

# **PRIVATIZATION OF LEBANON'S PUBLIC ASSETS**

**NO MIRACLE SOLUTION TO THE CRISIS**

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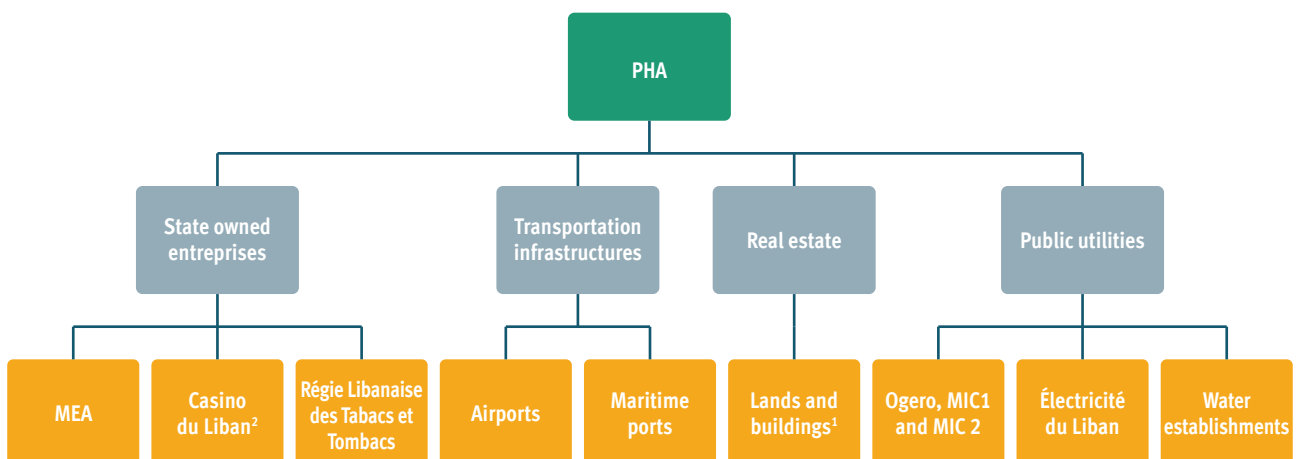
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# Introduction

As Lebanon is facing an unprecedented economic and financial crisis, the privatization of Publicly Held Assets (PHA) has been proposed as a silver bullet solution, with little evidence to support such claims. PHAs are the martingale of the debate; a trick that will purportedly ease the government's proposed plans to get the country out of the current deadlock. Nevertheless, proponents of the debate have generally treated the valuation of PHAs superficially. Furthermore, the question of privatization in Lebanon cannot be approached through the lens of loss remediation alone, nor as a mere option to reduce or complement the bail-in of depositors stuck in the Lebanese banking system. While privatization can theoretically alleviate losses borne by the financial system, any decision to sell off state assets must be weighed based on economic and social criteria that will contribute to the long-term objective of improving the population's overall welfare in a sustainable manner. This study aims at filling this gap by assessing the benefits and risks associated with the privatization of selected PHAs in Lebanon using the following framework of criteria: 1) The competitiveness and efficiency brought to the sector by private sector participation, 2) the service or public goods' accessibility to citizens, and 3) the impact on the treasury. We also attempt to quantify the value of selected PHAs in Lebanon with acceptable accuracy using a best estimation per sector, based on information we were able to collect, and other readily available resources. The PHAs included in this study are: Middle East Airlines (MEA), Casino du Liban, Régie Libanaise des Tabacs et Tombacs, Lebanon's airports and ports, state-owned real estate, the telecommunications sector (fixed and mobile), Electricite du Liban, and the water establishments.

