



**Support for
Lebanon's Accession to the
World Trade Organization (WTO)**

Final Report

**Implemented by
Booz Allen Hamilton**

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1. Introduction and Summary of the Project

The “Support for Lebanon’s Accession to the World Trade Organization Project” (Lebanon WTO) was a three year USAID-financed activity awarded to Booz Allen Hamilton under the Global Business, Trade and Investment II (GBTI II) Indefinite Quantity Contract as Task Order Number EEM-I-00-07-00007-04. This Task Order was awarded in December 2009. The purpose of this Project was to assist the Government of Lebanon (GOL) in the WTO Accession process and to support USAID Lebanon’s Assistance Objective 2 (AO2) – Economic Growth. The Project had four core task activities:

Task 1: Technical support for WTO Accession

Task 2: Assist in the implementation of key reforms

Task 3: Institutional capacity building

Task 4: Building public support for WTO Accession.

2. History of USAID WTO Assistance to Lebanon

USAID began providing assistance to Lebanon’s WTO Accession in May 2000. The initial project was implemented by Price Waterhouse Coopers and the Services Group. Since June 2003, Booz Allen Hamilton has served as the implementing partner to a series of iterative US Government-funded projects. A second USAID-funded project related to Lebanon’s WTO Accession efforts was initiated in June 2003 and ran through October 2007. From November 2007 through December 2008, USAID worked in partnership with the Department of State’s Middle East Partnership Initiative (MEPI) to continue donor-funded technical assistance. In February 2009, MEPI programmed Department of State funding for continued technical assistance through September 2009. In December 2009, USAID launched the current project and Booz Allen was awarded the task order to serve as the implementing partner. The current Project’s (“the Project”) period of performance (POP) runs through November 2012.

The Project consisted of a team of full-time local lawyers and support staff and more than a dozen international short-term technical experts covering the breadth of issues related to WTO Accession. The Project’s staff worked with the Lebanese Minister of Economy and Trade who led the WTO National Committee, which consists of Director Generals of most ministries and heads of most state agencies. The National Committee was established in May 1999 to prepare and implement negotiation steps to secure Lebanon's accession to the WTO; however, it has been inactive since 2008.

3. Lebanon’s WTO Accession Timeline Summary

In February 1999, Lebanon submitted its request for accession to the WTO Secretariat in Geneva, Switzerland. In April 1999, the WTO General Council examined Lebanon’s request,

established a Working Party for Lebanon, and granted Lebanon observer status. In May 2000, USAID assistance was initiated and in September 2000, the Master Plan for the Accession Process was approved by the Council of Ministers. In May 2001, Lebanon submitted the first major document to the WTO Secretariat: the Memorandum of Foreign Trade Regime (MFTR). The MFTR summarized all of Lebanon's trade and trade-related policies. Both the Master Plan and the MFTR were prepared with the assistance of USAID-funded technical experts. To date, seven Working Party meetings for Lebanon have been held in Geneva. In each session, the Working Party has examined Lebanon's replies to the questions posed by WTO member countries based on the information provided in the MFTR. Working Party meetings took place on October 14, 2002, December 4, 2003, July 8, 2004, March 2, 2006, May 3, 2007, February 24, 2009, and October 28, 2009. Lebanon submitted its answers to the questions raised following the last Working Party meeting in May 2010.

Over the course of the accession process, Lebanon has submitted WTO required documentation such as answers to the questions of Members on the MFTR, the checklist of Illustrative Sanitary and Phytosanitary (SPS) and on Technical Barriers to Trade (TBT) Issues (ACC/8), the checklist of detailed information on Agricultural policies (ACC4), and the Trade Related Aspects of Intellectual Property Rights Checklist (ACC9).

