الجمهورية اللبنانية
المجلس الأعلى للخصخصة والشراكة

REPUBLIC OF LEBANON
HIGH COUNCIL FOR PRIVATIZATION AND PPP

Invest in Lebanon

THE PPP GUIDE FOR PRIVATE COMPANIES

2018

Our special thanks to Fransabank and Fransa Invest Bank's team for their help with the preparation of this document.

HCP Secretariat General

CONTENTS

PROSPECTS FOR LEBANON

Lebanon has set its path on a sustained recovery, following several positive developments in recent years, including the election of the President, the adoption of a new electoral law following the appointment of a national unity government, the passage of PPP legislation, the conclusion of the first oil and gas tenders in the country and the successful holding of parliamentary elections on May 6, 2018. Also significant are the adoption of the budget in 2017 for the first time in 12 years and the subsequent recent passing of the 2018 budget.

However, the economic recovery and long term development of Lebanon have been hindered by structural problems: high fiscal deficit (around 10% of GDP) and a high level of public debt (around 150% of GDP). GDP growth was estimated at 1% in 2017, following a similar rate in 2016, as the spillover from the Syrian conflict continues to weigh on the country.

To address these challenges, the Parliament passed the long-awaited PPP law in 2017 and the government has embarked on an ambitious Capital Investment Program (CIP). The PPP law endowed the tendering process for PPP projects with transparency and professionalism by mandating the High Council for Privatization and PPP (HCP) as the country's PPP unit. The CIP was unveiled at the CEDRE conference in Paris on April 6, 2018, an international conference aiming at supporting Lebanon's development, which was hosted by Mr. Emmanuel Macron, President of the French Republic, and led by Mr. Saad Hariri, President of the Council of Ministers of the Republic of Lebanon.

The CIP mainly focuses on infrastructure development and rehabilitation, emphasizing some sectorial priorities of Lebanon's government – transport, energy, water, and waste management. The total cost of the first phase of the CIP (covering 6 years for preparatory works and implementation) is estimated at US $10.8 billion (including expropriation costs), of which around 35% is expected to come from private investment. As such, it recognizes that concessional financing and private investment are the best instruments to finance infrastructure and create jobs, along with the implementation of a consistent budgetary and fiscal adjustment program.

Taking into account the scope and ambition of this Program, and the overall positive assessment by the World Bank Group, participants at the conference decided to contribute to the 1st phase of the Program, while, in parallel, insisting on the Government's implementation of reforms and institutional strengthening, which are critical to the Program's successful delivery and Lebanon's macroeconomic stability.

Participants at the conference pledged their support to Lebanon's investment and reforms program for Phase I as follows:

- US$ 10.2 billion loans have been pledged, including 9.9 billion in concessional terms
- US$ 0.86 billion grants (including grants to subsidize loans)

Earlier in March 2018, a PPP conference was organized in Beirut by the HCP. It showcased three PPP projects for which tendering preparation had been recently approved by the HCP board, namely the expansion of the Beirut Rafic Hariri International Airport, the Khalde – Nahr Ibrahim Expressway and the National Data Center. In addition, information about another 15 potential PPP projects selected from the CIP project list and covering the transport, water, wastewater and solid waste sector, was made available to private sector companies and the general public, and are included in this document.

At the same PPP conference, the International Finance Corporation (IFC) stated that successful tendering of initial projects under Lebanon's CIP would set a precedent and a strong track record for future transactions in Lebanon, thus promoting private sector mobilization. The IFC was selected as lead transaction advisor on the airport expansion PPP transaction in May of 2018.

The International Monetary Fund echoed IFC's sentiments, with its head of Mission in Lebanon, Christ Jarvis recommending that the Government ensure that the public sector does not take on significant risks and contingent liabilities with regards to negotiating PPP projects under the new law, as stated in an April 2018 interview with the Annahar newspaper.

Mr. Jarvis also stated, "if the capital investment plan is accompanied by a combination of fiscal adjustments, then it will reduce the budget deficit," noting that "structural reforms can be very important to growth and stability in Lebanon."

The European Bank for Reconstruction and Development (EBRD) was also quite positive on Lebanon's prospects, with EBRD President Suma Chakrabarti stating, "Lebanon is a country of immense potential and crucial for regional stability," on his visit to the country in March of 2018, EBRD reported on its website.

