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RUNNING FROM DISASTER

A ROADMAP FOR RESCUING LEBANON'S TELECOMS AND ELECTRICITY SECTORS

JAN 2024

BY LEONORA MONSON

REFORM OF STATE-OWNED ENTERPRISES IS BOTH POSSIBLE AND NECESSARY

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RUNNING FROM DISASTER:

A ROADMAP FOR RESCUING LEBANON'S TELECOMS AND ELECTRICITY SECTORS

Reform of state-owned enterprises is both possible and necessary, starting with electricity and telecoms.

by Leonora Monson

EXECUTIVE SUMMARY

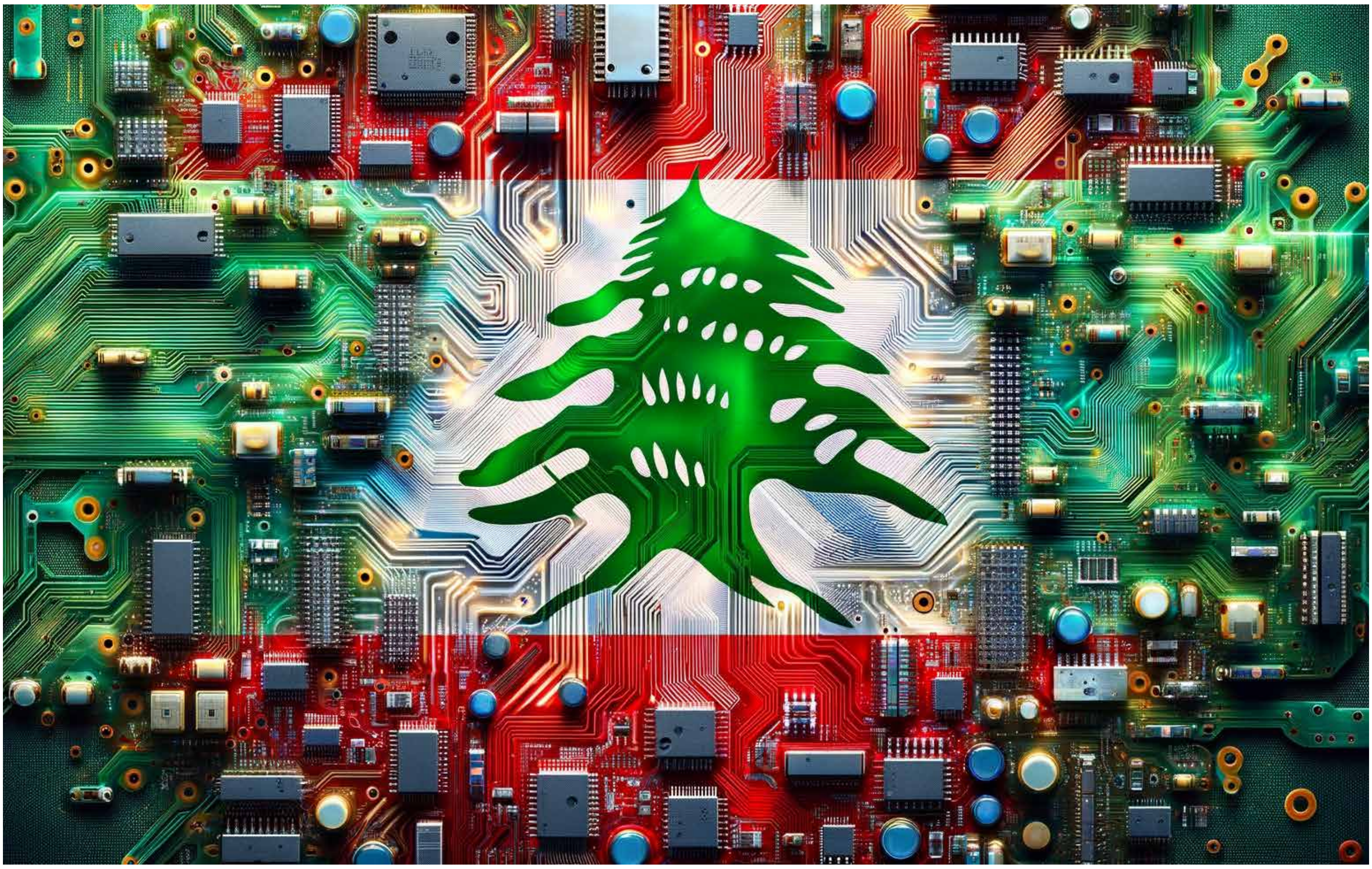
Lebanon's State-Owned Enterprises (SOEs) are in critical condition, mired in mismanagement, financial turmoil, and systemic inefficiencies. The lack of a legislative framework defining SOEs and their governance has fostered ambiguity surrounding oversight and accountability. The decentralised ownership model, ostensibly managed by individual ministries, has masked an alarming conflict of interest whereby these ministries simultaneously regulate and own these enterprises. This clearly contravenes international standards and highlights severe governance issues. Consequently, SOEs consistently rank amongst the International Monetary Fund's (IMF) top priorities for immediate action in Lebanon.