Initial offers on Goods and Services were submitted to the WTO Secretariat on November 5, 2003. Revised offers based on specific WTO member countries' requests were submitted in June 2004. Market access negotiations have been virtually deadlocked since the last discussions, which were held on the margins of the fifth Working Party meeting in May 2007. Since then, Lebanon has not engaged in any serious bilateral market access negotiations. The revised offers sent by Lebanon in 2004 were not well received by WTO member countries who requested further reductions in tariffs and further market access in services. In bilateral negotiations in goods, Lebanon offered to bind its tariffs at a higher rate than the applicable rate, which was rejected by WTO member countries. According to the Minister of Economy and Trade, the national treasury could not withstand any further lowering of tariff rates. In addition, the Minister described both the agriculture and the industrial sectors as having been negatively affected by the war of July 2006 and indicated that any negotiations with stakeholders to lower tariff rates would be politically difficult for Government of Lebanon (GOL) members at that time. GOL officials view Lebanon as already having low tariffs resulting from the unilateral reduction of tariffs undertaken in 2000 as part of an effort to attract Foreign Direct Investment (FDI). WTO member countries have not been compelled by this reasoning and the GOL appears unwilling to revisit the topic at the present time.

On bilateral negotiations in services, the Project Team understands that a central request of both the US and the EU is to allow market access in legal services. Lebanese lawyers are strongly

4.2 Initial Project Achievements

Political turmoil and Parliamentary deadlock is too often the status quo in Lebanon, resulting in macro-level impediments to passage of several of the key pieces of legislation required for the WTO Accession process to move forward. Progress on political reform is often hampered by the dynamics of Lebanon's politics and the risk of violence and civil unrest. Since 2005 in particular, and with the assassination of former Lebanese Prime Minister Rafik Hariri, there has been ongoing discord among Lebanon's many congressional alignments which has complicated the ability to form, and run, an effective Lebanese government. The 2006 Israeli invasion of southern Lebanon and varying levels of tension with Syria have also made a focus on a legislative reform agenda difficult to maintain. Presently, speculation as to the findings of a UN International Independent Investigation Commission into the Hariri Assassination – as well as the possible reaction of different Lebanese political factions to those findings – in addition to the current ministerial crisis and the deteriorating security situation, occupy much of Lebanon's attention and complicate efforts to garner the attention of Ministers and Parliamentarians on the steps and review necessary for enactment of the legislative reform required for WTO Accession.

That said, areas for technical reform and capacity building did exist during the first 18 months of this Project. The Project Team worked diligently over those 18 months to highlight specific areas where the MOET could look to broaden participation of other Ministry counterparts, to evaluate areas for legal reform, and to institute capacity building across sectors. The Project Team strongly recommended the reinvigoration of the National Committee, highlighted Intellectual Property Rights (IPR) mainly on copyrights and data protection, and helped build the capacity of LIBNOR. In all cases, the Project Team emphasized specific areas where focused engagement could result in interim progress, toward the objective of successful WTO Accession.

The Project Team actively sought opportunities for engagement with the private sector to support a business environment which is open for both growth and competition. These efforts are in many ways the building blocks of WTO Accession. Legislative or procedural reforms, information-sharing and outreach activities, and capacity building assistance that contribute to competitiveness and growth in the Lebanese business environment were areas for technical engagement to contribute to the broader WTO Accession agenda.

Since its inception, the Project Team worked to intensify its coordination with the Lebanese private sector in order to better understand their concerns and possible roadblocks to competitiveness and growth. Of particular value has been the Project's evolving collaboration with the Lebanese American Chamber of Commerce (AmCham) as well as other Chambers of Commerce namely the Beirut and Mount Lebanon Chamber and the Saida Chamber of Commerce. This collaboration provided an important window into the perspectives and

concerns of the private sector and additional insights around the business environment and WTO Accession process. The Project Team was able to share this information and further context with both USAID and GOL counterparts.

In the absence of further demonstrable progress by Lebanon on core issues highlighted in previous Working Party meetings or identified in bilateral negotiations, Lebanon's ability to make progress on WTO Accession remained limited. For example, despite repeated effort during the course of the first 18 months of the Project, the Project did not succeed in encouraging the MOET to reinstitute the National Committee for WTO Accession (the National Committee) – a structure that could significantly improve efforts to coordinate procedural changes and reform associated with the WTO Accession effort across multiple Ministry partners.