President Chakrabarti focused on the economic development of Lebanon and on the highly promising steps already undertaken under the country's new reform programme. He commended the authorities for their efforts to bring forward legislation regulating public-private partnerships in infrastructure and the passing of the national budget. He emphasized that EBRD is ready to participate in projects in "infrastructure and municipal infrastructure, as well as renewables and energy efficiency". Lebanon became a recipient of EBRD investment, policy engagement and technical assistance in September 2017.

The southern and eastern Mediterranean region, to which Lebanon belongs, is currently the fastest-growing region of EBRD operations, with more than €6.7 billion in over 175 projects in less than six years. In May 2018, EBRD entered into a contract with the HCP to provide advisory services on the expressway PPP transaction, while KPMG and Solon were selected to advise the HCP on the National Data Center project.

The High Council for Privatization and PPP is in charge of preparing and tendering PPP projects, among other responsibilities. Its composition and mandate are described in the next section.

THE HIGH COUNCIL FOR PRIVATIZATION AND PPP

Profile

The High Council for Privatization and PPP (HCP) was established by Law 228 in 2000 as the authority in charge of planning and implementing privatization programs and was mandated as Lebanon's Public Private Partnership (PPP) unit by PPP Law 48 in 2017.

The PPP law aims at reforming the PPP tendering process to enhance its transparency and professionalism. As such, it is expected to be instrumental to the success and sustainability of PPP projects, a cornerstone of the development of Lebanon's crumbling infrastructure, job creation and the growth of the Lebanese economy.

Mandate

The HCP is responsible for, preparing and tendering privatization programs and PPP projects. The HCP proposes the general privatization policy including its means of implementation or the PPP project to the Council of Ministers. Once approved, the HCP issues all necessary decisions and recommendations to undertake the proposed transactions.

Governance

HCP "BOARD"

The HCP is, in essence, a ministerial committee chaired by the President of the Council of Ministers and composed of four permanent members: the Minister of Justice, the Minister of Finance, the Minister of Economy and Trade, and the Minister of Labor. On a project by project basis, the Minister responsible for the sector under discussion joins the Council also as member.

The HCP resolutions are taken by unanimous consent, otherwise, by absolute majority of the HCP members. These resolutions can involve the launching of a privatization or PPP project and their related tendering process. They may address, among other things, contracts with consulting firms and transaction advisors, approvals of project timelines, evaluation of assets, preparation of tender documents, prequalification of bidders, recommendation of preferred bidders, authorization of negotiations , publication of guidance on for privatization transactions and disclosure of information, as appropriate.

SECRETARIAT GENERAL

Currently, the Secretariat General's team consists of economic, financial and legal experts in addition to media coordinators, research, administrative and IT assistants. Following the passage of the PPP law, the Secretariat General has prepared three decrees organizing its staffing, financial and administrative modus operandi. In preparing the tendering process, the Secretariat General draws on the expertise of local and international consulting firms experienced in privatization and PPP transactions. The Secretary General, appointed by the Council of Ministers, leads the daily operations and chairs the Secretariat General's team. He/she represents the HCP in all correspondence and meetings.

COUNCIL OF MINISTERS

Some of HCP's strategic resolutions are subject to the approval of the Council of Ministers, such as the general privatization policy and its implementation timeline, asset evaluation results and privatization tender documents, as well as approving launching the tender for PPP projects and approving the respective tender document.

The Grand Serail is the headquarters of the Prime Minister of Lebanon

Lebanon's Public Private Partnership (PPP) Law 48, which was passed in 2017 and governs PPPs, is analyzed in the following section. The full translated text of the law follows thereafter.

ANALYSIS OF PPP LAW 48 OF 2017

In order to create an adequate environment capable to foster private investments in various infrastructure projects, the passing of the PPP law was crucial for the State to establish an effective and appropriate legal framework.

Lebanon PPP Law: Key Provisions

In general terms, the PPP law details the tendering mechanism for PPP projects, including the general institutional framework which calls for the creation of a project committee and assisting working teams for each project. Such structure, which ensures the involvement of all stakeholders, aims at enhancing the transparency of the tendering process, leading to the selection of the private partner.

The PPP law also details the main elements of the PPP Project Agreement, which will be part of the tender document and which includes, among others, available disputes settlement mechanisms including international arbitration.

This approach would boost the success rate of executing PPP projects, especially since most past failures were due to a flawed tendering mechanism or improper contract structuring.