## SELECTED PUBLICLY HELD ASSETS IN LEBANON



1) Including real estate assets held by the BDL and Intra Bank

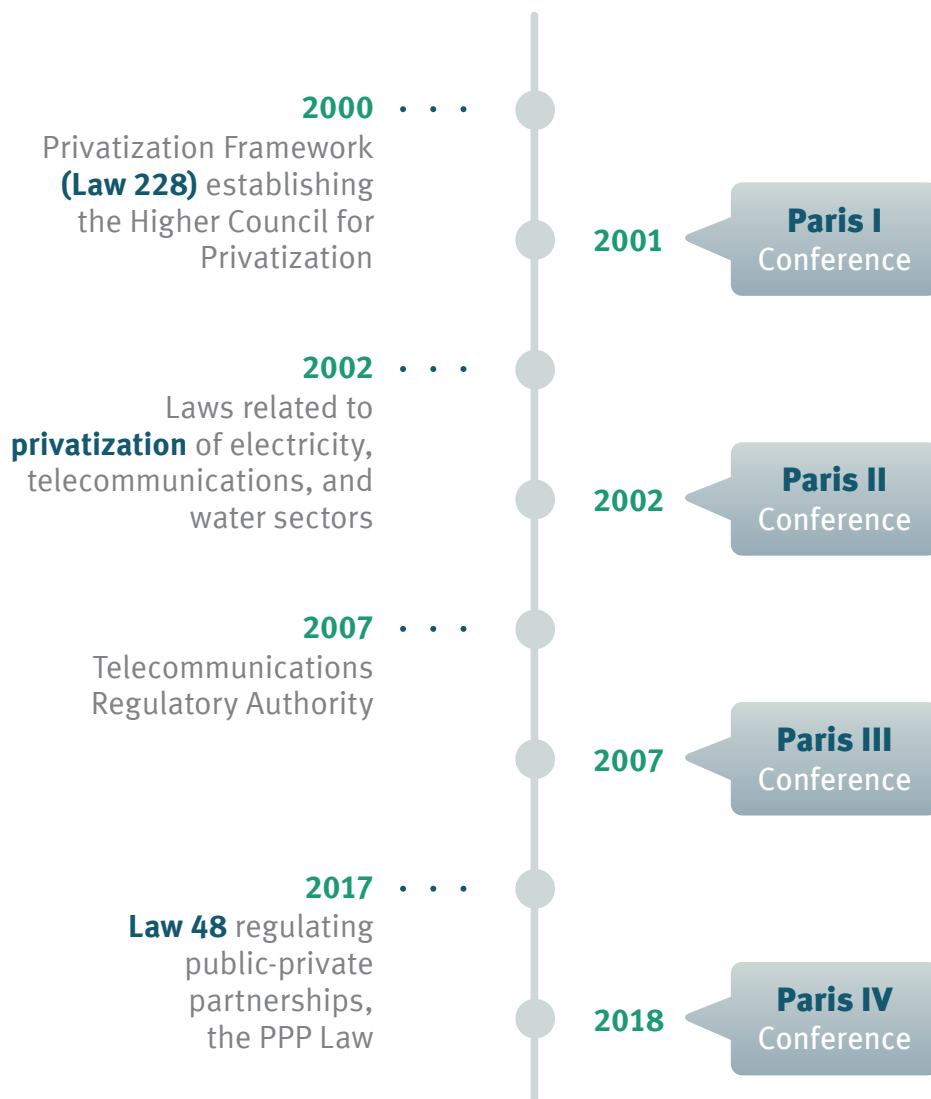
2) Through Intra Bank

Furthermore, we outline the prerequisites and conditions necessary for a privatization program. We also refer to previous privatization experiences in Lebanon, such as that of Ondeo Liban and the build-operate-transfer (BOT) concession contracts granted to LibanCell and Cellis in the 1990s, and on global privatization experiences, including in Argentina, Iceland, Malaysia, Egypt and Greece. These are covered in detail in the full report.

# Prerequisites for Privatization

Lebanon's recent history of privatization experiences shows that regulatory reforms were closely linked to pressure from international donors' conferences and were not properly implemented. International donor conferences held for Lebanon over the years, including the Paris conferences series, were usually followed or preceded by legislation promoting privatization in Lebanon to lure foreign aid.

## TIMELINE OF PARIS CONFERENCES AND PRIVATIZATION LAWS AND REGULATIONS



Lebanon is also a long way from fulfilling the various prerequisites necessary for privatization. These include a sound regulatory environment, anti-corruption laws and frameworks, fully transparent procurement processes, well-functioning capital markets, and fair competition.

## **SOUND REGULATORY ENVIRONMENT**

Regulatory bodies' prepare strategies for the sector they are regulating, carry out studies on those sectors to ensure that related laws are being properly applied, provide input and comments on decisions and procedures being considered by the relevant ministry, as well as encourage competition in their sectors, provide licenses, and monitor illicit activities, such as monopolistic practices. Nevertheless, conflict among the political class has marred the process of establishing regulatory authorities in Lebanon, in several sectors, such as telecommunications, electricity, and civil aviation, which still remain without a regulatory body.

## **ANTI-CORRUPTION LAWS AND FRAMEWORKS**

In recent years, several anti-corruption legislation acts have been passed, including the Access to Information (ATI) law in 2017, the Whistleblower Protection law in 2018, and the Fighting Corruption in the Public Sector and the Establishment of the National Anti-Corruption law passed in April 2020. This latter law stipulates that a National Anti-Corruption Commission is to be established, which would have significant powers to provide protections to whistleblowers and hold corrupt individuals to account. Yet at the time of writing, the commission has yet to be established, with worries looming that it will be rendered ineffective due to a politicized appointment of members or inadequate funding. Efforts to combat corruption are further complicated by the fact that Lebanon's judicial branch is politicized and subject to the whims of the executive branch. Without a judicial branch properly independent from the executive branch, or from undue political influences, enforcing transparency and holding the corrupt accountable will be impossible, even if the best anti-corruption legislation had been passed.