The Project Team's ability to provide technical assistance in two of the task areas was constrained by the absence of GOL action, a risk acknowledged by both USAID and the Project Team at Task Order award; consequently, efforts during the course of the first 18 months focused on Tasks 3 and 4. Time was spent identifying those discreet areas of the legislative and procedural agenda where targeted technical assistance could positively contribute to the WTO Accession effort (such as International Property Rights and Technical Barriers to Trade (TBT), for example) and for which there were interested and engaged GOL partners to receive and benefit from programming activities developed.

The Project accomplishments during the first 18 months of this Project include:

- Submission of a report on the constraints of the import/export value chain
- Submission of a report on the draft amendments to the Lebanese Copyright law
- Submission of a paper on Courier services
- Submission of the report on the TBT inquiry point
- Establishment of the TBT inquiry
- Creation of the data base for the TBT inquiry point
- Targeted outreach and engagement of key WTO Accession stakeholders, including Members of Parliament, the Chambers of Commerce, and Industry Partners in those sectors most attuned to the WTO Accession process and interested in the potential impacts upon their sector
- Legislative momentum on two key pieces of legislation (the Draft International Trade and Licensing Law and the Draft Law on Technical Barriers to Trade). While this progress is modest by most standards, Lebanon has been in a state of Parliamentary deadlock since 2006 and the ability for these two articles to move forward is a significant achievement
- Targeted technical assistance in the areas of Intellectual Property Rights and developing the capacity of the Lebanese Standards Institutes (LIBNOR)

- Continuous collaboration with USTR through the auspices of USAID to ensure that the Project is providing the GOL with the clearest understanding of US Government priorities and concerns with respect to the WTO Accession process.

4.3 Initial Project Successes and Failures

The ultimate goal of USAID’s assistance was achieving Lebanon’s WTO Accession. Unfortunately, WTO Accession was not achieved during the life of this Project and progress against key components of the project plan – particularly Tasks 1 and 2 – were hampered by a lack of Parliamentary action on key pieces of legislative reform as well as limited engagement on WTO-related issues on the part of GOL counterparts, particularly the Ministry of Economy and Trade (MOET), the Project’s primary partner. The Project, however, enabled Lebanon to make major strides towards WTO Accession. Although Lebanon has yet to accede to the WTO, the Project Team succeeded in two major areas:

- Prepared Lebanon technically to achieve the accession through the preparation and completion of the Accession required documentation/ draft laws
- And, more importantly, the introduction of WTO principles and benefits discussion to key stakeholders, through extensive training and awareness raising activities; the Project was able to reach a large number of relevant stakeholders including civil servants, NGOs, Chambers of Commerce, Academia, media, et. al.

Despite the Project Team’s efforts, WTO Accession has not been a high priority for the Minister of Economy and Trade, the broader GOL, or Parliamentarians during the life of this Project. The result is a stalemate in passage and consideration of WTO-related legal reform. The lack of movement on the legislative reform is due to two political reasons: (1) a lack of interest in legal reform on the part of both the GOL and Parliamentarians due to the political turmoil that is prevailing in Lebanon (described above) and (2) Parliamentary deadlock that has resulted in the blocking of any draft laws submitted to the Parliament following November 11, 2006, the date when six opposition Ministers resigned from the Cabinet headed by Prime Minister Fouad Siniora. The Speaker refused, and still refuses, to include all draft laws referred to the Parliament by the Siniora Cabinet. The Speaker maintains that the Cabinet in place at that time did not have the authority to approve any law because it lacked the sectarian representation called for in the Lebanese constitution. Currently more than 75 draft laws (including several major WTO-required pieces of legislation) are subject to the aforementioned Parliamentary deadlock. The GOL is aware that without progress in this regard they will not be able to schedule another Working Party Meeting.

