Public-Private Partnerships in Lebanon

Guidance Note

September 2025

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1. What are Public-Private Partnerships (PPPs)?

A public-private partnership (PPP) is a collaboration between a government agency and a private-sector company to finance, build, and operate public infrastructure projects that serve the public.

For a country like Lebanon, which faces significant infrastructure problems, a heavy national debt, and limited government funds, public-private partnerships can help close the gap between what the public needs and what the government can afford.

When structured and managed correctly, PPPs can be a powerful driver for innovation, efficiency, and sustainability. They aim to leverage the respective strengths of both sectors to achieve shared goals.

Key Features of PPPs

Risk Sharing	Long-Term Contracts	Private Sector Investment	Perfromance-Based Payments	Innovation and Efficiency
• Allocating risks to the party best able to manage them.	• Typically spanning 20-30 years.	• Reducing immediate financial burden on the public sector.	• Ensuring accountability and quality.	• Through private sector involvment.

Key Roles and Responsibilities

In all Public-Private Partnerships (PPPs), the public and private sectors have distinct and essential roles.

<u>The public sector's responsibility is to:</u>

- Define the project's goals and boundaries.
- Set the required performance standards and outcomes.
- Establish the system of incentives and payments to ensure the private partner delivers as agreed.

<u>The private sector's responsibility is to:</u>

- Use its expertise to meet the project's objectives.
- Deliver the services or infrastructure in a way that provides value for money to the public.

In Lebanon, PPPs are attractive because they can address urgent infrastructure needs at a time when public resources are scarce and debt levels remain high. By mobilizing private investment and technical expertise, PPPs can help deliver essential projects in sectors such as energy, transport, and water, while easing the financial burden on the state.

At the same time, PPPs come with both opportunities and challenges. To maximize their potential, the benefits must be leveraged, while carefully assessing and managing the risks.

Potential Benefits:

- Bring in private financing and innovation to improve efficiency and service quality.
- Encourage timely and cost-effective project delivery.
- Support local firms and workforce development through subcontracting and knowledge transfer.
- Share risks between public and private partners, ensuring better value-for-money over the project's life.

Potential Risks:

- Higher preparation and management costs compared to traditional procurement.
- Financial risks, as costs must still be carried by either users or the state.
- Political and social resistance, especially if tariffs rise or jobs are affected.
- Dependence on strong contracts, regulatory stability, and government capacity to monitor performance.

Overall, PPPs offer significant potential to improve infrastructure delivery, but their success depends on governments having the capacity and systems to manage their complexity. As the OECD notes, achieving value for money through PPPs "can be challenging when public institutions lack the ability to oversee them effectively."

2. The PPP Law in Lebanon: Law No. 48/2017

The legal framework for Public-Private Partnerships in Lebanon is established by Law 48/2017, which was published in the official gazette on September 14, 2017. The law's primary objective is to facilitate private sector investment in public benefit projects by outlining the roles and responsibilities of both public and private entities. The PPP framework is a key component of the country's economic reform agenda, aiming to attract investment, enhance infrastructure, and improve public services.

Current PPP Framework (Law No. 48/2017)

The existing law defines a PPP as a public benefit project where the private sector provides financing and management, and carries out at least one activity from a range of tasks including design, construction, development, and operation. This framework applies to projects initiated by the State and public institutions, with municipalities having the option to adopt it. The law mandates a multi-stage project cycle: a preliminary study, a review by the High Council for Privatization and PPP (HCPP), and the formation of a project committee. A core principle of the tendering process is transparency, requiring public invitations and a minimum of three qualified bidders. The Ministry of Finance plays a critical role in this process, ensuring the financial integrity and sustainability of projects and managing potential fiscal risks.

PPP Preparation and Procurement Process as Provided for in the Lebanese PPP Law 48/2017

The process involves key players including the Higher Council for Privatization and PPP (HCPP), the Council of Ministers (CoM), and the Project Committee. The Minister of Finance is a member of both the HCP and the CoM, and a representative from the Ministry of Finance is part of the Project Committee, ensuring financial oversight throughout the process.

1. **Project Assessment**
   - A project proposal is submitted to the HCPP and the concerned ministry.
   - The HCPP's Secretariat General and the Project Committee conduct a comprehensive assessment of the proposal.
   - Final approval is granted by the HCPP and the CoM.