## **FULLY TRANSPARENT PROCUREMENT PROCESSES**

Lebanon's procurement process is outdated. It came into being in the early 1960s, and has several structural shortcomings. For instance, the legal framework is heavily fragmented, with overlapping mandates between different institutions. In addition, capacity and technology gaps within the public sector further complicate the procurement process. Furthermore, state contracts dealing with the most mundane of services to large-scale infrastructural projects are awarded in a highly non-transparent manner with little to no competition among firms that apply. Due to legal loopholes, the Central Tenders Board, the public body responsible for overseeing and monitoring the procurement process in Lebanon, is often surpassed altogether, with state contracts usually awarded in an opaque manner with little to no competition among firms that apply.

## WELL-FUNCTIONING CAPITAL MARKETS

The Capital Markets Law and the Prohibiting Insider Trading Made on the Basis of Material Non-Public Information Law were passed in 2011. The former law stipulated the establishment of the Capital Markets Authority (CMA). Nevertheless, almost a decade following the law's passing, the CMA has not yet lived up to its expectations. It receives limited funding from the government, and is not able to carry out its activities in an effective manner. In addition, the CMA is not truly independent from the executive branch and the country's political establishment. The CMA's Sanctions Committee has yet to be established, which is a major hindrance towards the development of capital markets in the country, as potential investors need to be assured that any fraud or wrongdoing committed against them would be properly sanctioned and that their rights would be respected.

## FAIR COMPETITION

Lebanon is in dire need of a competition law that guards against monopolistic or oligopolistic practices, and an independent regulatory body to ensure that the law is properly implemented and that monopolistic practices are sanctioned. The Lebanon Small to Medium-sized Enterprises (SME) Strategy, prepared by the Ministry of Economy and Trade in 2014, states that a draft competition law stipulating the establishment of an authority dedicated to prevent monopolies and anti-competitive practices has been prepared, but that it has yet to be ratified. While a Competition Law and a dedicated authority are necessary, as with any public body in Lebanon, there is a real risk that the authority would fall under the thumb of the political establishment, or would be deliberately left underfunded and understaffed to effectively carry out its functions.

## DOES LEBANON HAVE THE PREREQUISITES NECESSARY FOR PRIVATIZATION?

While anti-corruption laws have been passed in recent years, they remain poorly implemented, particularly the ATI Law which should have ostensibly improved transparency. Contracts between the state and the private sector generally remain shrouded in secrecy, while public bodies responding to ATI requests either drag their feet, provide flimsy excuses to justify noncompliance, or outright ignore the requests. The public procurement system is fragmented and riddled with loopholes, while the draft public procurement law intending to drastically reform the system and make it more transparent and in-line with international standards appears to be languishing in parliament. Regulatory authorities in key sectors, such as the telecommunications sector, are rendered either ineffective due to political deadlock, or simply do not exist. Monopolistic practices remain the norm in several sectors, with little to no legislations or regulatory authorities to guard against such practices. Although the CMA exists, potential investors are wary about investing in the country due to the fact that the CMA, despite existing for almost a decade, has yet to establish a

Sanctions Committee which would protect investors in the event of fraud or other wrongdoings. The heavily politicized judiciary further makes foreign investors wary of engaging in any activity in the country.

The Lebanese state has long been characterized by poor governance and endemic corruption. Despite the administrative and legislative developments in recent years – be it the establishment of the CMA and the passing of anti-corruption laws, to name a few – the political establishment responsible for the country's socioeconomic collapse continues to exert dominance over the whole political system. In addition, as mentioned in the Introduction, the debate over privatization in the country tends to be surface-level and overly general, with little focus on specific sectors. Unsurprisingly, stakeholders in the privatization process have not prepared any strategy or plan with clear long-term objectives which seeks to ensure that the process is carried out under the best possible auspices and that it leads to socioeconomic development and improvements in the overall living conditions of the population at large.

Amidst such circumstances, the prerequisites needed for a proper and transparent privatization process that would lead to sustainable socioeconomic development are simply not present. Rather, it is likely that a privatization attempt at this time would only perpetuate the status quo—basically a *privatization of corruption*—with PHAs going into the hands of the political establishment and their cronies, to their benefit alone.



