti-Corruption Commission and enacting legislative measures in compliance with the new Anti-Corruption Law; and (ii) enacting a modern Public Procurement Law.
52. **Implementing port-specific corruption risk management plans that include citizens during the reconstruction process would help address public concerns and grievances with the existing public administration.** These can be facilitated by including the participation of small- and medium-sized enterprises in the reconstruction effort. Lebanon faces a

¹⁶ WCO database.

¹⁷ As defined by the International Port Community Systems Association (IPCSA)

serious problem in terms of enforcing its laws and using its institutions to curb corruption. Developing e-Government procurement mechanisms and establishing units to manage independent policy, oversight, and complaints would be important to curb corruption. All the reforms envisaged need to be coupled with a realistic implementation mechanism and with ample political commitment and support.

QUALITY INFRASTRUCTURE

53. **A new vision for the ports of Lebanon is needed to define an optimal strategy for the ports sector to serve best the community and allow improved trade.** Before rebuilding the port infrastructure, it is important to define a national transport strategy that include ports and corridors in Lebanon, with a funding plan to balance public and private investments. "Building back better" means revisiting the siting and sizing of the PoB, and rebalancing roles and investments in PoT and other logistics infrastructure, such as dry ports and the rail network, using an economic corridor approach to position Lebanon to benefit from future opportunities in the region.
54. **A vision for a national maritime strategy in Lebanon is being developed to prepare the guiding principles for the review of the PoB Masterplan.** The United Nations Economic and Social Commission for Western Asia (ESCWA) is currently preparing a study reviewing the 2018 PoB Masterplan taking into consideration the alterations caused by the tragic blast and proposing principal guidelines for possible modifications of the Masterplan for better port capacity, performance, and competitiveness. The review will optimize the flow of traffic within the PoB and make recommendations on the layout of the port. The assessment will take into account emerging and future technologies and their impact on the Masterplan
55. **Based on the national strategy, and the confirmation of the role of the PoB, the Masterplan will be revised to pave the way for the reconstruction.** The revision of the PoB Masterplan will optimize land use by delocalizing some activities and storage outside of the port perimeter, which would address access and urban congestion around the port and reduce environmental and chemical hazard risks. AEO certification schemes for logistics operators and trader warehouses facilities, as well as PCS/NSW digital systems, would enable such delocalization without increasing the risks for border management agencies. This delocalization would allow precious public domain real estate in the PoB to be developed in a more integrated and safer way with the city.

Implementing the road map

56. **Four months after the tragic event of August 4, 2020 in the PoB, there is still a need to balance the immediate actions needed for Lebanon's vital imports with the opportunity this crisis offers to "build back better" the ports system of Lebanon, and support trade and economic growth.** In order to ensure this transformation is grounded and representative of the whole of Lebanon, it will be important to continually engage in consultations with stakeholders, spanning government organizations, the diplomatic and donor community, the civil society, the private sector, think tanks, and academia. The stakeholders consulted to date on the port sector reform and reconstruction road map have been presented in Annex 1.
57. **As part of the global effort to build back better the PoB, the group of experts from the donor community, coordinated by the World Bank, is proposing the action plan below (Table 6) for the way forward for the Port.** We remain committed to standing by Lebanon in implementing this ambitious road map.

Table 6: Proposed action plan by the donor group for the reform and reconstruction of the PoB