Based on the experiences of the Project team, several observations and suggestions can be put forward:

- 1) WTO Accession may need a “Champion” to take it further; the engagement of Lebanon’s highest political leadership would be required (i.e., President of the Republic and/or the

Prime Minister); if Lebanon's highest political leadership is mobilized to back the necessary changes in the country, Lebanon could better position itself for membership to the WTO;

2) The following activities in addition would have to be undertaken:

- Request a new Working Party meeting and close the multilateral track of negotiations
- Address WTO member countries concerns
- Move the WTO related reform forward (i.e., send all draft laws to the Parliament and enact draft laws that are pending in front of Parliament)
- Identify legal texts that need to be amended as a result of the multilateral and/or bilateral negotiations and propose amendments
- Submit official revised offers on goods and services and engage in serious bilateral negotiations
- Continue public awareness and the raising of public support for the accession process with a special focus on the judiciary system
- Continue other WTO compliance activities (such as designing an SPS inquiry point and designing an effective system of inter-ministerial transfer of data and enhancing transparency through publication of all trade related legislation and draft legislation).

4.4 Modification of the Approach

As a result of the Parliamentary deadlock described above, numerous bills remain in front of Parliament pending action and Ministries are reluctant to move forward on regulatory decrees. Based on guidance from the Contracting Officer's Technical Representative (COTR), the Project Team developed, in May 2011, a revised Statement of Work (SOW) and operating budget to guide activities for the balance of the Period of Performance (POP). This effort was driven by the shared recognition that GOL counterparts remain unmotivated on the WTO Accession agenda and that resources would be better directed toward engagement and capacity building of Lebanese private sector partners. Specifically, the Project was to focus on initiatives designed to assist the private sector in becoming "better prepared" to face WTO Accession and its consequences (i.e., both the benefits and the costs). This change in focus enabled the Project to have more tangible and immediate impact as well as contribute to greater sustainability through private sector engagement by introducing the concept of Regulatory Impact Analysis (RIA), a methodology based on cost benefit analysis that examines and estimates the relative benefits and costs ("net gains or losses") resulting from an added or changed regulation. By working to improve processes, people and mindsets in private sector organizations and government, the Project provided support for building the capacity of the different institutions to examine and implement the required reforms, and building public support for WTO accession.

Five private sector Working Groups were established in order to work on identifying regulatory and policy issues related to WTO accession and to use the RIA impact assessment methodology/tool to assess ministerial decisions that affects the selected sectors.

In order to achieve sustainability of the program's objectives, technical support was suggested to build and institutionalize the private sector associations' policy development and advocacy capacity, and to help them develop public policy advocacy programs, and then advocate the main issues that concern their sectors in a systematic and organized way.

The Working Groups / Business Associations worked to achieve the following goals:

- Influence and galvanize the reform process and public policies in an organization’s interest domain
- Link reform with the private sector (Micro) and the government (Macro)
- Promote a platform for a unified voice and secure a favorable position for implementation
- Encourage cooperation, networking and information exchange, share best practices
- Identify and set minimum standards for advocacy to indirectly ensure quality
- Build the needed public support by organizing focused advocacy and communications campaigns.

The USAID Project for Lebanon Accession to the WTO took a proactive role by directly assisting the Business Associations to institutionalize their policy development process, and providing a forum for meeting with each other, sharing information, learning from each other, and adopting sound evaluation practices and procedures.

The project objectives can be summarized as follows:

- Build knowledge and technical capacity of Business Associations / Working Groups (5 sectors) on public policy advocacy general concepts and the Regulatory Impact Assessment (RIA) Tool
- Implement policy development tools / Regulatory Impact Analysis (RIA) on selected issues
- Develop a regulatory reform process or RIA Toolkit.

In December 2011, the COTR provided the Project with further guidance and expectations for the final year of the WTO Accession Project that are summarized in the following points:

- Establish 5 private sector led working groups and conduct five Regulatory Impact Analyses
- Prepare an econometric policy analysis study targeting the impact of WTO accession
- Develop a regulatory reform toolkit including an incorporated advocacy plan
- Host a final nationwide road show with 4 to 5 stops to present and deliver the toolkit (the anticipated legacy of the Project).

Below is a summary of the Project’s objectives, activities, and expected outcomes per the **updated** Work Plan that was approved in January 2012.