# Sectoral Approach

The privatization of Lebanon's PHAs will have far-reaching implications that will shape the country's future. To succeed, any privatization initiative must be appraised over the long-term, going far beyond the current debate on loss remediation. Factors such as the impact on the provision of public services, and their accessibility to citizens, in addition to the spillover effect that privatization might have on the economy, are as important to consider as the revenues that will be generated by the public treasury. In addition, any privatization efforts must be accompanied by a strategy that properly evaluates the assets' privatization potential, and determines how the funds gained from the process will be used to the benefit of the population.

A synthesis of the potential for privatization of selected PHAs is shown below.

## SYNTHESIS OF PRIVATIZATION MODELS AND ESTIMATED IMPACTS FOR EACH PHA

Publicly Held Asset	Privatization model	Sector competitiveness and efficiency	Service accessibility	Impact on treasury
MIDDLE EAST AIRLINE (MEA)	Full or partial divestiture	Airlines are predominantly privately held and governments worldwide have increasingly sold their stakes in national carriers. Mergers and acquisitions are expected to continue in the airline industry.	Privileges of MEA will gradually be abolished by privatization, which increases competition to benefit the national economy. More competition will allow cheaper prices that would boost the attractiveness of destinations to Lebanon as a destination.	One-off revenues of 600 to 740 million USD to the Central Bank of Lebanon. In addition, treasury benefits from sizable spillover effect on the economy.
CASINO DU LIBAN (CDL)	Full or partial divestiture	Increased competitiveness and efficiency by eliminating the renowned political interferences.	Private sector will liberate the government from its current conflict of interest, where it seeks to protect the monopoly of CDL and to maximize its revenues at the detriment of a policy aiming to achieve broader objectives.	One-off revenues of 320 to 420 million USD to the Central Bank of Lebanon. Nevertheless, revenues highly dependent on gambling legislation.
RLTT	Structural reform of the tobacco farming sector that could include the privatization of RLTT and a change of scope of its activities	The revision of the subsidy model and monopolies of RLTT and its privatization will enhance the sector's competitiveness and efficiency by eliminating the political interferences that generally undermine the functioning of this public organization.	Liberate the government from its current conflict of interest to maximize income from tobacco products and minimise health hazards to its citizens. Most governments privatized their tobacco companies and liberalized the sector, while instituting firm anti-tobacco regulations.	One-off revenues of 1,440 to 1,700 million USD to the government considering its current scope of activities and business model that should however evolve to build a more sustainable and attractive model for the community. In the case of a full privatization, the government will lose its yearly dividends from RLTT that were budgeted at 131 million USD in 2020.

Unfavorable impact
  Uncertain impact
  Favorable impact

Publicly Held Asset	Privatization model	Sector competitiveness and efficiency	Service accessibility	Impact on treasury
AIRPORTS	Concession	Airport concessions are increasingly the norm in this sector. Concession would allow an increase in capacity and improvement of competitiveness and attractiveness without using taxpayer's money. Private sector will also liberate the airport from political interferences and mismanagement.	Uncertain impact on tariffs. Increased accessibility and economic activity with the development of other airports (such as Rene Mouawad Airport) through private investments.	Concession terms and revenues cannot be quantified.
PORTS	Concession	It is necessary to involve the private sector in the reconstruction and repositioning of the port on the regional map after the August 4th Blast. Involvement of a strategic private player should provide transparency, accountability, and strategic ambition for the Beirut port. A concession model is also the most fit for developing the three other commercial ports of Saida, Tyre, and Tripoli, as well as the Jounieh passenger port.	Accessibility should benefit from boosted efficiency; however, impact remains uncertain. The enhancement of the accessibility of port services and their integration into the economy should be the objectives of a national strategy that includes all main commercial ports of Lebanon.	Concession terms and revenues cannot be quantified.
REAL ESTATE	Partial progressive privatizations	A massive sale of government held real estate assets will come at the detriment of the real estate sector that will suffer from a surge in the offer and lose value as a consequence.	The accessibility to the public of real estate assets intended for privatization is bound to laws and regulations and to a divestment process that will be complex to design and to implement due to the nature of most of the considered assets and the sensitivity of real estate related matters in Lebanon.	Theoretical valuation between 7,120 million USD and 14,380 million USD. However, highly unlikely to materialize in revenues for the government in the short- or medium-term.
TELECOM (FIXED AND MOBILE)	Full or partial privatization depending on retained model for the sector	Globally, innovation and competition have left little room for publicly held entities in this sector. Investment by the private sector is much needed to complement and upgrade existing infrastructures. Private sector will boost innovation and help import best practices to develop the ICT ecosystem beyond the government's short-term cash-driven objectives.	Privatization will increase competition, which will benefit consumers and businesses, and render the economy more competitive	Declining transfers from the telecom surplus to the treasury will be impacted by any partial or full privatization. The valuation of the main telecom assets held by the Lebanese state, Ogero, MIC1 & MIC2, ranges between 2,180 million USD and 4,280 million USD.