A summary of the PPP law's key provisions is set out below.

Scope of the PPP Law

The PPP law defines 'PPP Projects' as projects of public interest in which the private sector participates through:

- Financing and administration *and*
- Carrying out at least one of the following activities: designing, building, constructing, developing, restoring, equipping, maintaining, rehabilitating and operating

The scope of application of the PPP law extends de jure to all PPP Projects carried out by the State, public institutions, or any entity considered as 'public'. This includes without limitation all PPP Projects provided for under the laws governing the telecommunications, electricity and civil aviation sectors. Such scope may also be optionally extended to PPP Projects carried out by municipalities and unions of municipalities, provided certain conditions set out in the PPP law are complied with.

PPP Project Agreement

One of the key features of the law is that it defines the '*PPP Project Agreement"* as a set of contracts, which together with all annexes, undertakings and related guarantees would govern the contractual relationship between the public entity, the project company and all other third parties, including international financial institutions and foreign investors.

The law outlines the key provisions to be included in the PPP Project Agreement, as follows:

- The parties' respective rights and obligations;
- The basis for financing the PPP Project;
- The duration of the partnership, which should not extend beyond 35 years;
- The respective revenues to be received by the project company from the public entity or by the public entity from the project company depending on the nature of the common project, and the corresponding means of payment;
- The fees and dues which the project company can collect on behalf of the public authority and for its account;
- Key performance indicators;
- The reports to be submitted by the project company;
- The allocation of project risks and mitigation measures;
- The rules governing the potential amendment to the basic terms of the contract;
- The guarantees, undertakings, and commitments which may be provided for the fulfillment of the PPP Project;
- The public assets put at the disposal of the project company;
- The transfer procedures, whenever the nature of the PPP project calls for it;
- The procedures guarantying the continuity of the PPP project and its related operations upon termination or expiry of the Project Agreement or breach of its contractual obligations;
- The procedures and remedies in case of breach as well as detailed enforcement procedures in respect to these remedies;
- The dispute settlement mechanism, including mediation as well as domestic and international arbitration.

Relevant Authorities

The PPP law renames the '*High Council for Privatization*' instituted by virtue of the Privatization Law No. 228 dated 31.05.2000 as the '*High Council for Privatization and PPP*' and vests in it the authority to:

- Assess and evaluate potential '*PPP Projects*' submitted to it by the relevant minister or by the President of the Council of Ministers;
- Establish a '*PPP Project Committee*' for every approved PPP Project;
- Decide on the prequalification outcome and approve the final version of the tender document following consultation with the prequalified bidders; and
- Confirm the winning bidder who submits the best offer based on the evaluation of the PPP Project Committee.

The PPP law institutes a PPP Project Committee chaired by the secretary general of the High Council for Privatization and PPP and has among its members representatives of the relevant ministry, the Ministry of Finance, and, where applicable, the authority regulating the relevant sector. The PPP Project Committee is in charge of preparing an all-encompassing feasibility study governing the technical, economical, legal and financial aspects of the PPP project, including the pre-qualification criteria, assessment of investors' interest and the likelihood of attracting the required financing. It is assisted in its functions by a team of financial, legal and technical consultants.

The High Council for Privatization and PPP then examines the study and the recommendations of the PPP Project Committee and determines whether to reject or to pursue the project; in the latter case, the President of the Council of Ministers submits the project to the Council of Ministers for approval. In case the project is approved by the Council of Ministers, the PPP Project Committee launches the process of selecting a private partner.

The PPP Project Committee

In addition to its duties outlined above, the PPP Project Committee is also in charge of:

– Managing and administering the application process
– Evaluating the prequalification applications and providing its recommendations in relation thereto and in relation to the PPP project in general to the High Council for Privatization and PPP
– Preparing and sharing the draft tender document with the prequalified candidates, which includes a draft of the Project Agreement and its annexes.
– Consulting with all prequalified candidates and lenders in a transparent and neutral manner in order to reach a comprehensive and final delineation of technical requirements, the technical means and the financial structure most suitable for the project; the PPP law provides that the draft tender document may be amended in light of these consultations.
– Sharing the final tender document with the prequalified candidates.
– Examining and evaluating the submitted bids and making recommendations in respect thereto to the High Council for Privatization and PPP.
– Negotiating with the best bidder to improve the technical aspects of the bid, if mandated to do so by the High Council for Privatization and PPP.
– Announcing the tender results which identify the successful 'private partner' and notifying the non-successful bidders of the reasons why their bids were not retained.