The IMF's June 2023 report sounded an ominous warning to the Lebanese government: without structural reforms to SOEs, Lebanese living conditions will further deteriorate given the cascading impact on public services. Now, over seven months have passed, and ministerial promises to the IMF to appoint regulators, conduct audits, and survey institutional governance practices remain unfulfilled.

Instead, Lebanon's current caretaker ministers have continued in a well-established tradition whereby SOEs are a leading tool of corruption in the state. Ministerial priorities include maintaining nepotistic-patronage networks, centralising of authority within their office, and blame shifting for deficiencies in utility services. As a result, they have neglected urgent reforms to enhance the provision of basic public services in an equitable and transparent manner.

In the electricity sector, the history of Électricité du Liban (EDL) reveals a tale of persistent misallocation of funds, inefficiency, and resistance to external audits, leading to staggering financial losses, amounting to more than US$40 billion of Lebanon's public debt by 2018.[1] The turmoil reached a peak amid Lebanon's ongoing financial crisis, with electricity tariffs proposed but failing to address the core issues, leaving citizens grappling with daily power cuts. Indeed, energy poverty is now prevalent across the country, according to research by Human Rights Watch. Lebanon's environment, as well its inhabitants' health and wealth, have also paid the price.

Telecoms SOEs, Ogero, MIC1 (Alfa), and MIC2 (Touch), while generating substantial revenue, suffer from governance challenges and financial mismanagement. Regulatory authorities, mandated since 2002, are non-existent, with ministries assuming their roles, further



contributing to an abysmal global ranking in governance and regulation. A scathing report by the Lebanese Court of Audit, published in April 2022, documented the misallocation of public funds from these SOEs and legal violations by the Ministry of Telecommunications (MoT).

First and foremost, transparency and accountability measures, including external audits conducted by reputable international firms, must be instituted, buttressed by an empowered Higher Court of Audit. The appointment of independent sector regulators, adhering to OECD standards, would provide a much-needed separation of powers, ensuring impartial decision-making.

Institutional governance reforms, inspired by OECD Corporate Governance Guidelines, are essential for SOEs to function independently and transparently. The restoration of tariff-setting authority to regulators would prevent erratic increases and align costs with market conditions. However, tariffs alone cannot salvage the sectors; a comprehensive overhaul involving annual audits, regulatory activation, governance reforms, and a new SOE law are imperative.

The prospect of privatisation, though a potential solution, requires meticulous planning. The absence of a national strategy, a sound regulatory environment, and anti-corruption frameworks necessitates a cautious approach. The Higher Council for Privatisation, augmented with regulatory oversight, should guide this process, ensuring the proceeds are allocated transparently and in line with public policy objectives. What is clearly not in the public interest, however, is the so-called 'Sovereign Fund' being suggested by various politicians and the banking sector, which would see state assets used to cover liabilities to commercial banks.

Amid a crisis with inflation at approximately 252 percent and currency devaluation of 90 percent, SOE reform may not seem like an immediate priority. The truth of the matter is, however, that SOE reform sits at the heart of Lebanon's economic recovery precisely because these institutions are the root of the debt problem and clientelism in the public sector. In tandem, both aspects of SOEs sustain the current crisis and elite capture of the state. In short, without true reform of SOEs there is little hope Lebanon will ever truly recover from its current predicament, much less provide basic services to its people.

INTRODUCTION

A state-owned enterprise can be broadly understood as a publicly owned entity operating with administrative and financial autonomy, partially or totally government controlled, and engaging in commercial or economic activity, as defined by the IMF. In Lebanon, there are 22 SOEs according to this criterion, spanning from public service providers to commercial enterprises. Lebanon's SOEs are not, however, officially defined or itemised in existing legislation, contributing to ambiguity regarding oversight and accountability.