Activity	Expected Outcome
Objective 2: Support the private sector in the creation of a sound legal and regulatory environment for trade	
2.1	<p>Increase the use of cost/benefit analysis (RIAs) in the creation of rules</p> <p>Increased use of internationally recognized cost/benefit methodologies in analyzing legislation by the private sector</p>

	governing economic activity	
2.2	Develop tools and techniques for sound rulemaking (legacy Plan)	Private sector entities increasingly use tools and techniques from the Regulatory Policy Toolkit in dialogue
Objective 4: Implement Advocacy and Communications Strategy		
4.1	Increase understanding, educate and engender advocacy	Private sector and general public more knowledgeable about rights, responsibilities, and available tools for the creation of a competitive trade regime and better able to advocate for change

5. USAID Lebanon WTO Accession Project- Years 1.5-3 of the Period of Performance

5.1 Strategy and Objectives for the Remainder of the Project

The amended strategy would introduce tools and build capacity for assessing the impacts of regulations to a large number of diverse, private sector stakeholders achieved through seminars and training that would cover not only Beirut but also Tripoli, Saida and Zahle. The primary tool was the RIA, and to build capacity the strategy was to train a group of individuals / private sector bodies to use and pass along to other stakeholders the RIA methodology and its application to the regulatory process in Lebanon.

As outlined in section 4.4 our objectives for this strategy were as follows:

- Objective 1: Build knowledge and technical capacity of Business Associations / Working Groups (5 sectors) on public policy advocacy general concepts and the Regulatory Impact Assessment (RIA) Tool
- Objective 2: Implement policy development tools / Regulatory Impact Assessment (RIA) on selected issues
- Objective 3: Develop a regulatory reform process or RIA Toolkit.

5.2 Project Achievements

The Project Team met all of the objectives agreed to with USAID and outlined in section 4.4 Our achievements with regard to these objectives were as follows:

- **Achievements for Objective 1:** We conducted a series of RIA capacity building presentations, roundtables and luncheons with the American Chamber of Commerce (AMCHAM), Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon, Lebanese American University, and a final RIA capacity building event with 90 private and public sector participants at the Habtoor Hotel in Sin el Fil. The Project Team had planned to conduct the capacity building events across Beirut, Tripoli, Saida and Zahle. However, due to security concerns that prevailed in Lebanon over the final 6

months of the project, the Project Team in coordination with USAID limited the road show to multiple events in Beirut.

- **Achievements for Objective 2:** Working with the Lebanese Economic Association (LEA), the Project Team completed a macroeconomic analysis assessing the expected economics costs and benefits of Lebanon's WTO accession. Results of this analysis are documented in the Economic Impact Analysis (EIA) report. The Project team also partnered with 5 well established private sector entities and provided extensive support for the establishment of 5 working groups (WGs) that conducted 5 RIAs. These WGs were created based on needs the private sector members of Associations and Chambers identified as being of most critical importance to Lebanon. The WGs had different experiences and RIAs represented varying levels of rigor depending on the availability of data, stakeholder support, etc.
- **Achievements for Objective 3:** We developed a regulatory reform toolkit including a specific section on stakeholder engagement and advocacy that was presented and distributed as part of a series of RIA capacity building presentations, roundtables and luncheons with the American Chamber of Commerce (AMCHAM), Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon (CCIAB), Lebanese American University (LAU), and a final RIA capacity building event with 90 private and public sector participants at the Habtour Hotel in Sin el Fil. The toolkit contained the step-by-step process the WGs used in Lebanon for evaluating and advocating for or against a number of selected regulations. Based on what was learned as part of these analyses, we provided an overview of the main steps for evaluating a regulation.