The selected private partner is required to incorporate a Lebanese joint stock company which will be the PPP Project Company and in charge of executing the PPP project. The PPP Project Company will be exempted from the nationality restrictions set out in the Lebanese Code of Commerce as well as from the requirements to appoint an additional auditor or to obtain a work permit for its Chairman should he/she be non-Lebanese.

The PPP law distinguishes between the construction phase and the operational phase of the PPP project and provides that the private partner may not without the approval of the Council of Ministers transfer its shares in the PPP Project Company to third parties before the start of the operational phase.

Exceptionally, the Public Party may participate in the establishment of the PPP Project Company and may contribute to its capitalization; its in kind contributions are exempted from the verification treatment provided for in Article 86 of the Code of Commerce.

For ease of reference, the full translated text of the PPP law is found in the next section.

PPP Law 48 (07/09/2017) - Unofficial translation

Article I:

For the purposes of this law, the following definitions shall have the following meanings:

Public Entity:	The State or public institutions including regulatory bodies or municipalities or federations of municipalities and all moral persons of public law.
Private Partner:	A private sector company, or a consortium of local and/or foreign private companies, which has been awarded the Partnership Agreement.
PPP Project:	Any public benefit project in which the private sector contributes financing and management and at least one of the following activities: design, installation, construction, development, restoration, equipment, maintenance, rehabilitation and operation.
Partnership Agreement:	The collection of contracts, annexes, undertakings and guarantees that govern the contractual relationship between the Public Entity, the Project Company and other concerned parties.
The Council:	The High Council for Privatization and PPP.
Project Company [SPV]:	The Lebanese joint stock company established by the Private Partner for the purposes of carrying out the PPP Project.
Concerned Minister:	The minister in charge of the administrations or supervising the public institutions, including the regulatory bodies or municipalities or federations of municipalities, under which the PPP Project falls.
Formation Phase:	The period from the date of signing the Partnership Agreement by the parties to it till the date of the completion of the design and installation and/or construction, and/or development, and/or restoration, and/or equipment, and/or maintenance and/or rehabilitation processes, as stipulated in the Partnership Agreement.
Operational Phase:	The period from the start of service provision and operation and maintenance till the completion date as stipulated in the Partnership Agreement.

Article II:

1- The provisions of this law shall govern all PPP Projects undertaken by the State and public institutions and all moral persons of public law, with the exception of municipalities and federations of municipalities, which may choose to subject their PPP Projects to the provisions of this law.

2- Any other text notwithstanding, the provisions of this law shall govern PPP Projects stipulated in the laws regulating the telecommunications sector, the electricity sector and the civil aviation sector.

3- Should the Council decide to proceed with a PPP Project, the regulatory authority of the sector would exercise its duties regarding the issuance of licenses through its membership in the Project Committee. In case the positions of the chairman and members of the [relevant] regulatory authority were vacant, the approval of the Council of Ministers shall be considered de facto as an issued license.

4- The [relevant] regulatory authority exercises its duties as per the regulatory law establishing it, provided that these duties do not violate the provisions of this law and the provisions and terms of the Partnership Agreement, especially those related to the amendment of prices of services set in the agreement, and those related to the imposition of fines and the suspension and amendment and renewal and cancellation and withdrawal of licenses.

Article III:

1- The designation of the "High Council for Privatization", established pursuant to Law No. 228 dated May 31, 2000, is replaced wherever mentioned by that of the "High Council for Privatization and PPP". The Council shall in addition to the powers granted to it pursuant to the above-mentioned law handle the duties stated in this law.

2- The Concerned Minister shall automatically join the Council [as a member].

3- The "Secretary General of the High Council for Privatization" title mentioned in Decree No. 5540 dated May 23, 2001 is replaced by the title "Secretary General of the High Council for Privatization and PPP" [the "Secretary General"]. The Secretary General heads the Secretariat General of the Council and conducts and manages the regular work of the Council.

Article IV:

1- PPP Projects may be proposed by the President of the Council or by the Concerned Minister, and PPP Projects of municipal nature may be proposed by the president of the municipal council or by the president of the federation of municipalities. The proposal is made through the submission of a file to the Council, which shall include a preliminary study of the project.