2. **Pre-qualification**
   - The Project Committee prepares a Request for Information (RFI) document.
   - The HCPP approves and publishes the RFI.
   - The Project Committee assesses the pre-qualification submissions.
   - The HCPP gives its final approval for pre-qualification.

3. **Tender Process**
   - The Project Committee prepares the tender documents.
   - The HCPP and the CoM must approve these documents before the Project Committee assesses the tender submissions.
   - The HCPP then approves the preferred bidder.

4. **Contract Finalization**
   - The Project Committee negotiates with the preferred bidder.
   - The HCPP approves the final contract.
   - The contract is then signed by the concerned ministry or public entity.

Proposed Amendments

Recognizing the need to improve the PPP process, amendments have been proposed to Law No. 48. These changes aim to enhance efficiency and make the framework more practical. The key proposed amendments include:

- **Faster Process**: The new plan combines the first two steps of the bidding process (Expression of Interest and pre-qualification) into one, which should make the whole process faster.
- **Easier to Advertise**: Public notices for projects can now be sent out electronically and in other modern ways, in addition to traditional print, to reach more potential investors.
- **Fewer Bidders Needed**: In some cases, a project can now move forward with only two bids instead of the current requirement of three, which can prevent delays.
- **Small Projects**: A new category for "Small-Scale PPP Projects" has been added for projects costing up to $20 million, allowing them to use a simpler, faster process.

Lebanon’s PPP framework is an important tool to bring in private sector expertise and funding for infrastructure and services. The proposed amendments aim to remove current bottlenecks and make the process more efficient, flexible, and open to a wider range of projects. If well implemented, these changes could improve project delivery and help attract much-needed investment.

3. The Global Landscape of PPPs: A Review of Success and Failure

Global experience with PPPs provides valuable lessons, showing both the key factors behind successful projects and the common reasons for failure. Reviewing these cases offers important context for assessing Lebanon’s legal and institutional framework, while also highlighting practical approaches that could be adapted to local needs. Learning from international successes and setbacks can help Lebanon design PPPs that are both effective and sustainable.

Successful PPP Programs and Projects

A number of countries have successfully implemented PPP programs, providing clear models for effective practice.

- **The Istanbul Airport in Turkey** is a prime example. To accommodate rapidly growing passenger and cargo traffic, Turkey launched the construction of a new airport under a Build-Operate-Transfer (BOT) model with a fixed 25-year lease. The project was awarded to a consortium which submitted the highest bid. The total investment cost is estimated at €10.25 billion, while rental income for the State Airports Authority is projected at €22.15 billion.
  The airport is planned in four phases, with the first completed in 2018 and full operations beginning in April 2019. Upon completion of the first phase, the airport had a capacity of 90 million passengers annually; once all phases are finalized by 2027, capacity is expected to exceed 150 million passengers, supported by facilities for 500 aircraft and parking for 70,000 vehicles. The project includes terminal buildings, runways, a cargo hub, maintenance and hangar facilities, general aviation infrastructure, and other support services, making it one of the largest airport PPP projects worldwide. It is widely regarded as a successful PPP, combining strong public support with private sector expertise to deliver a world-class infrastructure asset.[1]

- **The Gautrain project in South Africa** was its first major rail PPP, designed to provide a 77 km commuter service linking Johannesburg, Pretoria, and O.R. Tambo Airport. Structured as a 19.5-year DBFOM contract, it aimed to ease congestion, improve mobility, and create jobs ahead of the 2010 FIFA World Cup. Despite challenges such as land acquisition delays, skills shortages, and disputes over water ingress in tunnels, the first phase was delivered on time for the World Cup, with final completion in 2012. Financing combined significant government support (USD $3 billion) with private debt and equity, alongside a patronage guarantee to manage demand risk. Performance monitoring was rigorous, with 1,000 milestones in construction and 25 monthly KPIs during operations. By 2016/17, the system achieved 99% availability, 98% punctuality, and over 80 million passenger trips, generating strong economic impacts. Despite disputes, the project is widely considered a success, showing how PPPs can deliver major infrastructure with both economic and social benefits.[2]

Failed PPP Programs and Projects

- **The London Underground PPP** is a notable example of a large-scale public-private partnership that ultimately failed. In 1998, the Labor government opted for a Public-Private Partnership to modernize the London Underground while keeping operations

[1] Sengur, F.K. *Public-private partnerships in airports: the Turkish experience*. World Review of Intermodal Transportation Research, Vol. X, No. Y XXXX https://www.researchgate.net/publication/341446401_Public-private_partnerships_in_airports_the_Turkish_experience

