

Support for Lebanon's Accession to the World Trade Organization Program

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Project Background

- USAID Assistance for WTO Accession in Lebanon began in 2000
- The Current Project was initiated in December 2009 and will end in November 2012
- The Project was realigned, in May 2011, to focus more on the private sector and its ability create a sound regulatory environment

Work Plan

The Project's Work Plan includes the following tasks:

- Support the creation of a sound legal and regulatory environment for trade, mainly through the creation of private sector led working groups and the increased use of Regulatory Impact Analysis (RIA)
- Increase technical and institutional capacity for trade
 - For example, enhancing the capacity of LIBNOR (the standardization body in Lebanon) as a Technical Barriers to Trade (TBT) Enquiry Point

Regulatory Impact Analysis

- RIA is a policy tool for providing detailed information about the potential effects of regulatory measures – of both the intended and actual effects - in terms of costs and benefits to all parties affected by the regulation
 - RIA facilitates careful consideration of the details that should be taken into account when designing and implementing a regulation
- RIAs help ensure that government regulations are effective and efficient and result in the greatest net public benefit
 - They can be performed ex ante and ex post
- RIAs help ensure that stakeholders are fully aware of the benefits and costs that are likely to result from the proposed regulation
 - This information can be helpful in advocating either for or against a regulation

Why we care about assessing regulations - performing RIAs

- The reason why we perform RIAs is to carefully and fully evaluate the costs and the benefits, ***both intended and actual***, of a regulation:
 - The cost causers may not be the cost bearers
 - The most active stakeholders may be the most “impacted” by the regulation but they may also be the ones most benefited

- We try to assess the impacts of a regulation over time because:
 - The stream of realized benefits may differ significantly from the stream of expected (actual) costs in both timing and magnitude
 - Data should not be collected in a vacuum: data collected is “ex post” and important causal factors can be missed or misinterpreted

- Governments are interested in performing RIAs because it improves their understanding of real-world impacts, helps integrate multiple policy objectives, improves transparency and consultation, increases government accountability

- The public attains greater awareness and more effective participation through a better understanding of “who gains” and “who loses”

Case Study

- ▶ The Impact of Ministry of Agriculture and Ministry of Industry Decision No. 950/1 on Food and Beverages Producers and Other Stakeholders

- ▶ Implementing Partner: The Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon

The Impact of Ministry of Agriculture and Ministry of Industry Decision No. 950/1 on Food and Beverages Producers and Other Stakeholders

The Decision has two main objectives:

- **Food Safety:** Compliance with international standards namely, HACCP and GMP
- **Environment:** Compliance with environmental norms (pollution control and waste management)

Tools used to perform the RIA:

➤ Survey

➤ Field visits

➤ Working Group meetings

➤ Interviews

➤ Statistics

Benefits from Compliance (1)

- Improved access to export markets
- Increased local sales
- Reduced risks of liability through improved hygiene and health standards
- Reduced costs through a better control over inputs and reduction of defective products
- Improved labor productivity (healthier and more efficient workforce, less work-related accidents)

Benefits from Compliance (2)

- Increased food safety through better quality and healthier products
- More efficient and less wasteful process
- Increased overall productivity
- Improved ability to compete with imports
- Increased consumer confidence in the sector
- Reduced spending on health

Costs of Compliance (1)

- Rendering location and infrastructure adequate
- Maintaining cleanliness of premises, pollution control and safety
- Sterilization, inspection and maintenance of equipment
- Clean water supply
- Waste management disposal

Costs of Compliance (2)

- Health of workers (health certificates, regular check ups, personal hygiene)
- Compliance with specifications for raw materials and additives
- Implementing a traceability system (software, barcode..)
- Packaging (adequate procedure and material)
- Warehousing and transportation
- Management cost and training of personnel

Exhibits from Findings of RIA performed by the
CCIAB in Cooperation with the Project on
Decision No. 950/1