Unfavorable impact
  Uncertain impact
  Favorable impact

Publicly Held Asset	Privatization model	Sector competitiveness and efficiency	Service accessibility	Impact on treasury
ELECTRICITE DU LIBAN (EDL)	Partial liberalization through concessions (IPPs)	Turnaround of the power sector cannot be achieved without the involvement of the private sector through PPP's, specifically for power production, provided that the right regulatory framework is implemented.	Reform of the power sector should include the lifting of the important subsidies. The impact of the removal of subsidies is to be compared to the total cost of electricity borne by households that mixes EDL subsidized tariffs with private generators tariffs. The net impact should turn to positive with the increase of EDL supply and the adoption of a progressive tariffication scheme.	The implementation of reforms and the ramp-up of infrastructure with private financing and management should progressively reduce EDL yearly losses, ranging between 1.5 billion USD and 2 billion USD. The treasury would benefit from an important economic induction if the electricity crisis were to be solved.
WATER AND WASTEWATER	Affermage or lease	The impact of affermage and lease contracts on the sector are highly dependent on the applied contractual frameworks, as well as on the legal and regulatory context.	The improvement of water accessibility and wastewater management in Lebanon through affermage or lease will be highly dependent on applied contractual terms. However, water tariffs generally tend to increase on the long run with private operators.	The government cannot realistically expect to generate upfront fees by granting water affermage or lease contracts in Lebanon; primarily, the government should aim to attract private investments in water and wastewater networks that have already suffered from decades of underinvestment.

Unfavorable impact    
 Uncertain impact    
 Favorable impact

The Lebanese Republic owns a substantial part of the territory, estimated to range between 20-25% of the total surface area of Lebanon. However, only the private domain held by the State can present a potential for privatization—the public domain constitutes assets not meant for privatization, such as riversides, mountain summits, seashores, and railway domains. Real estate held by municipalities are also to be excluded from potential privatization appraisals as they are controlled locally and cannot be integrated in a government steered divestiture program.

#### OVERVIEW OF GOVERNMENT-OWNED REAL ESTATE (IN SQUARE METERS)<sup>1</sup>

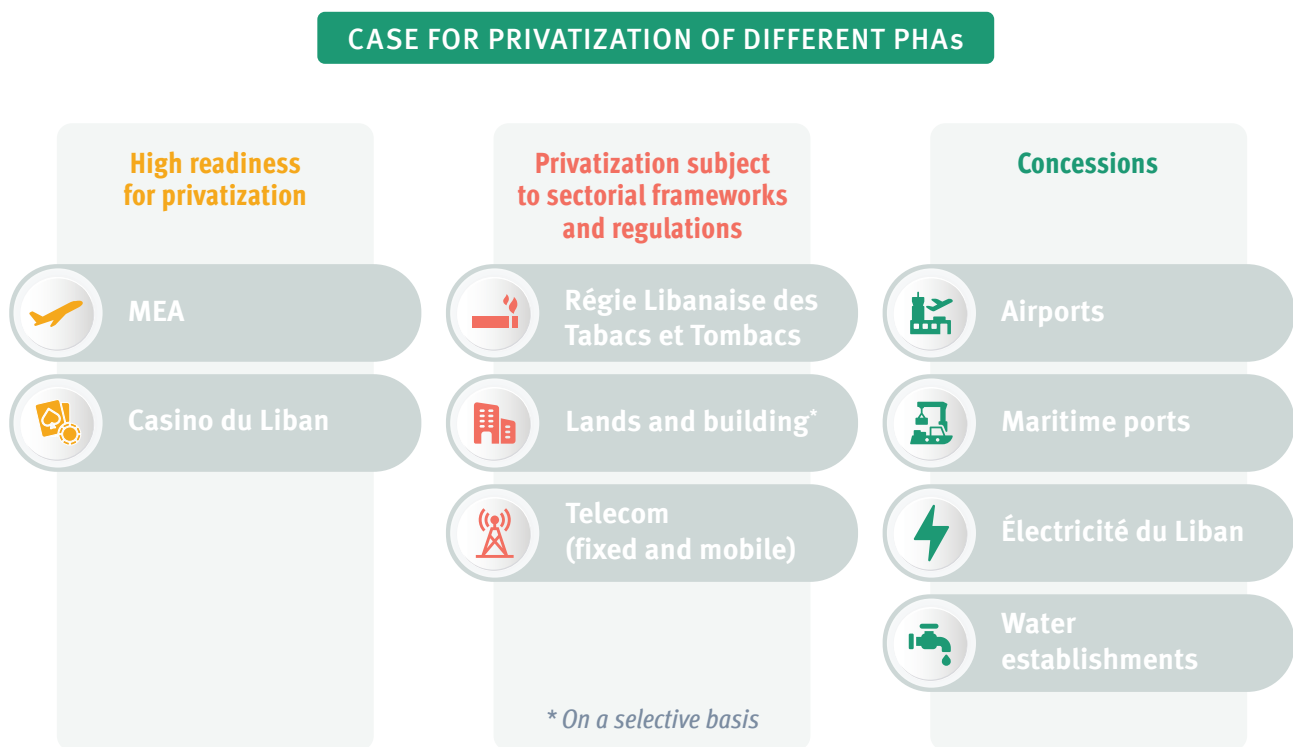
	Built	Unbuilt
Beirut	682,453	314,493
Beqaa	28,915,555	733,022,092
Mount Lebanon	3,424,577	9,457,046
Nabatieh	198,669	2,452,938
North	3,331,887	32,729,212
South	3,389,312	41,406,030
<b>TOTAL</b>	<b>39,942,453</b>	<b>819,381,811</b>