[2] The Global Infrastructure Hub. (2007, January). *Gautrain Rapid Rail Link*. GI Hub. https://managingppp.gihub.org/case-studies/gautrain-rapid-rail-link/

publicly owned. London Underground Limited (LUL), a subsidiary of Transport for London, remained responsible for safety and staff, while private contractors managed refurbishment projects worth GBP 7 billion over 15 years. The PPP delivered track, station, and escalator upgrades, with improvements in services and an increase in journeys.
Despite these upgrades, financial mismanagement and cost overruns forced government intervention, with total losses estimated between GBP 2.5 billion and GBP 20–25 billion. Weak coordination, unclear contracts, limited access to cost data, and late changes by LUL caused delays and inefficiencies. Public confidence was mixed, with strikes and opposition highlighting stakeholder misalignment.
The PPP ultimately achieved some infrastructure improvements but failed financially and organizationally, underscoring the risks of complex public-private projects without strong oversight, aligned incentives, and clear management processes.[3]

- **Hungary's M1/M15 and M5 motorways** are some of the most notable failed PPPs in Central and Eastern Europe. These projects transferred substantial demand risk to private companies, but both ultimately required partial or full renationalization, demonstrating that the public sector cannot allow essential services to fail.
  The M1/M15, a Design-Build-Finance-Operate (DBFO) project, experienced traffic levels 50% below forecast, and the toll revenue failed to cover costs, leading lenders, including the EBRD, to incur lower returns and the motorway being renationalized in 1999.
  The M5 faced similar issues, with lower-than-expected traffic due to a free parallel road. Subsequent modifications removed traffic risk for the concessionaire and guaranteed a 12% return, with partial state ownership formalized in 2004. These cases highlight the difficulty of accurately assessing demand risk and show that PPP road projects in Central and Eastern Europe often fail without strong state support, undermining the rationale for private sector involvement. [4]

Lessons Learned from International PPP Experience

- Global practice shows that PPPs can deliver major benefits when they are well-prepared and carefully managed. Successful cases, such as Istanbul Airport and Gautrain, underline the importance of strong government commitment, fair risk-sharing, transparent procurement, and close monitoring of performance. These elements help ensure that private investment supports public priorities and that projects deliver value for money.
- At the same time, failed experiences such as the London Underground PPP and Hungary's motorway projects show the dangers of weak oversight, unclear contracts, and over-optimistic forecasts. When risks are poorly allocated or financial management is weak, projects often face delays, cost overruns, or even collapse, leaving governments to step in at high cost.

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[3] Centre for Public Impact. (2018, January). *The London Underground's failed PPP*. Centre for Public Impact. https://centreforpublicimpact.org/public-impact-fundamentals/the-london-undergrounds-failed-ppp/#The-initiative

[4] Bankwatch. (n.d.). *M1/M15 and M5 motorways, Hungary*. Bankwatch. https://bankwatch.org/public-private-partnerships/case-studies/m1m15-and-m5-motorways-hungary

- The key lesson is that PPPs are not a one-size-fits-all solution. They require sound legal and institutional frameworks, realistic planning, and strong accountability mechanisms. For Lebanon, this means adapting proven international practices while avoiding common pitfalls to design partnerships that are effective, transparent, and sustainable.

4. Lebanon's Experience in PPPs[5]

Following the 1975-1991 civil war, the government sought to rehabilitate the infrastructure by a number of privatization and PPP projects. The past portfolio of PPPs in Lebanon spans a wide array of sectors; from telecom, to postal services, electricity, waste management, and tourism.

Mobile Services: Global System for Mobile communication (GSM)

In 1994, Lebanon awarded two Build-Operate-Transfer (BOT) contracts for mobile services to Cellis (France Telecom and local partners) and Libancell (Telecom Finland and local partners). The market grew far beyond expectations, reaching over 750,000 subscribers by 2001. However, contractual disputes led the government to terminate the contracts early and reclaim the assets, which remain state-owned today.

Since then, the sector has been managed by Zain (Kuwait) and Orascom (Egypt) under short-term, three-month contracts. This has discouraged long-term investment and hindered development. Regulatory authority also remains weak: the Telecommunications Regulatory Authority (TRA), created by law in 2002, has not been fully functional since 2008, leaving the Ministry of Telecom in control.

