



# Doing Business in Lebanon: Improving Competition and Streamlining Administrative Barriers

Presented by  
Marwan Mikhael  
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# Objectives of Economic Policy



*The main objective of any economic policy is to improve the welfare of the population*

Main objective:  
Improve the welfare of people

- Improving public services: Health, Education, ...
- Economic growth: Creating jobs,...

- Promoting investment and business prosperity: Improving the business environment

- Ensure that competition prevails: **The competition law** and other related laws such as consumer protection, anti-dumping, e-commerce, IPR,...
- Ensure that bureaucracies are not cumbersome:  
**Streamlining administrative barriers,...**

**Precondition:  
Political  
and economic  
stability**

**Implementation is a key factor**

# Why do we need a competition law?



*Government role in the economy is to be a catalyst, and to ensure that the economy is growing to its potential*

*Oligopolies and monopolies are widely spread*

*Collusion in tenders or bids are suspected*

*Barriers to entry and to opening and closing businesses are high*

*Sharing the market on the basis of geographical regions exists*

*Abusing a dominant position is a common practice in Lebanon*



*Negative impact on the efficiency, competitiveness, and performance of the economy*

# Timeline of the competition draft law



Work started in  
2002

Technical  
assistance from  
USAID, France,  
UNCTAD, OECD

Economic  
mapping study  
published

Private sector  
stakeholders  
contributed to the  
process

An English draft  
was produced &  
translated to  
Arabic (2004-  
2005)

Two Swiss  
experts will come  
soon to refine this  
draft

A final draft law  
will be submitted  
to the COM  
during 2007

Awareness  
campaign and  
training for  
concerned parties

Implementation:  
Institutional setup,  
decrees, capacity  
building, ...

# Scope of the law

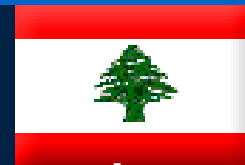


*The competition law will ensure a level playing field, enhance customer welfare, and boost the economic performance of the economy*

The law shall apply to:

- All partnerships, associations, corporations, or other business forms
- all anti-competitive acts or restrictive practices with substantial effects on the market
- the activities undertaken by professional, trade or business associations
- the public sector including authorities of the executive branch of the government and of local governments
- Regulated sectors with MOUs negotiated between the competition council and the regulatory authorities of these sectors

# Concept of the competition law



*The law will ensure competition and enhanced market access, by preventing anticompetitive agreements and abuses of dominance*

- **The law prohibits a dominant position only if it engages in any act with an anticompetitive impact on the market. So the law does not prohibit dominant position but only the abuse of it.**
- **The Competition Council will abstain from authorizing any concentration beyond a certain threshold if it creates or strengthens a dominant position which significantly impedes, the existence of effective competition on the relevant market.**
- **The Law prohibits any public aid granted by any public body which distorts competition by favouring certain Persons over others or the production of certain goods or services.**

# Anticompetitive behavior



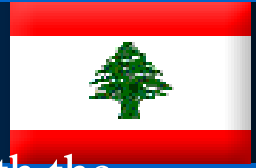
# Responsibilities of the Competition Council



*The law mentions the creation of a competition council, a rapporteur of competition affairs office, and the possibility to appeal both decisions at a court of appeal*

- Presenting cases to the rapporteur to launch investigations
- Determining the compliance or non-compliance of suspected anti-competitive practices with the relevant law
- Taking and enforcing individual decisions
- Issuing by-laws, regulations and guidelines
- Advising Government and playing strong Competition advocacy role
- Proposing amendments to the law
- Conducting studies, promoting education and reporting to Government
- Coordinating with the competition authorities of other countries

# Streamlining administrative barriers



The government is undertaking an important project in cooperation with the IFC to improve the business environment

- The first part of the project is the simplification of business registration procedures. The project is at an advanced stage where the diagnostic has been completed, recommendations were issued, an action plan is being finalized and the implementation phase will start in few weeks.
- The second part of the project is the streamlining of administrative barriers to investment. It is being implemented in cooperation with the FIAS (Foreign Investment Advisory Service).

# Business registration...



Main Company

## Solutions

**Results of Interim solution**  
(without legal changes)

40% reduction in processes  
20% reduction in time  
40% reduction in cost

### Main problems:

- Cumbersome
- Time consuming
- Costly

**Results of Optimal solution**

60% reduction in processes  
80% reduction in time  
60% reduction in cost

# Business registration (Cont'd)



## Foreign branch

### Solutions

#### Results of Interim solution (without legal changes)

50% reduction in processes  
50% reduction in time  
40% reduction in cost

#### Main problems:

- Cumbersome
- Time consuming
- Costly

#### Results of Optimal solution

80% reduction in processes  
80% reduction in time  
75% reduction in cost

# Streamlining administrative procedures: The problems



## Streamlining administrative barriers

### Licensing procedures

Business licensing regime at the municipal level is inefficient, overregulated, and contributes to informality

### Operating procedures

- Tax Administration
- Customs
- Labor code
- Social security
- Work permits
- Closing a business

### Locating procedures

- Unpredictable regulations
- Duplication of steps
- Very frequent inspections

# Some suggested reforms



## Some suggested reforms

- Use inspection to ensure compliance with standards rather than licenses
- Eliminate most small taxes
- Abolish the requirement to stamp accounting books
- Issue work permits for a minimum of three years
- Combine the work permit and the residence permit
- Select public servants on the basis of competence and create an appropriate public accountability rule
- Streamline municipal processes (inspections, taxes,...)
- Set up a “one-stop-shop” at the Port and Airport of Beirut
- Automatic social security registration with commercial registration
- Restructure health, and pension benefits
- Reduce number of administrative procedures
- Eliminate the quitus required by NSSF