

**Majd Aboul Hosn grew up in post-civil war Lebanon when optimism towards the country's future was abundant. Over twenty years later, he continues to use his industrial engineering background and understanding of sustainability to support Lebanon's conflict ridden recovery.**

**Majd completed the Master of Studies in Sustainability Leadership 2011-2013. This article draws on his research dissertation which focused on Lebanon's power sector, in particular the Country's recent pledge to provide 12% of power from renewable sources by 2020. The commitment demanded the strength of a successful public-private partnership (PPP). By establishing a framework to assess the identity and strength of a partnership, this research aimed at analyzing the potential effectiveness of a PPP in Lebanon's power sector.**

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### **The Challenge**

In 2009, Lebanon made a commitment at COP 15 in Copenhagen to provide 12% of the power production through renewable energy sources. The commitment, although noble, presented a long-term challenge to a country which was still struggling with the day-to-day responsibility of providing 24hr electricity.

Heavy government electricity subsidies, an unstable political environment, the politicization of the power sector, and a debilitating national debt have crippled the nation's ability to rebuild the power sector since the devastating civil war ended in the early 1990's.

The challenge would require the resources and skills of the private sector coupled with the authority, public service identity, and vision of the public sector.

### **The Research**

This research was carried out almost four years after the COP 15 commitment was made. Using literature and interviews with key stakeholders in Lebanon's renewable energy plans. This research aimed to take the leap of understanding what constitutes an effective partnership in the context of public private partnerships (PPP) and whether or not the Lebanese power sector (LPS) has enacted these mechanisms effectively. Because a key measure of

effectiveness in PPP are their ability to achieve specified goals, the research was done in the context of the proposed PPP for renewable energy production sector aimed at achieving the COP 15 12% renewable energy commitment.

## Research Approach

The research was conducted in three phases, with an overarching deductive approach.

Phase 1 was the literature review providing a foundational understanding of partnership grounded theory in the context of PPP. The literature was analyzed as a running text with no objective to probe beneath the words at this stage.

Phase 2 of the research was based on secondary sources, with an exploratory-inductive approach aimed at placing the themes from step 1 within the context of Lebanon.

Phase 3 used primary resources, collected through 12 lightly structured interviews across the public, private, and NGO/academic sectors, which aspired to give the data a 'voice'. By means of an inductive/confirmatory approach, the would be used to support or refute the findings from the first two phases.

## The Findings

### *What are the elements of a successful partnership?*

In the iterative process of defining partnerships, the literature has produced a great deal of definitions and attributes. For the purpose of this research scope, the reoccurring defining elements of a partnership were summarized from the literature as:

- Joint determined goals precisely defined
- Collaborative and consensus-based decision making
- Shared and mutually agreed strategies and policies
- Non-hierarchal and horizontal structures and processes
- Trust-based relationship
- Shared risks, costs, and resources
- Shared accountability for outcomes and results
- Transparency around risks, opportunities, and objectives
- Measurable outcomes
- Transparent legal framework protecting both parties
- Close monitoring of power balance within the partnership

### *What are the major barriers to a successful PPP?*

Aligning the partner objectives: The barriers to a successful PPP are rooted in the misalignment of the inherent identity of the private sector and that of the public sector. The private sector is profit driven, while the public sector is, by definition, driven by improving social welfare.

Achieving mutuality: The elements of a successful partnership point to a mutuality between both partners. This mutuality is defined by dissolving the identity of each of

the partners and establishing a joint identity, that of the partnership. Mutuality becomes difficult to achieve when one partner, usually the private sector, has the greater portion of resources, skills, and efficiency.

“Although financing was one of the five parameters used to measure a government’s ability to engage the private sector, the other four stemmed from such elements as transparency, trust, accountability, fairness, balance, and joint decision making.”

Engaging the Private Sector: Mutuality and alignment of objectives are achievable on the premise of a highly engaged private sector. Building trust and accountability are essential to overcoming the private sector’s tendency to continue profit mining and undermining the importance of social welfare.