1. Response to immediate needs <i>On going</i>	<ul style="list-style-type: none"> • Site clearance and safe damage waste management (including hazardous material) based on the principles and strategy developed by the EU • Removal of damaged vessels and dredging of the channels and basins • Stabilization of the damaged structures including quays • Operational support for grains handling and continuity of food supply • Response to other immediate and short-term needs including the rehabilitation of buildings and temporary facilities
2. National strategy for economic corridors and ports/maritime cluster <i>12 month horizon</i>	<ul style="list-style-type: none"> • New national ports and corridors vision • National maritime strategy under the coordination of the Lebanese Armed Forces Border Control Committee • Transport and corridor strategy
3. Port sector institutional reform <i>Principles ready for decision</i>	<ul style="list-style-type: none"> • Reform principles and road map presented above • Port sector law • Enacted port law in decrees and regulatory texts • Financial modeling, cost accounting and port tariffs reform
4. Trade Facilitation and Customs processes and procedures <i>Principles will be ready for decision by Jan 2021</i>	<ul style="list-style-type: none"> • Lebanese Customs Administration structural reforms • Updated trade facilitation and border management gap analysis and development of reform maps • Time Release Studies (TRS) at the ports of Beirut and Tripoli • Port security including compliance with International Ship and Port Security Code (ISPS Code) • Lebanese electronic Single Window Blueprint (eSW) • Optimization of port processes and digitalization of document flows and information (NSW) • Introduction of inspection selectivity at the port for low risk cargoes and traders via the establishment of risk based clearance • Maritime Single Window (MSW) set-up • Port Community System (PCS) set-up
5. Master planning and physical infrastructure development <i>12 month horizon</i>	<ul style="list-style-type: none"> • Vision and guidelines for maritime cluster and new Masterplan for PoB • New Masterplan for PoB • Technical and environmental and social studies for the priority infrastructures identified in the strategy and Masterplan
6. Capacity building <i>Postponed to implementation phase</i>	<ul style="list-style-type: none"> • Peer secondment at PoB • Preliminary online trainings to port stakeholders • Training of the new port authority and port community • Joining of the International Association of Ports and Harbors (IAPH) for knowledge transfer and familiarization with international policy development e.g. in context of IMO • Support to the Integrated Border Management (IBM) Central Training Centre • Implementation of the SOPs and KPIs on Customs procedures /goods clearance to improve efficiency and effectiveness, in line with international standards and good practices for trade facilitation and supply chain security
7. Investment program and PPP <i>Following the completion of the port sector institutional reform implementation phase</i>	<ul style="list-style-type: none"> • Reform road map and port sector law for alignment with the PPP legislation • Container terminal concession • Preparation of investment plans and identification of potential PPPs in the PoB and from the broader transport strategy

Annex

List of stakeholders consulted for the Port of Beirut reform and reconstruction plan

PUBLIC SECTOR STAKEHOLDERS:

- Ministry of Public Works and Transport (Directorate General of Land and Maritime Transport)
- Port of Beirut Harbor Master
- Port of Beirut Authority
- Port of Tripoli Authority
- Lebanese Customs Administration
- Ministry of Agriculture
- Ministry of Economy and Trade
- Council for Development and Reconstruction
- Institute of Finance
- Court of Accounts
- General Inspection
- Higher Council for Privatization

PRIVATE SECTOR STAKEHOLDERS:

- Beirut Container Terminal Consortium
- Gulftainer
- CMA CGM
- Maersk
- Mediterranean Shipping Company
- Fast Bollore
- Sealine

ASSOCIATIONS AND ORGANIZATIONS:

- Beirut Trade Association
- Association of Lebanese Industrialists

CIVIL SOCIETY:

- Lebanese American University Professor and Transport Specialist–Dr. Nabil Nehme

THE GROUP OF EXPERTS FROM THE INTERNATIONAL DONOR COMMUNITY:

- Agence Française de Développement and Expertise France
- Proparco
- European Union - Integrated Border Management (IBM) Project
- European Bank for Reconstruction and Development
- European Investment Bank
- United Nations Office for Drugs and Crimes
- United Nations Economic and Social Commission for Western Asia
- United Nations Office for Project Services
- United Nations World Food Program
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
- Department for International Development – United Kingdom
- United States Agency for International Development
- Embassy of France in Beirut
- Embassy of Netherlands in Beirut
- Netherlands Enterprise Agency (RVO)
- Embassy of Belgium in Beirut
- Embassy of Germany in Beirut
- Embassy of Italy in Beirut
- Customs of Italy
- United States Export Control and Related Border Security (EXBS) Program
- International Maritime Organization
- World Customs Organization
- The Port of Rotterdam
- The Port of Antwerp
- The Port of Marseille
- The World Bank