5.3 Successes and Challenges of the New Approach

The new strategy resulted in the following successes:

- The project team was successful at building both public and private sector capacity through organized group seminars and training sessions to more than 300 individuals on the topic of RIA. Three professional private sector bodies including 2 Chambers of Commerce are now capable of completing their own RIAs and conducting internal and external training on the RIA methodology, as a result of their collaboration with the Project;
- The Project partnered with 5 well-established private sector entities and provided extensive support for the establishment of 5 WGs on Regulatory Impact Analysis. As mentioned above, the WGs had different experiences and RIAs represented varying levels of rigor depending on the availability of data, stakeholder support, etc. However, each WG found the RIA process to be an informative and a worthwhile undertaking. This conclusion is remarkable given the diversity of the Working Groups, differences in the regulatory issues selected, and complexity of the analyses conducted. While at times costly and time intensive, what this experience has also outlined to both public and private sector stakeholders is that an RIA is a process that may take numerous iterations, but one that can provide value-added input to all affected stakeholders, contribute to overall regulatory reform, and most importantly, impact economic growth to Lebanon along the way.
- Starting with a very successful week long RIA training seminar with approximately 60 academic and private sector participants, the Lebanon WTO Accession EIA report, the WGs, and capping off with the RIA roadshow, the project has created a buzz across

Lebanon, resulting in significant public and private sector interest in the RIA concept and awareness for needed changes in the regulatory process across all sectors in Lebanon. The project finished on a high note with a final RIA capacity building event at the Habtour Hotel in Sin el Fil, attended by a combination of 90 private, academic and public sector participants, including former Ministers of Agriculture, and Economy and Trade.

The strategy also resulted in a challenge that was successfully managed:

- The Project Team had initially planned to introduce the RIA concept with academia by donating to the American University in Beirut (AUB) the econometric model used for the WTO Accession EIA that they could use for further academic studies, teaching purposes, and to make it available for analysis to Lebanese public and private stakeholders. However, due to unresolved logistical issues with AUB, this strategy was changed and the econometric model was instead donated to the Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon (CCIAB). Leading WG 1, CCIAB had proven their ability to leverage the RIA methodology and use sophisticated econometric approaches to conduct RIAs. As a Chamber of Commerce, it was also assessed that CCIAB could collaborate with both public and private sector participants on economic analyses and regulatory assessments going forward and therefore would be a good substitute for AUB in meeting the goals.

6. Conclusion and Recommendations for USAID in Lebanon and USAID moving forward

This Project has actively sought opportunities for engagement with the private sector to support a business environment that is open to both growth and competition. These efforts are in many ways the building blocks of WTO Accession. Information-sharing and outreach activities, and capacity building assistance that contribute to competitiveness and growth in the Lebanese business environment, are areas for technical engagement that contribute to the broader WTO Accession agenda.

As this Project ends twelve years of USAID's assistance for WTO accession, it is suggested that USAID follow-on efforts include:

- Increased emphasis on institutional capacity building and reform beyond the MOET to aspects of the business environment that contribute to Lebanon's competitiveness and market access. This may include a detailed economic analysis of accession impact on key sectors of the economy. Now that the Project has purchased the Lebanon-specific Oxford Econometric Model and that USAID has made it available to the public through the Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon, detailed sectoral economic analyses are possible and could be conducted to assess and forecast for key regulatory changes, whether WTO-related or not. As mentioned in the sections above, Lebanon's accession process has reached a point where political decision making is required to move the accession process forward. In order for the GOL to make evidenced-based and informed economic decisions, economic tools such as the RIA methodology and the econometric model may be used to assess the impact of their

projected policies. It is one role of the private sector to lead this path and play a key role in informing the GOL about the possible impacts of its decisions.

- Continued engagement of a broad array of stakeholders, to include the Chambers of Commerce, industry and professional associations, is needed to improve the understanding of the WTO Accession process and how legislative and regulatory reforms related to the process might directly impact lives and livelihood and how the private sector can utilize the RIA methodology to protect their interests.
- Further expanded integration with other donor activities in Lebanon to leverage resources and avoid duplication of effort; working through USAID to understand the priorities and concerns of other US Government entities as they relate to Lebanon's WTO Accession process and business environment.
- Continued advocacy with the MOET for the re-invigoration of the National Committee, which should be the driving force behind the accession process. The establishment of sub-committees or working groups within the National Committee that include representatives of the private sector would improve information-sharing and enable respective industries/sectors to better understand the post-accession environment. This structure would enable a framework to maintain GOL momentum supporting already achieved steps and a forum for dialogue in the absence of more formal GOL action.