RIA of Decision 950/1

Time frame of costs	Outlays: Less than 1 year	Outlays over: 1 to 3 years	Outlays over: 3 to 5 years	Outlays over: More than 5 years
Rendering external location and infrastructure adequate	47 %	24 %	16 %	13 %
Premises (internal building layout, drainage, sanitary, lighting)	64 %	20 %	9 %	7 %
Production equipment (sterilization, inspection, maintenance, calibration)	67 %	24 %	2 %	7 %
Clean water supply	82 %	13 %		4 %
Waste management and disposal including main sewage and water drain	73 %	20 %		7 %
Workers (health certificates, regular medical check-ups, personal hygiene)	82 %	11 %	2 %	4 %
Raw materials and additives' compliance with norms and standards	71 %	13 %	2 %	11 %
Production procedures documentation	58 %	29 %	4 %	9 %
Implementation of a traceability system	62 %	24 %	9 %	4 %
Packaging and labeling compliance	78 %	18 %	2 %	2 %
Laboratory testing equipment and materials	78 %	13 %		9 %
Warehousing and distribution	73 %	18 %	4 %	4 %
Transportation	76 %	18 %	4 %	2 %

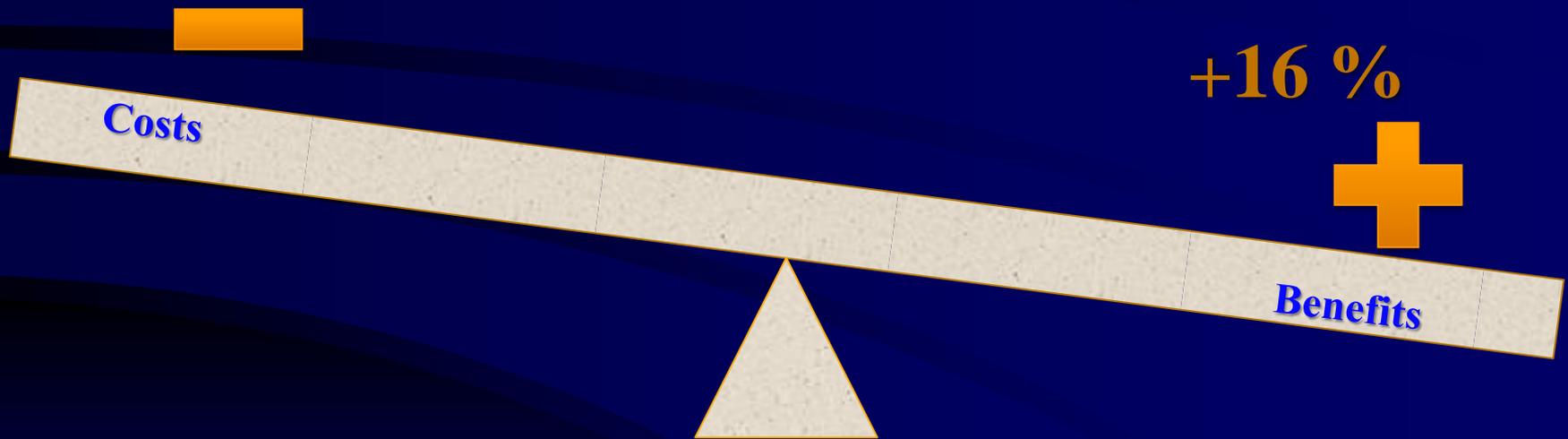
RIA of Decision 950/1

Evaluate the benefits that will be gained upon compliance to regulation 950/1:

	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
Improve my company's access to export markets	38 %	27 %	24 %	7 %	4 %
Increase local sales	16 %	40 %	22 %	18 %	4 %
Reduce the risks of liability through improved hygiene and health standards	40 %	44 %	11 %	4 %	
Reduce costs through a better control over inputs and reduction of defectuous products	22 %	27 %	27 %	16 %	9 %
Improve labor productivity (healthier and more efficient workforce, less work accidents)	27 %	38 %	22 %	13 %	
Better quality products	40 %	33 %	16 %	11 %	
More efficient and less wasteful process	27 %	31 %	22 %	18 %	2 %
Increase overall productivity	13 %	42 %	22 %	16 %	4 %
Improved ability to compete with imports	27 %	27 %	33 %	7 %	7 %

Result of the cost-benefit analysis:

Benefits outweigh costs...

