



**REPUBLIC OF LEBANON**  
MINISTRY OF FINANCE

## **RECENT ECONOMIC MEASURES**

The Lebanese Government articulated a new economic vision highlighted in its Policy Statement. This note briefly presents the recent measures adopted in the previous two months by the Government as part of its economic plan to revive the economy.

### **I- International trade sector**

The international trade sector in Lebanon has historically been of primary importance to the country's economy. The government have adopted a multifaceted approach to revive this significant sector. The strategy is based on the following principles:

- Expand Lebanon's regional and international trade by providing the best enabling environment and legal infrastructure for contemporary trade facilitation.
- Liberalise the international trade sector in order to ensure compliance with WTO requirements and bilateral and multilateral trade agreements through best practices modalities.
- Create a favourable business and Government environment based on partnership, transparency and electronic interaction.
- Revive Lebanon's Transit and Transshipment trade.
- Ensure competitiveness of Lebanese traders and industrialists through reduction of time and costs of clearing goods through ports and airports.

In order to achieve above targets the government has started with two significant measures

1. Overall reduction and rationalisation in the national customs tariff.
2. Enactment of a new modern customs law.

## **1. Tariff Reduction**

The target for tariff reduction was to expand the foreign trade sector, and lower costs for consumers, industrialists and investors. Custom duties were lowered on 5400 items out of a total of 5700 items. The main characteristics of the new customs tariff are:

- The maximum rate on imported goods was reduced from 105% to 70%.
- All raw materials and semi-manufactured goods have been exempted. The number of exempted goods has increased from 34 products (1% of imported goods) to 2094 (37% of imported goods). The exempted goods contain, among other things, live animals, raw materials for industrial usage, textile, technological products, fuel oil, and films.
- The rates on 1641 products have been reduced between 60 and 95 percentage points. These goods include salt, potatoes, onions, vegetables, fruits, pastry, tooth paste, television, and radio.
- A decrease between 10 and 60 percentage points has affected 1751 products that include fish, yogurt, cheese, eggs, coffee, chemicals, and clothes.
- The rates on 214 products have remained unchanged. These products include oil, cement, and tobacco.
- Excises (collected at customs) on cars have also been reduced from 54% to 50% for prices above LBP 20 millions and from 24% to 20% for prices below LBP 20 million.
- A selective protection rate was maintained on few products within several economic sectors such as agriculture in order to give these sectors a transition period to enhance their productivity and adjust their cost structure.

## **2. Customs Law**

A new customs law was enacted by the Council of Ministers. It introduces significant improvements over the old Customs Law which was issued by Decree 422 on June 30, 1954. It is largely based on best and modern international practices and substantially conforms to the WTO requirements, specifically the WTO Agreement on Customs valuation (CVA), the Agreement on Rules of Origin (ROO), and the main principles of the General Agreement on Tariffs and Trade (GATT 1994)

The New law applies the following principles

- Simplifying and expediting of customs procedures,
- Providing solutions within customs law for problematic areas which handicapped executive branches of customs,
- Adopting International Standards for declaration of value and origin of goods,
- Allowing, within the law, for the usage of modern Information Technology practices,
- Eliminating complicated Transitory Clauses for computation of duties upon tariff change,
- Applying a modern and fair dispute settlement procedure between the customs and the trader. Disputes will be settled in a commercial court by a designated judge instead of an Internal Customs Court,
- Allowing for the Electronic Declaration of Goods,
- Re-organising the Customs Clearance Profession and allowing for specialised companies to operate in this domain with a strict control over clearance operations,
- Modernising legal texts which govern the responsibilities of shippers, ship captains and ship owners in accordance with international laws and practices in order to relieve above parties from penalties where infractions were committed without their knowledge or consent
- Fostering the development of Industrial Zones, Free Zones and simplifying their regulations in order to activate their economic role.
- Eliminating unnecessary and costly Consular fees previously required by importers in the country of origin.

In addition the Ministry of Finance has initiated a plan to expand the deployment of the automated clearance system NAJM which is based on UNCTAD's ASYCUDA software. NAJM system will be rolled out to cover all customs entry points and integrating more automated services for traders. The extensions of NAJM system will focus on electronic linkage with the trading community (NAJM Online Operation – NOOR) in preparation for an e-government paperless clearance environment.

## **I- Open Skies Policy**

The cabinet adopted in its first meeting in November the open skies policy that would be implemented starting January 1, 2001. The measure consists of the following:

- Open entry on all routes
- Unrestricted capacity and frequency on all routes

- Flexibility in setting fares
- Liberal charter and cargo arrangements
- Open-code sharing opportunities (Code-sharing between airlines allows an agent of one airline to issue a passenger a single ticket for a trip, even though some legs of the trip will be with other airlines.)
- The right of a carrier to perform its own ground handling in the other country.
- The right of carriers to freely enter into commercial transactions related to their flight operations.
- Commitment to non-discriminatory operation of and access to computer reservation systems.