Lebanon's SOEs presently operate under a 'decentralised' ownership model, according to Organisation for Economic Co-operation and Development (OECD) criterion.[2] In this framework, individual ministries are tasked with state ownership and management of each enterprise. However, this system is not explicitly clarified in existing legislation, leading to ambiguity and tensions over governance and management of these institutions. Meanwhile, where active regulators are absent in Lebanon, the relevant ministries often undertake both regulatory and ownership functions for SOEs under their purview. This dual function directly contradicts international standards and reflects a significant governance issue.

The reform of Lebanon's SOEs necessitates a balanced strategy that tackles both the underlying issues affecting enterprises across the board while also offering tailored approaches to addressing the specific challenges of each institution. Collectively, a new SOE law would outline a clear ownership strategy and thereby establish key objectives, oversight, and management principles, as per IMF recommendations issued following their visit in June 2023.

The SOEs active in Lebanon's electricity and telecommunications sectors are often considered to be polar opposites in regard to functionality, given the multi-billion-dollar losses the former has for decades incurred and the relative profitability of the latter. Both, however, suffer from profound systemic and institutional challenges that urgently require reform to improve the quality and costs of the services they provide Lebanese. Brief background case studies on both sectors are thus provided below, with the subsequent recommendations acting as examples of the public benefit that could be arrived at from reforming the entire body of Lebanese SOEs.

BRIEF HISTORY OF ÉLECTRICITÉ DU LIBAN

Decree No. 16878 of July 10, 1964, established Électricité du Liban (EDL) as the single SOE responsible for electricity generation, transmission, and distribution in Lebanon.[3] According to this legislation, EDL was placed under the tutelage of the Ministry of Energy and Water (MoEW), which was responsible for strategic planning and policy development at the electricity provider. Meanwhile, the Ministry of Finance (MoF) was given overarching financial oversight of the entity.

EDL faced its first major challenge with the outbreak of the Lebanese Civil War in 1975. The conflict inflicted severe infrastructural damage on the electricity sector, decimating the national electrical grid. Armed groups took control of many EDL facilities, manipulating

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their control over access to electricity for both military purposes and political influence. Simultaneously, the state's inability to compel payment for electricity resulted in widespread non-payment of bills, further straining the beleaguered SOE.[4]

With the close of the conflict, the Lebanese government committed to rehabilitating infrastructure, including the electricity sector, partly relying on foreign investment. However, misallocation of funds, inefficiency, and a lack of accountability hampered EDL's operations, contributing to a perpetual budget deficit and frequent power cuts. Financial losses accumulated through a reliance on fuel-oil imports purchased with US dollars, alongside heavily subsidised electricity provision. Indeed, from 1996 to 2023, EDL tariffs were held at US$0.095 per kilowatt hour (KWh), despite the true cost of providing electricity in Lebanon increasing to between US$0.16 to US$0.23 per KWh.[5]

The MoEW has relied on state funds to finance EDL's budget shortfalls. Aggregate transfers from the treasury to cover EDL's losses totalled approximately US$43 billion between 1993 and 2020,[6] or an average of around US$1.6 billion per year. Nonetheless, Lebanon's government has proven resistant to international pressure for a financial audit to fully gauge the extent of the electricity sector's financial woes. EDL is currently awaiting an independent audit as requested by the World Bank in return for access to funds for a regional oil and gas deal. Despite a local firm winning the audit tender over a year ago, it is to date unimplemented.

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Since the outbreak of the financial crisis in 2019, EDL's financial difficulties significantly worsened amid Lebanon's currency devaluation. February 2023 saw the MoEW attempt to raise electricity tariffs to US$0.10 per KWh for the first 100 KW and US$0.27 per KWh for anything over. Difficulties stemming dollfrom poor bill collection, handled by four sub-contracted private companies since 2012, means that the revenue gains expected from the tariff increase are yet to be seen.[7]

There has also been consistent reluctance from the MoEW to implement governance reforms that would do away with internal patronage networks. The Electricity Regulatory Authority (ERA), tasked with regulatory oversight of the electricity sector, has remained without board members more than 20 years after its establishment in Law 462 of 2002.[8] The most recent delay in the appointment of board members was because "the panel of acceptable candidates was too small", according to the Caretaker Minister of Energy and Water, Walid Fayyad, in a previous interview with *The Badil*. Delays abound despite pressure from The World Bank for the immediate appointment of a regulator, another requirement for Lebanon to access funds for a regional electricity deal. In the absence of an ERA board, the ministry has taken over several of the regulator's mandates, while also inking oil supply agreements with Iraq to compensate for not having qualified for the World Bank electricity deal.