Government-Owned Real Estate comprise 60,480 plots, of which 32,387 are of unknown size. <sup>2</sup>

1 Unpublished data from September 9, 2019, obtained from the Ministry of Finance, Lebanese Republic

2 <https://al-akhbar.com/ArticleFiles/20206723232622637271689826220223.pdf>

We find that the PHAs assessed in this study present different levels of feasibility and attractiveness for privatization, if the necessary conditions and prerequisites are in place. Here, three categories of PHAs are to be distinguished: 1) assets that enjoy a high readiness and attractiveness for privatization, subject to implementation of prerequisites; 2) assets with high privatization potential provided a national strategy and proper frameworks are in place; and 3) assets to be potentially developed under concession, or affermage or lease contracts.



- ▶ Assets that enjoy a high readiness for privatization can be fully or partially divested in the short term as they present little to no risks from a national perspective, and enjoy a high feasibility, subject to the prerequisites detailed in this paper being in place. State owned enterprises, such as the Middle East Airlines and Casino du Liban fall under this category, as they are corporatized, and currently present some conflicts of interest for the State, in its role as a major shareholder.
- ▶ Assets whose privatization is subject to sectorial frameworks and regulations can be partially and progressively privatized only after major prerequisites are met, which will take time and effort. RLTT and Telecom are in this category due to the need for a national strategy that will shape the future of these sectors. Real Estate will also likely abide by a complex privatization process, as there is a need to properly assess and delineate what is public domain versus private domain, while preserving national interest and evaluating other valorization opportunities. There is also the issue of having to sell scattered assets of uncertain market value given the current financial crisis.
- ▶ Assets to be developed via concessions (or affermage or lease contracts) can potentially yield long-term benefits to the general public and to the State subject to contractual terms and the fairness of the procurement process, as well as to sectorial frameworks and regulations. Water and wastewater management, electricity, and transportation assets are in this category due to the strategic interest of keeping them public, as well as the important financing and know-how they could potentially gain from private sector participation.

# Conclusion

The privatization of PHAs cannot be considered a magic bullet to remedy the current losses of the financial sector in Lebanon since the revenues these assets will generate in the short-term are largely insufficient when compared to Lebanon's aggregated losses. A comprehensive valuation<sup>3</sup> of PHAs, excluding assets meant for concessions, results in a total value ranging from ~12 billion USD, conservatively, to ~ 22 billion USD, optimistically, averaging 17 billion USD.

## VALUATION OF DIFFERENT PHAs (EXCLUDING POTENTIAL CONCESSIONS)

	Conservative valuation (million USD)	Optimistic valuation (million USD)
MEA	600	740
CDL	320	420
RLTT	1440	1700
Airport	-	-
Ports	-	-
Real estate	7120	14380
Telecom (fixed and mobile)	2180	4280
EDL	-	-
Water Agencies	-	-
<b>TOTAL</b>	<b>11660</b>	<b>21520</b>

The valuations and resulting figures in this table correspond to high-level estimations based only on publicly available data that we were able to identify. Valuation of these assets in the case of any future privatization effort will be highly dependent on the economic context and outlook at the time of potential privatization, as well as on the availability of data. All figures are based on a USD/LBP rate of 1507.5 and should be largely viewed as being in local banks dollars.

Based on our calculations, real estate is by far the most important contributor (14.38 billion USD in the optimistic scenario) to the total value of PHAs that were assessed in this study, followed by telecom (fixed and mobile; 4.28 billion USD in the optimistic scenario).