This policy will induce a decrease in ticket prices and transportation costs that will encourage tourism and increase activity at Beirut Airport. The open skies measure fits in the framework of government's policy to open and further liberalize the economy. It brings new opportunities for greater business and cultural exchange for Lebanon with the rest of the world.

The advantages resulting from the execution of this measure outweigh any drawback that may affect the status of Middle East Airlines Company and its competitiveness against other airline companies. Opening Lebanon's skies to foreign-based carriers would promote further innovation for the company in its path toward modernization.

## **II- Real Estate Sector**

1. The government has amended the draft law concerning the acquisition of land by foreigners. The existing law limited the acquisition of land by foreigners to 5% in each Mohafazat. The new law allows foreigners to acquire 3% of the total area of Lebanon disregarding the geographic location subject to one condition: foreigners are not allowed to acquire more than 3% of the total area of the Caza. One exception to this law is Beirut where Foreigners are allowed to acquire up to 10% of the total area of the capital. The 3% ratio does not concern the companies that have more than 50% of their shareholders of Lebanese nationalities.
2. Moreover, foreigners can now acquire 3000 square meters of land without the passage of a decree by the Council of Ministers. The authorization to acquire a piece of land for a specified purpose has to be executed within a 5-year period (that can be extended only once for an

additional 5 years). It is legally allowed for foreigners to buy more than 3000 square meters subject to a Council of ministers decree. This draft law is meant to give incentives for foreign investment in industry and tourism.

3. The Government has also lowered real estate registration fees to 5.8% for both Lebanese and foreign investors. Included in the registration fees is a stamp duty of 0.8%, which has remained unchanged. Thus registration fees, net of stamp duties, have been reduced by 1% for Lebanese and foreign investors.

### **III- Public Accounting Law**

The Government has approved the amendment on the existing Public Accounting Law, which will play a large role in streamlining public expenditures through the following main modifications:

- 1- The modified law eliminates half of the required signatures for expenditures execution and renders the line ministries responsible for their own spending.
- 2- The law also abolishes ex-ante auditing or the control performed prior to the execution of any project or expenditure. The new law eliminates the approval of the financial controller prior to expenditure commitment. Only the accountant of the concerned administration will approve the expenditure before the commitment phase. In general terms, the accountant of the concerned administration should replace the commitment controller on a functional basis and the principal controller will replace the principal commitment controller.

The importance of this law is to accelerate lengthy procedures for ex-ante auditing in order to be in line with international standards.

### **IV- Procurement Law**

The government is currently finalizing a project law that simplifies the current tendering process in the public administration. The purpose is to strengthen and simplify the procedures under the procurement law in order to ameliorate productivity and induce a more efficient administrative work.

### **V- Industrial Plan**

The government has also put in place an industrial plan to enhance the productivity and develop the industrial sector. The measures that are outlined below will be implemented in 2001 and will help achieve competitive prices and upgrade the sector in line with international standards:

1. Reduce transportation costs within the country.
2. Reduce prices of oil-derived products, particularly fuel oil and liquid gas for industrial use.
3. Modify electricity power costs for the industrial sector.
4. Reduce employers' contributions to the National Fund for Social Security in order to lower the human capital costs.
5. Create some industrial areas, equipped with the adequate infrastructure and basic services.
6. Permit and encourage the participation of local companies in public tenders.

A detailed industrial plan is being prepared in order to facilitate the establishment of industrial complexes, encourage investments in new technological industries and information technologies.

## **VI- Subsidized Loans**

In order to support the industrial, agricultural and tourism sectors including information technology firms, the Government has enlarged the scope of the subsidized loans project. The new project is divided into two sections:

- The authorities will bear 7% of the interest rate on loans up to LL 5 bn.
- The authorities will bear 5% of the interest rates on loans ranging from LL 5 to 15 bn..

In order to benefit from this project, the loan should have a maturity of 5 to 7 years, the loan should also be invested in Lebanon, specifically in agriculture, tourism or industry.

## **VII- Guarantee Scheme for Loans (Kafalat)**

The Government has subsidized Kafalat program that started one year ago for people working in agriculture, industry, tourism, handicrafts and technology. In its newly revised scheme, Kafalat now enables banks to lend up to LBP 300 mn compared to LBP 100 mn in the original system.

Loans should have a maturity not exceeding 5 years and are designed to small businesses that have a maximum of 40 workers. Kafalat underwrites 75% of the loan in case of default and charges a guarantee fee of 3%.