As a result of internal paralysis, EDL has struggled to meet prevailing electricity demand in Lebanon. The state-provided electricity typically functions for between 1 to 3 hours per day as of 2023.[9] To compensate for this shortfall, diesel generators or solar photovoltaic (PV) systems are now widespread alternatives, or backups, to EDL.

An anomaly in the Lebanese electricity sector is Électricité du Zahle (EDZ), one of a handful of concessions across the country, established during the Ottoman period, that subsequently survived as subsidiaries to EDL under Decree No. 16878 of 1964.[10] Customers in the EDZ service area in the Bekaa Valley generally receive uninterrupted public power provision, with EDZ purchasing subsidised electricity from EDL when available and independently generating its own electricity when the EDL supply is unavailable. Research suggests that although EDZ has improved service for its customers, it still suffers from substantial levels of corruption. It has not implemented many of the standard tenets of good practice according to international standards, including unbundling generation, transmission, and distribution, or implementing sector regulation.

BRIEF HISTORY OF LEBANON'S TELECOMS SOES

Lebanon's telecoms sector is comprised of three SOEs: Ogero, responsible for fixed-line phone services, and MIC1 (Alfa) and MIC2 (Touch) for mobile services.

Ogero was originally established as a public institution under Law No. 21 of 1972, tasked to manage investments in the French company Radio Orient. However, Ogero's role expanded significantly beyond its initial legislative scope through successive decisions issued by the Council of Ministers. It evolved into the primary operator of Lebanon's fixed telecommunications network, taking on various responsibilities such as maintaining submarine cables, procuring international bandwidth, and providing high-speed internet services.[11]

In 1993, LibanCell, owned by Telecom Finland, and Cellis, a France Telecom subsidiary, obtained mobile operating contracts for Lebanon through build-operate-transfer (BOT) agreements. Both operators' contracts were terminated in 2001 and, as a result, control of the cellular networks was transferred to the Lebanese state, leading to the establishment of MIC1 (Alfa) in 2002. To ensure the continuity of the mobile network, a contract was also signed with the former carrier LibanCell in 2004, leading to the establishment of MIC2 (Touch).[12] This contract established a Supervisory Board, to monitor internal governance, comprised of a representative of the minister, an international telecoms expert, and a representative of the financial consultant for the sale process.[13] It was later dissolved, and its powers transferred to the minister.

Kuwait-based Zain was awarded a renewable private sector operating contract for MIC2 in 2004, and Amsterdam-based Orascom began operating MIC1 in 2009. In May 2020, the Ministry of Telecommunications (MoT) terminated these contracts and subsequently assumed the management of MIC1 and MIC2. Theoretically, this was a temporary measure until management contracts

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were won by alternative operators.[14] Over three years later, the MoT has yet to prepare or submit to the Council of Ministers a new specifications booklet, management agreement, or terms for an international tender as required by Council of Ministers' Decision No. 3 of 5/5/2020.[15]

Law No. 431 of 2002 sets out rules for the complete or partial transfer of sector administration to the private sector and established the Telecommunications Regulatory Authority (TRA). The TRA's mandate is to include drafting decrees and regulations to implement the law, promote competition within the sector, manage concessions, issue licenses, and monitor tariffs. The regulator has, however, been without a board for most of the past two decades. Meanwhile, despite the provisions promoting sector privatisation, Lebanon's telecom sector remains fully owned, managed, and regulated by the MoT.[16]

Caretaker Minister of Telecoms, Johnny El Corm, claimed that the appointment of TRA board members had been a priority when he entered ministerial office in 2021, in an interview with *The Badil*. He said, however, political gridlock had made it impossible. "It was a political thing where I was not able to bypass the system", said El Corm. Today, the minister stated that the appointment of a regulator is impossible until a new president is elected with the authority to approve board appointments.