The sector continues to be treated as a major revenue source for the government, contributing around 50% of non-tax revenues in 2017. However, this "cash cow" approach has left the industry with high tariffs, weak infrastructure, and poor service quality in coverage, internet, and customer support.

Waste Management

In 2002, a 20-year BOT contract was signed between IBC and the Municipality of Saida to develop a solid waste treatment plant with a capacity of 250 tons/day. The project aimed to generate electricity and fertilizer through anaerobic digestion while allowing IBC to recover value from recyclables.

However, poor management of the waste delivery chain undermined the plant's technology. The municipality kept street bins, making it impossible to secure fresh waste needed for anaerobic digestion. This led to repeated breakdowns, three years of inactivity, and eventual contract renegotiation. The original treatment process was abandoned in favor of a simpler model, with IBC paid a fixed fee of $95/ton.

Today, the plant cannot meet demand from Saida's expanded population and additional waste shipped from Beirut. This has resulted in new waste accumulation near the facility. The absence of a wastewater treatment plant further worsens the situation, with untreated wastewater discharged into the sea. Nationally, Lebanon's solid waste is still largely mismanaged, with 51% landfilled, 32% openly dumped, and only 17% recovered.

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[5] Straub, S. (2019, March). *Lessons from Public Private Partnerships in Lebanon*. International Growth Centre. https://www.theigc.org/sites/default/files/2020/02/Straub-2019-final-paper.pdf

Jeïta Grotto

In 1993, Lebanon's Ministry of Tourism awarded a 30-year BOT contract to Mapas Co. for the rehabilitation and operation of the Jeïta Grotto. This was the first PPP signed after the civil war. Between 1996 and 2017, the site attracted an average of 260,000 visitors annually. However, visitor numbers were highly volatile, with steep declines following major events such as the 2005 assassination of Prime Minister Rafic Hariri, the 2006 Israel–Lebanon war, and the 2011 Syrian conflict.

Profitability was undermined by declining visitors, inflation, and the absence of income guarantees. Tensions between the private operator and the government further complicated the project. Issues included frequent ministerial changes, interference in staff hiring, and disagreements between local and central authorities. A major point of contention was ticket pricing: although the contract allowed inflation-related adjustments, successive ministers blocked increases, putting pressure on financial viability, especially since over 40% of revenues were transferred to the state. After an eight-year legal battle, tariffs were eventually increased.

The operator also faced difficulties importing materials needed for maintenance, as tariff reductions were denied. These challenges significantly limited the project's investment capacity and long-term sustainability.

Lessons Learned

The Lebanese PPP experience shows that weak regulatory frameworks, political interference, and unclear risk-sharing arrangements can undermine even well-structured projects. Short-termism in contracts, combined with limited government capacity to enforce or adapt agreements, often leads to renegotiation, inefficiencies, and financial strain. For PPPs to succeed, Lebanon must ensure stable regulation, transparent governance, and realistic project design aligned with market and institutional realities.

5. The Way Forward

For Public-Private Partnerships to fulfill their potential in Lebanon and contribute to sustainable development, several critical actions are required to build on the existing legal framework and address the country's unique challenges.

1. **Secure Political and Economic Stability:**

Long-term private investment in infrastructure is highly dependent on a stable and predictable environment. Restoring political and economic stability is the single most important step for rebuilding investor confidence. This includes resolving long-standing governance issues and implementing credible fiscal and monetary reforms.

2. **Strengthen the Legal and Institutional Framework:**

The proposed amendments to the PPP Law are a positive step, but their effective implementation is crucial. Going forward, Lebanon must focus on:

- **<u>Building Institutional Capacity</u>:** Establishing a strong, well-resourced PPP unit with the technical and financial expertise to manage the project lifecycle.
- **<u>Ensuring Transparency and Accountability</u>**: Implementing clear anti-corruption measures and public disclosure standards to ensure a transparent bidding process and prevent project failures.

3. **Develop a Strong Project Pipeline:**

The government must identify and prioritize a pipeline of projects that are financially feasible and offer genuine value for money. This requires:

- **Realistic Feasibility Studies:** Conducting thorough and realistic technical, financial, and environmental studies to avoid over-optimistic forecasts that can lead to project failure.
- **Strategic Risk Allocation:** Clearly defining and allocating risks to the party best equipped to manage them.

By addressing these core areas, Lebanon can transform PPPs from a theoretical framework into a practical tool for attracting investment, improving public services, and building a more resilient economy.

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