Considering the above, the gross revenue potential for the Lebanese State from privatizations could range between ~6 billion USD considering a realistic privatization program and ~13 billion USD in a bullish scenario. The estimation above excludes concessions or lease or affermage contracts that would generate growing incremental revenues or savings over time, while ensuring better,

<sup>3</sup> In the absence of detailed financial data, such as balance sheets, profit and losses statements, and business plans for most PHAs, the valuation relies on publicly available data points and estimations. As such, the robustness of our valuation is limited by the data that we were able to identify. See Appendix for details of the valuation.

cost-effective services to citizens, providing that the granting process is fair and transparent.

### ESTIMATION OF GROSS REVENUES FOR THE STATE FROM PRIVATIZATIONS

Realistic privatization program		Bullish privatization program	
Assets	Value (million USD)	Assets	Value (million USD)
MEA	670	MEA	670
CDL	370	CDL	370
Telecom (50% of assets)	1,615	Telecom (100% of assets)	3,230
Real estate (30% of assets)	3225	Real estate (70% of assets)	7525
		RLTT	1,570
<b>TOTAL</b>	<b>5,880</b>	<b>TOTAL</b>	<b>13,365</b>

Average between conservative and optimistic valuations.

Nonetheless, any privatization process carried out under the current political circumstances risks incurring significant harm to the Lebanese public, particularly in the long run. As mentioned, the many prerequisites necessary for privatization to occur in a transparent and fair manner are absent. If carried out in the current context, privatization will likely be an unfair process that will only benefit the political elites and their cronies. Privatization processes in countries that tend to lack good governance, regulatory prowess, and transparency often lead to valuable state assets being sold off to well-connected firms or crony capitalists seeking to make rapid revenues at the expense of the general public. There is a significant risk that this may occur in Lebanon if one considers the country's history with privatization and the current state of regulatory bodies and legislations, such as those related to corruption, procurement processes, capital markets and fair competition. Similar to these countries, it is likely that Lebanese state assets will be sold off in a non-transparent manner to the country's intertwined economic and political elites and their cronies, who are largely responsible for the socioeconomic morass Lebanon is currently in, and who would likely not have the public's best interests in mind. Without genuine political and socioeconomic reforms on all levels, there cannot be a modicum of social justice in privatizing Lebanon's state assets.

Furthermore, while international organizations such as the International Monetary Fund (IMF) often tout privatization as a solution to many of the problems that cash-strapped states face, evidence from across the globe shows that the process often leads to more harm than good if carried out without a proper evaluation or plan, particularly for vulnerable members of a population. As such, the distributional effects of any privatization effort must also be taken into consideration in any such strategy for Lebanon—for example, through assessing the impact of privatization on price and access, income distribution,

labor restructuring/employment levels, etc. This can be achieved through conducting a thorough evaluation of the potential impacts of privatization in our context, particularly when determining the most appropriate privatization model for each sector.

Although the privatization of select PHAs could potentially generate substantial revenues for the State, it is by no means a solution to Lebanon's current financial crisis. Addressed solely from the angle of loss remediation, as is the case in the current debate, privatization could jeopardize the country's chances of resuming sustainable growth and improving the welfare of its people in the future. To benefit Lebanon and its people, any privatization program must be appraised and decided upon according to a comprehensive and contextualized strategy that integrates a long-term vision of structural and regulatory reforms, the uphauling of productive sectors, and a wealth distribution philosophy. In turn, the public must be able to hold the government accountable in their privatization efforts, and this can only be achieved through making publicly available all relevant information that will allow for a transparent and contestable assessment of the privatization process and value of PHAs.

# Appendix

## Valuation Methods

PHA	Valuation method	Key metrics	Conservative scenario	Optimistic scenario
MIDDLE EAST AIRLINES	<p>Industry Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) multiple method.</p> <p>Operating profits have been assimilated into EBITDA in the absence of publicly available detailed financial statements.</p>	<p>Latest profit and loss statement (from 2016) shows positive operating profits of 86 million USD.</p> <p>Industry EBIDTA valuation multiple is at 8.16 (Equidam, 2020).</p> <p>Shareholder equity stood at 801 million USD in 2016.</p>	The conservative scenario estimates current operating profits have decreased by 10% since 2016.	The optimistic scenario estimates current operating profits have increased by 10% since 2016.
CASINO DU LIBAN	<p>Industry EBITDA multiple method.</p> <p>The average government revenues from CDL have been assimilated to EBITDA.</p>	<p>Average government revenues from CDL for the years 2016-19 (78 million USD) assimilated to EBITDA.</p> <p>Industry EBITDA multiple of 12.39 (Equidam, 2020).</p> <p>Ownership structure of the Casino (52% owned by Intra Bank, which in turn is 73% owned by the Central Bank).</p>	Based on a discounted EBITDA multiple of 11.	Based on a premium EBITDA multiple of 14.
REGIE LIBANAISE DE TABACS ET TOMBACS	<p>Industry EBITDA multiple method.</p> <p>The government revenues from RLTT have been assimilated to EBITDA.</p>	<p>Government revenues from RLTT (131 million USD, excluding fees on tobacco products and licensing fees) for 2020 assimilated to EBITDA.</p> <p>Industry EBITDA multiple of 11.1 (Equidam, 2020).</p>	Based on a discounted EBITDA multiple of 11	Based on a premium EBITDA multiple of 13
AIRPORT	N / A	N / A	N / A	N / A
PORTS	N / A	N / A	N / A	N / A