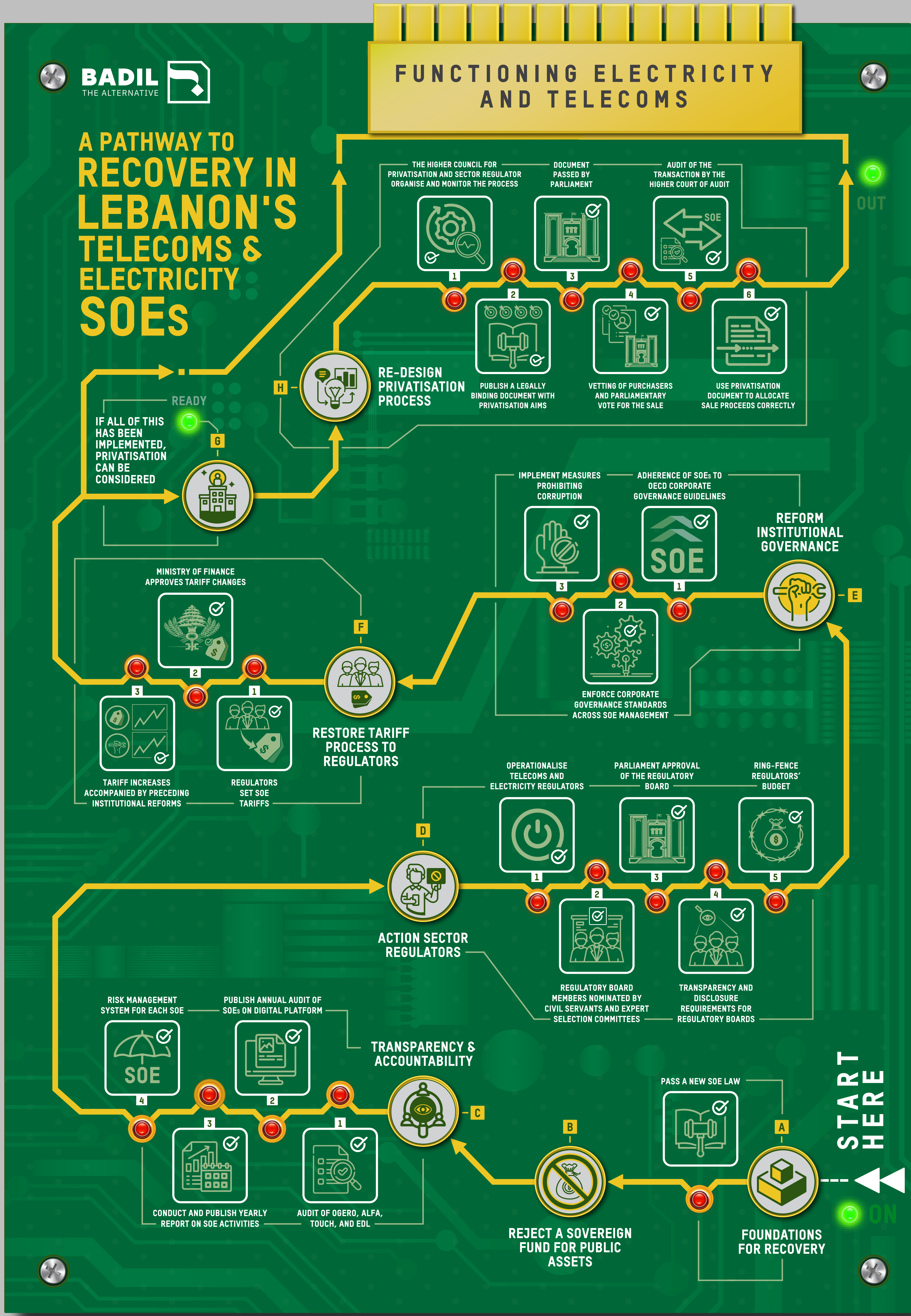
> ***"Lebanon's telecoms sector presently ranks at 119 for governance and 126 for regulation of 131 countries on the Network Readiness Index."***

Nonetheless, the seemingly dormant TRA still serves a valuable purpose as an outlet for ministerial patronage. Despite the absence of board members, the regulator's 33 employees receive excessively high salaries considering their low productivity, according to an April 2022 special report from Lebanon's Higher Court of Audit. As a consequence, Lebanon's telecoms sector presently ranks at 119 for governance and 126 for regulation of 131 countries on the Network Readiness Index.

