PPP: Has The Time Come For Lebanon?

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Public-private partnerships (PPPs) have become a central policy tool for many governments seeking to finance development while addressing growing fiscal and institutional constraints. The Union of Arab Banks highlights PPPs as a mechanism that not only mobilizes private resources but also distributes risks, enhances efficiency, and sustains economic growth. Their significance is particularly evident in countries facing fiscal pressures and urgent development needs, where balancing public oversight with private investment becomes essential. Lebanon, grappling with deep economic challenges, illustrates both the potential and the complexity of such arrangements.

The "What": The Nature of PPPs

PPPs are collaborative frameworks between the public and private sectors aimed at delivering infrastructure and services more effectively than the state could achieve alone. The report emphasizes that PPPs are particularly relevant for projects requiring large financial commitments, technical expertise, and efficient management. While the public sector ensures regulatory oversight, long-term policy alignment, and social equity, the private sector contributes capital, operational efficiency, and innovation. Risk-sharing is fundamental: financial and managerial risks are shifted toward the private side, while the public side bears the social and political responsibilities. This duality ensures that projects are not only implemented but also remain aligned with broader development objectives.

The "How": Mechanisms and Models of Partnership

The success of PPPs depends on the contractual models that regulate cooperation. The report outlines several, including Build-Operate-Transfer (BOT), where the private partner develops and manages a project before returning it to the state; Build-Own-Operate (BOO), which grants the private partner full ownership and long-term management rights; and Design-Build-Finance-Operate (DBFO) models that consolidate project phases into one private entity. Concessions and performance-based contracts are additional tools that link compensation to measurable efficiency and service outcomes.

These mechanisms allow flexibility, adapting to different project scales and objectives. A comparative table in the report highlights variations in ownership, financing responsibility, operational control, and contract duration, showing how governments can balance their need for infrastructure development with the private sector's appetite for profit and risk assumption.

Type of Partnership	Definition	Ownership of Assets	Responsibility for Financing	Responsibility for Operation	Contract Duration	Advantages	Disadvantages
Build–Operate–Transfer (BOT)	The private sector builds and operates the project for a period, then transfers it to the state	Public (after transfer)	Private	Private during the contract period	Long-term (20–30 years)	Reduces the financial burden on the state in funding	Operational risks on builders
Build–Own–Operate (BOO)	The private sector builds, owns, and operates the project without transferring ownership	Private	Privare	Private	Permanent or long term	Strong incentive for investment	Weak government oversight
Design–Build–Finance–Operate (DBFO)	The private sector undertakes the design, construction, financing, and operation	Public	Private	Private	Long-term (20–30 years)	Integration in implementation, greater efficiency	Contract complexity and possibility of implementation failure
Concessions	The state grants the private sector a concession to operate a public project and collect revenues	Public	Private	Private	Long-term (20–30 years)	Efficiency incentive	High risk for the private sector if returns are unstable
Management Contracts	The private sector only manages the project in return for a fee	Public	Public	Private (for managemnet only)	Short-term (5–7 years)	Improves efficiency without loss of ownership	Limited incentives

Source: Union of Arab Banks

This contractual diversity underlines the how of PPPs: they are not one-size-fits-all arrangements but rather tailored frameworks to fit national needs and capacities.

The "Why": Strategic Importance of PPPs

The justification for PPPs rests on a set of interrelated economic and social benefits. Fiscal constraints make it increasingly difficult for governments to finance large-scale infrastructure alone, particularly in developing economies. PPPs thus emerge as a solution for mobilizing private capital without overstretching public budgets. Beyond financing, they encourage efficiency, innovation, and timely implementation by leveraging private sector expertise. Moreover, they distribute risks, reduce the fiscal exposure of governments, and ensure that projects are executed within transparent and accountable frameworks.

From a developmental perspective, PPPs support the achievement of the Sustainable Development Goals (SDGs) by improving service delivery, expanding infrastructure, and stimulating job creation. Their strategic role is not limited to filling financing gaps; they also strengthen governance, promote institutional capacity, and embed performance-based accountability into service provision.

Lebanon as a Case Example

The relevance of PPPs becomes clearer when applied to Lebanon's current crisis. As Albert Kostanian argues in his report *Privatization of Lebanon's Public Assets: No Miracle Solution to the Crisis*, (2020), privatization alone cannot resolve the country's structural problems, yet asset management and PPPs remain part of the debate. His analysis values Lebanon's public assets under both conservative and optimistic scenarios, ranging between $11.7 billion and $21.5 billion. The most significant contributors are real estate (up to $14.38 billion) and telecommunications (up to $4.28 billion), followed by Middle East Airlines, the airport, and other entities.

	Conservative Valuation (million USD)	Optimistic Valuation (million USD)
MEA	600	740
CDL	320	420
RLTT	1,440	1,700
Airport	-	-
Ports	-	-
Real Estate	7,120	14,380
Telecom (fixed and mobile)	2,180	4,280
EDL	-	-
Water Agencies	-	-
Total	**11,660**	**21,520**

Source: Privatization of Lebanon's public assets, No Miracle Solution to the Crisis, Albert Kostaninan. AUB.

Kostanian further estimates that a realistic privatization program might yield around $5.9 billion, while a bullish program could generate as much as $13.4 billion. These figures demonstrate the potential fiscal relief such initiatives could provide but also highlight their limitations: they remain insufficient compared to Lebanon's accumulated losses, debt levels, and structural economic weaknesses. As Kostanian stresses, privatization is not a "miracle solution" but a partial tool within a broader reform framework. Hence, Lebanon's case exemplifies why PPPs matter: they can mobilize much-needed capital, improve efficiency in sectors like telecom or transport, and introduce innovation. However, without institutional reforms, transparent governance, and strategic alignment with long-term goals, PPPs risk being reduced to one-off financial fixes rather than engines of sustainable development.

Thus, public-private partnerships go beyond being financial contracts; they represent a practical path toward resilience, innovation, and sustainable growth. The Union of Arab Banks emphasizes their role in easing fiscal pressures, improving efficiency, and advancing development goals. Lebanon's experience shows that while such partnerships can unlock value and bring in much-needed capital, they cannot substitute for the broader reforms the country requires. In this sense, PPPs should be seen not as a cure-all, but as one of the tools that, when embedded in a credible reform strategy, can help steer economies toward stability and long-term progress. For Lebanon, the question is no longer whether PPPs matter, but whether the time has finally come to embrace them as part of its recovery plan.

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