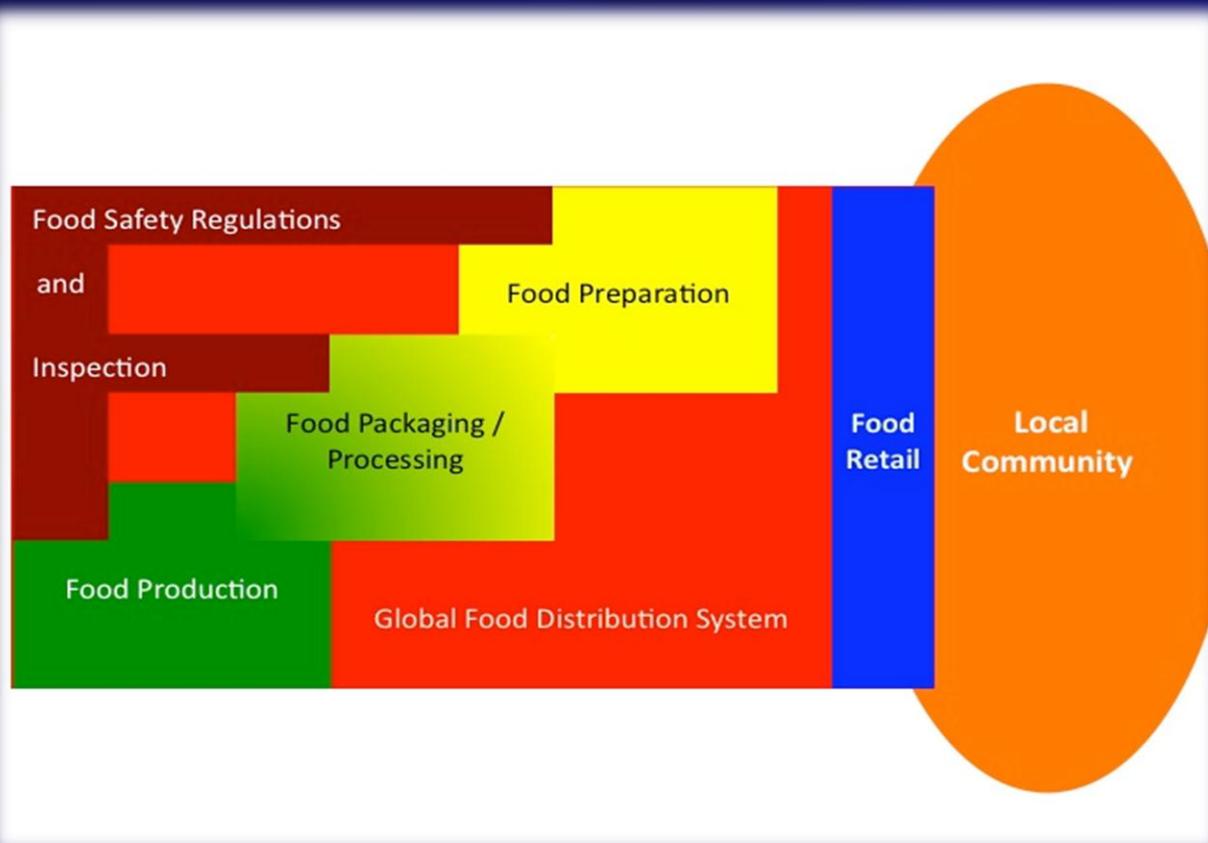


...but by a narrow margin

RIA of Decision 950/1

Food safety **cannot** be approached in a fragmented way; all components need to be regulated:

- the **conformity assessment chain**
- the **value chain** (from farmer to producer and distributor)



Certification can be a means to an end:

- The health certification granted under the provisions of ministerial Decision 950/1 is not an end in itself since it does not constitute on its own a guarantee of quality
- The focus should hence be on putting in place an approach to quality that would be based on HACCP or other international standards and **fostering a culture conducive to quality and food safety**