Revenues generated by SOEs in the telecoms sector have been an essential fiscal resource for the Lebanese government, generating approximately US$17 billion between 2010 and 2020. They are, therefore, a few of only a handful of revenue generating SOEs in the country. Despite being cash positive, the absence of concurrent transparency and accountability measures means that these enterprises suffer from systemic issues relating to financial mismanagement, as identified in the Court of Audit's report in 2022.[17] Internal accounting systems in the mobile operators and Ogero are insufficient, not least because they do not abide by the Law on Public Accounting in their expenditure and are not subject to regular audits of expenditures or to the oversight by the Court of Audit. This has resulted in the widespread misallocation of funds spent on promotional activities, despite the lack of competitors in the sector, rents and overpriced maintenance contracts.[18]

RECOMMENDED REFORMS

What follows is a policy guide for reform of telecoms and electricity SOEs in Lebanon. To be exact, Ogero, Alfa (MIC 1), Touch Lebanon (MIC 2) and EDL. The policy guide is based on research produced by international organisations, including the OECD and the IMF. Their policy recommendations are contextualised in the Lebanese setting and furnished by interviews with experts on Lebanon's SOEs, thereby taking into consideration the country's pre-existing legislations, institutions, and challenges.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THE ALTERNATIVE
FUNCTIONING ELECTRICITY AND TELECOMS
A PATHWAY TO RECOVERY IN LEBANON'S TELECOMS & ELECTRICITY SOEs
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1. REJECT A SOVEREIGN FUND FOR SOES

The necessity to reform Lebanon's SOEs must be approached from the perspective of enhancing the public good rather than enriching the already wealthy. In 2020, the Association of Banks in Lebanon (ABL) put forward an alternative rescue plan, proposing the transfer of state assets, including SOEs, into a 'Government Debt Defeasance Fund' overseen by the Banque du Liban (BDL), Lebanon's central bank. The intention was to utilise revenues generated from these assets to settle state debts to BDL and commercial banks. This so-called 'sovereign fund' model evolved in 2021 into a proposed 'Lebanese Investment Corporation'. This join-stock company, managed by BDL, was designed to manage state assets and utilise their revenues to settle debts, while maintaining state ownership of these assets.

Institutionally, there is a high risk of such a structure centralising authority over state assets in the hands of a single board appointed by the pinnacle of Lebanon's political elite. It would invariably become supremely influential and democratically unaccountable. A sovereign fund would also be fundamentally at odds with an equitable resolution to the financial crisis, given that it would hold the state solely responsible for Lebanon's financial collapse, absolving BDL and commercial banks from any role. Beyond this, the use of public assets to cover state losses to banks represents a blatant misuse of public resources. In light of these concerns, the implementation of a sovereign fund for SOEs in Lebanon must be strongly rejected for not being in the public interest.

2. IMPLEMENT TRANSPARENCY AND ACCOUNTABILITY MEASURES

The first step in the reform process in telecoms and electricity SOEs must be conducting and publishing an audit, disclosing and examining the financial and operational performance of Ogero, MIC1, MIC2, and EDL. At present, these SOEs only submit their fiscal data to the MoF on an ad-hoc basis in the form of an annual budget. SOE boards are not legally obliged to provide such information, and, as a result it is commonly absent.

The audit must be conducted by a **"**reputable international firm**"**, as opposed to existing in-state audit bodies or procedures, according to IMF recommendations.[19] However, external audits must be fortified by an empowered Higher Court of Audit,

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with an expanded mandate, budget, and manpower to assess and address audit findings. The entity has previously shown its ability to outspokenly identify financial misdealings within SOEs. A published annual audit of SOEs would ensure that financial activities are monitored on a regular basis. This would be introduced through a central, digitalised platform where annual fiscal information would be inputted by civil servants in each SOE, synthesised, and published in the context of complete reports by public servants and experts in the MoF.

To complement this audit the OECD recommends the annual publication of an aggregate report covering all SOE activities in Lebanon. This would include information such as the total value of the state's portfolio of SOEs, aggregate financial information and reporting on SOE boards, and consideration of ongoing financial risks across various sectors.

Finally, an integrated risk management system must be established in each SOE producing periodic risk assessments measuring internal and external risks for their likelihood of occurrence and impact. This system would explicitly treat a comprehensive set of corruption-related risks and consider high-risk areas, such as interactions between the SOE board, regulators, and government. A starting point would be utilising the IMF State Owned Enterprise Health Check Tool to assess the financial soundness of SOEs through indicators reflective of an SOE's profitability, solvency, and liquidity. Risk assessments must then be integrated into the MoF's centralised fiscal policy planning.

3. APPOINT SECTOR REGULATORS

Since 2002, both the telecoms and electricity sectors in Lebanon are mandated to have regulators, as per Law 462/2002 and Law 431/2002, respectively. Over 20 years later, both entities are without board members and, consequently, out of action. In the meantime, powers in the remit of the regulator, including, for example, the ability to raise and monitor tariffs, have been devolved to the relevant ministers through a series of legislative measures.