PHA	Valuation method	Key metrics	Conservative scenario	Optimistic scenario
REAL ESTATE	Estimation of market prices.	<p>Breakdown of built and unbuilt assets by governorates (details in relevant section of the full report).</p> <p>An estimated availability factor that excludes unattractive and occupied assets of 20% to 30% for built assets and of 40% to 50% for unbuilt assets.</p> <p>An estimated average selling price per square meter for each region and asset nature.</p>	Accounts for an average availability factor of 40% for the unbuilt assets, and 20% for the built assets (except for Central Bank held real estate assets that are considered to be fully liquid), and applies a discounted price that considers the price elasticity effect that will result from a massive surge in the real estate offer.	Accounts for an average availability factor of 50% for the unbuilt assets, and 30% for the built assets (except for Central Bank held real estate assets that are considered to be fully liquid) and applies the current market prices.
TELECOM (FIXED AND MOBILE)	Customer lifetime value of the different assets.	<p>Number of subscribers of MIC1 and MIC2 estimated at 4.2 million.</p> <p>Number of subscribers of OGERO Broadband of 360,000 thousand and fixed lines of 1.8 million.</p> <p>Estimated average revenue per users (ARPU) and churn rates for different services.</p> <p>Estimated EBITDA margins for different companies.</p>	<p>Estimates the ARPU of the MICs at USD15 and the ARPU of Ogero Broadband (including wholesale) at USD23.</p> <p>Estimates the churn rate for the MICs and OGERO at 15%.</p> <p>Estimates the EBITDA margin of both MICs and Ogero at 30% (just below the worldwide average of 33%).</p>	<p>Estimates the ARPU of MIC's at USD18 and the ARPU of Ogero Broadband (including wholesale) at USD25.</p> <p>Estimates the churn rate for the MICs and OGERO at 10%.</p> <p>Estimates the EBITDA margin of both MICs and Ogero at 33% (matching the worldwide average).</p>
ELECTRICITE DU LIBAN	N / A	N / A	N / A	N / A
WATER ESTABLISHMENTS	N / A	N / A	N / A	N / A

N/A: Not applicable; value of the respective PHA was not calculated (details in relevant section of the full report).

All USD/LBP conversions in the paper where based on the official rate of 1,507.5.

Source for EBITDA multiples: Equidam. (2020). EBITDA multiples by industry. Retrieved from <https://www.equidam.com/ebitda-multiples-trbc-industries/>

## ABOUT THE PROGRAM

# THE GOVERNANCE AND POLICY LAB

*The Governance and Policy Lab (IFI GovLab) aims to undertake innovative policy research and activities that address some of the most pressing policy issues and public sector challenges faced in Lebanon and the region. Further to this, the IFI GovLab's goal is to strengthen the ability of local and regional actors to enhance governance mechanisms and the uptake of innovation within organizations, particularly those in the public sector, by providing them with the right tools and evidence to address national priorities, to the ultimate benefit of the greater public. The IFI GovLab also aims to conduct policy research affecting digital policies and internet governance in the Middle East and North Africa (MENA) region with the aim to advance knowledge creation and existing evidence on inclusive institutions and good governance in the region.*

## ABOUT US

# THE ISSAM FARES INSTITUTE

*Inaugurated in 2006, the Issam Fares Institute for Public Policy and International Affairs (IFI) at the American University of Beirut (AUB) is an independent, research-based, policy-oriented institute. It aims to initiate and develop policy-relevant research in and about the Arab world.*

*The Institute aims at bridging the gap between academia and policymaking by conducting high quality research on the complex issues and challenges faced by Lebanese and Arab societies within shifting international and global contexts, by generating evidence-based policy recommendations and solutions for Lebanon and the Arab world, and by creating an intellectual space for an interdisciplinary exchange of ideas among researchers, scholars, civil society actors, media, and policy makers.*