The bi-dimensional framework to assess partnership (Brinkerhoff, 2002)

		Mutuality	
		Low	High
Organization Identity	High	Contracting	Partnership
	Low	Extension	Co-optation & Gradual Absorption

### Assessing the potential success of Lebanon’s proposed power sector PPP

Although the optimism surrounding the potential outcomes of the PPP begins to fade through the literature, the turbulent road ahead for this partnership only becomes clear after the interviews. The interview subjects present a power sector so convoluted with complexity; the solution is beyond them. The research findings were grouped based on subject matter and themes began to structure themselves around the findings.

*Theme 1:* There are early signs that accountability towards achieving the COP 15 commitment has been lost. This theme emerged from the realization that there was a lack of consensus around what Lebanon’s COP 15 commitment is. Furthermore, accountability for potential failure has been placed on external uncontrollable events.

“The change in policy can be very unexpected. Take for example the last minister’s policy aimed at using coal power plants to cover the production gap.”(NGO Sector Interview 11)

*Theme 2:* There is a consensus around the public sector’s lack of capacity to manage a PPP formed to produce renewable energy. The public sector is perceived as favouring short-term gains over long-term public well-being. Past trials with PPP and current public sector practices have exposed the public sector’s disregard for any legal framework and as a result, the public sector has lost legitimacy as an effective partner.

“So what we did in Lebanon, we created a novel scheme that cannot be called privatization, but in fact it is an aggressive intervention of the private sector into the distribution side. We worked around the legal framework.” (Public Sector Interview 6)

“The whole world is working on net zero except Lebanon. Lebanon is hardly working on day to day activities. We lack, we lack a vision. I mean minimum five years, but unfortunately decision makers they work for the short, short term. They want you to see it.” (Private Sector Interview 1)

*Theme 3:* The public and private renewable energy stakeholders show a strong commitment to their own organization identities and a lack of trust towards the partner’s identity. The public sector clearly voiced their fear of being controlled by the profit hungry private sector. The private sector on the other hand did not believe that the public sector was a productive partner and feared a change in policy, which was common in the power sector, would undermine their potential return on investment.

The current power sector is the product of a failed state rooted in almost 30 years of inefficient capacity building. Their lack of capacity to set a long-term vision, pass the necessary laws, and provide the resources for reform are the remnants of a failed state undermined by special interests, and a power struggle which maintains the fragility of the country.

## **The Recommendations**

The research has focused on the tip of a large iceberg, which has been forming for decades. The proposed PPP for renewable energy production has offered a mere glimpse into the complexity of Lebanon’s political and social state. The PPP to produce renewable energy does not have the foundations of a successful partnership starting with the low level of engagement presented by the private sector.

Renewable energy initiatives have more chance of success if implemented at the municipality levels. Municipality policies are less politicized and more customizable to tackle local problems with power generation. This approach will raise the population’s awareness regarding renewable energy, and is more immune to changes in Government policies.

Lebanon's Government does not have the resources and long term vision to realize a successful PPP. The private sector's motivation to enter into a partnership has been limited to the realization of profits, thus making the partnership elements of mutuality and alignment of objectives unattainable. This suggests the partnership will be an "extension" of the more dominant partner's identity, that of the private sector.

Although failing to achieve the COP 15 commitment will have consequences for Lebanon, the risk of entering into a PPP may result in negative economic and social outcomes in an already destabilized and conflict prone country. The future picture of the LPS is grim if no action is taken. The socio-economic implications suggest further weakening of the state and the potential for great social unrest. Action must be taken with a clear vision and responsibility towards the future well-being of Lebanon.

"In 1969, 79% of energy consumption in Lebanon came from hydropower. As consumption increased and hydropower plants decayed through the war, this figure fell to 42% in 1974 and 3.5% in 2001."