At present, Law 462/2002 and Law 431/2002 allocate the telecoms and electricity ministries respectively the power to nominate regulatory board members. Nominees are subsequently subject to approval by the Council of Ministers. By contrast, the greater the distance between political influences and the regulator the greater the benefits, according to OECD research. Not only is it likely to produce consistent and predictable regulatory decisions but the impartial application of regulatory decisions is better ensured by keeping such entities "at arm's length from ministers and ministries".

As such, regulatory board members in Lebanon's telecoms and electricity sectors must be nominated by selection committees composed of civil servants and relevant experts. Their nominations will be subsequently submitted to the Parliament for consideration and approval, or

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rejection, who will also vote on funds appropriated to the regulator through the national budget. Members of the regulatory board must be held to OECD standards of independence. This includes ensuring members of regulators and SOE boards are appointed according to conflict-of-interest measures and have ring fenced funding protecting members from undue influence.

4. REFORM INSTITUTIONAL GOVERNANCE

The introduction of governance measures, prioritising transparency and sustainability, sits at the heart of SOE reform in telecoms and electricity. With the capacity to institutionally reshape SOEs and diminish ministerial prerogative it is, however, the reform that has been furthest down in ministerial priorities in Lebanon's telecoms and electricity sectors.

Indeed, Lebanon's SOEs have "sub-optimal governance arrangements", according to research by the Institut des Finances Basil Fuleihan. This involves SOE boards of directors that are either unappointed or subject to sectarian clientelism and political pressure. For example, the 2020 appointment process for the EDL board of directors was condemned by experts as a sectarian carve up.

The key step in reforming institutional governance of Lebanon's SOEs must be their immediate adherence to OECD Corporate Governance Guidelines. This entails Boards of Directors in telecoms and electricity SOEs working within a strong legal and regulatory framework protecting their independence and autonomy. Whilst board members will remain nominated by ministers, there must be subsequent vetting by parliamentary selection committees and relevant regulatory boards for their appointment. There must be a concomitant enforcement of SOE corporate governance standards promoting a "corporate culture of integrity" across SOE management entities, as outlined in the OECD anti-corruption measures for SOEs. In its absence at present, for example, three board members of Ogero were sent to the Court of Auditors under allegations of legal offences in 2020. Measures must include a clearly articulated and visible policy prohibiting corruption, explicit commitment from boards and management to internal controls, ethics and compliance measures, and encouraging an open culture that encourages good governance and integrity.

5. RESTORE TARIFF PROCESS TO THE REGULATOR

Tariffs must reflect the fair cost of service provision and tariff increases must not be used to avoid reform and cover for excessive revenue losses from inefficient, archaic and mismanaged institutional processes. Increased costs to customers must also be made with attention paid to the market conditions in which they are being made.

Despite previously being the remit of sector regulators, various legislative amendments mean the power to set

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> ***"In the absence of properly regulated tariff regulation, the ministries of energy and telecoms have each pursued erratic, poorly planned and ineffective tariff increases since the beginning of Lebanon's financial crisis."***

and monitor tariffs for public utilities now belongs to the relevant ministries. Given the required level of expertise of regulatory board members, however, they would be far better suited to design tariff methodologies. The regulator could thereby ensure that the final prices paid by consumers reflect the justified cost of services provided and are adequate to current market conditions. In the absence of properly regulated tariff regulation, the ministries of energy and telecoms have each pursued erratic, poorly planned and ineffective tariff increases since the beginning of Lebanon's financial crisis.

A tariff hike for state-provided electricity was announced at the end of 2022 and introduced in February 2023. Increasing the pricing of electricity provision would supposedly mean "cost recovery will be reached from day one", according to Fayyad in a previous interview with *The Badil*. The caretaker minister has since admitted that an inability to collect energy bills from customers meant the plan fell short. The MoEW renewed their cost-recovery efforts in September 2023 in the form of partially dollarizing EDL tariffs. The measure is aimed at overcoming the MoEW's shortage of foreign currency reserves required to fund infrastructure maintenance and pay fuel suppliers. However, it necessitates EDL subscribers settling bills in cash, in dollars or lira, at a higher exchange rate than the parallel market.

Meanwhile, in the telecoms sector, Ogero's fixed calls and internet tariffs underwent a sevenfold increase in September 2023. "I look at it as a tariff decrease", said El Corm in an interview with *The Badil*. The caretaker minister explained that this was because the price of the tariff in dollars is now lower than the cost of telecoms services at the pre-crisis exchange rate.

The financial collapse in 2019 has, however, seen a concomitant plummet in purchasing power, meaning tariffs invariably occupy a greater portion of household budgets. Protesters gathered outside the EDL headquarters in Beirut decrying steep electricity bills in the absence of an improvement in services in September 2023. Meanwhile, following telecoms tariff hikes in 2022, reports showed that vulnerable families in Lebanon, unable to pay their phone bills, were cut off from aid agencies and non-governmental organisations providing essential support services.

More widely, although a continuation of subsidies would have only further depleted state coffers, tariff increases alone are not a sustainable measure of reform in telecoms or electricity SOEs. In the absence of concomitant institutional reforms, they only inject funds into outdated structures enabling them to continue to function inefficiently and unproductively. Tariffs must, therefore, be accompanied by the institutional reforms outlined in this paper, including activation of a regulator, governance reform, introduction of annual audits, and a new SOE law.

6. ESTABLISH APPROPRIATE CRITERIA AND PRINCIPLES FOR PRIVATISATION

In 2021, Albert Kostanian, a Lebanese economics expert and Senior Policy Fellow at the American University of Beirut's Issam Fares Institute, outlined a series of pre-requisites for the consideration of SOE privatisation in

Lebanon.[20] These include a national strategy for SOEs, a sound regulatory environment, anti-corruption laws and frameworks, and full and transparent procurement processes. All these pre-requisites are still absent in 2024.

Each stage of the privatisation process carries a unique set of risks relating to potential corruption – the abuse of power for personal or political gain – according to the OECD. Buyers or potential partners in privatisation must be subject to scrutiny and conflict of interest measures as per OECD standards. This is particularly important given an additional consideration is whether privatisation would in fact remove the political interference commonplace across many Lebanese industries. There is a high risk of selling a state asset to a private company owned or affiliated with a political figure.

A reformed privatisation process therefore necessitates an independent, impartial, and expert body with authority over the process. Lebanon already has the foundations for such an entity in the form of the Higher Council for Privatisation. Established in Law 228/2000, the Council is tasked with overseeing the planning and implementation of privatisation programmes in Lebanon. At present, it constitutes a ministerial committee chaired by the Prime Minister and composed of four members. The authority of the Council must be balanced by the involvement of the relevant sector regulator for the SOE at hand.

Privatisation objectives and rationale must be made clear in the form of a legally binding document, drawn up by the Higher Council of Privatisation in conjunction with a regulatory board, which will ascertain the extent to which the enterprise at hand no longer falls within the rationale for state ownership and for what reasons. The document must include clear plans regarding where financial proceeds from the privatisation of the SOE will be allocated. Once settled upon, the document must subsequently be submitted to and approved by the Parliament before privatisation can go ahead.

Several steps must be taken post-privatisation, including an audit of the transaction by the Higher Court of Audit. There must be a high level of accountability and transparency in handling the financial proceeds of the privatisation process, especially if they are diverted to achieve certain public policy goals such as reducing debt, reinvestment of proceeds to support public services, or other policy priorities. This is ensured through the aforementioned document outlining where funds are going to be allocated prior to privatisation. The Higher Council for Privatisation, and the relevant regulator, must subsequently ensure that funds are allocated according to their initial purpose.

LOOKING AHEAD

SOEs in Lebanon's telecoms and electricity sectors face a plethora of challenges ranging from eye-watering debt to systemic fin2ancial mismanagement. These issues, contextualised in Lebanon's current financial crisis, have led to severe service disruptions and financial haemorrhaging. This is worsened by the notable gap between legal mandates and actual operations, with ministries in both sectors overstepping their boundaries in multiple areas.

Reviving Lebanon's telecom and electricity SOEs demands a multi-faceted approach that prioritises transparency, effective governance, regulatory independence, and cautious consideration of privatisation. Only through these comprehensive reforms, supported by ministers who are presently unwilling to relinquish authority in several arenas, can these vital sectors be revitalised to better serve Lebanon's economic needs and its citizens.

Editor's note: The editors and author would like to thank Sabine Hatem, Albert Kostanian, and Lamia Moubayed for their contribution in interviews for this policy paper.

This paper was compiled with the support of the Friedrich Ebert Stiftung.

ENDNOTES

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