2- In preparation for the Council to decide whether to accept or reject the proposal, the Secretariat General of the Council shall prepare an adequate review of the proposed PPP Project and shall submit to the Council a report including its recommendation regarding the feasibility of executing the proposed PPP Project through a Partnership Agreement and the extent of the interest of the private sector in financing it and investing in it.

3- Should the Council decide to accept the proposal and thus to proceed with the project, the Council shall form a Project Committee, which is chaired by the Secretary General of the Council and which includes a representative of the Concerned Minister, a representative of the Ministry of Finance nominated by the Minister of Finance, and the chairman of the sector's regulatory authority, if it exists, and the president of the municipal council or the president of the federation of municipalities when considering projects of a municipal nature which have been subjected to the provisions of this law. The Project Committee shall also select financial, legal and technical consultants to assist it in its work. These consultants would be retained by the Council.

4- The Project Committee will be supported by a Working Team, whose work shall be coordinated by a delegate of the Secretariat General of the Council named by the Secretary General of the Council; [the Working Team] shall include representatives of the Public Entity benefitting from the PPP Project and representatives of the retained financial, legal, and technical consultants as well as experts of specific competence, as may be necessary, selected from the concerned ministries and existing regulatory authorities and any moral person of public law which the Project Committee deems that some aspects of the PPP Project fall within the scope of his/her powers.

The Public Entity, to whom the Project Committee's or Working Team's member is affiliated, shall bear the cost of any additional remuneration due to him/her and shall make such compensation as per its own bylaws.

Article V:

The Project Committee, assisted by the Working Team, shall be responsible for preparing a comprehensive study on the PPP Project covering its technical, economic, legal and financing aspects, including the prequalification criteria and the extent of investor interest and the possibility of attracting the necessary financing and shall submit a report with its recommendation to the Council.

Article VI:

After the Council agrees to proceed with the PPP Project, for projects undertaken by the State or public institutions, and any moral person of public law with the exception of municipalities or federations of municipalities, the President of the Council shall refer the project file to the Council of Ministers. After the

Council of Ministers agrees to proceed with the PPP Project, the Project Committee shall launch the process of selection of the Private Partner in accordance with the principles set out in this law.

After the Council agrees to proceed with a PPP Project of municipal nature, which has been subjected to the provisions of this law, the President of the Council shall refer the project file to the president of the municipal council or the president of the concerned federation of municipalities to obtain the required endorsements in accordance to the provisions of the legislative decree number 118 dated 30 June 1977. Once endorsements have been obtained, the Project Committee shall launch the process for selection of the Private Partner in accordance with the principles set out in this law.

Article VII:

1- The process of the selection of the Private Partner shall be subject to the principles of transparency, freedom of participation by competing bidders and equal treatment of the same; and sufficient publicity should be assured to ensure a multitude of competing bids.

2- The process of the selection of the Private Partner shall start with the publication of a public invitation to parties interested in being candidates for the award of the PPP Project. This invitation shall include the prequalification criteria commensurate with the size and nature of the PPP Project. This invitation shall be published in the local and international press as well as in specialized magazines and on the Council's website, at least a month prior to the deadline of submission of the expression of interest.

3- The Project Committee shall provide the parties interested in being prequalified with the necessary information and instructions, which would serve as a basis for their pre-qualification applications. It is forbidden to prequalify or to select a Private Partner that has been declared bankrupt, and was in a state of liquidation, or have been convicted according to local or foreign judgments for acts of collusion or illicit practices. In case the Private Partner were a consortium, each of the consortium's members shall satisfy these conditions. It is also prohibited to enter into a contract with a Project Company whose president or one of its board members have been convicted by a final verdict of a felony or misdemeanor.

4- The Project Committee, assisted by the Working Team, shall study the submitted pre-qualification applications and examine their supporting documents. The Project Committee shall evaluate the prequalification applications based on the published prequalification criteria and shall submit a report to the Council including the names of the prequalified candidates as well as of those who did not prequalify and the basis for their decision. Once the Council has taken the appropriate decision, the prequalification results shall be published, provided that the number of prequalified candidates shall be no less than three.

5- In case less than three candidates were prequalified; the public invitation to those interested in being prequalified shall be published again.

6- The Project Committee shall justify its decision to the candidates who were not prequalified.

7- The Project Committee, assisted by the Working Team, shall prepare a draft tender document. This draft shall include, without being limited to:

   a. The evaluation criteria specific to the PPP Project, which should be objective and commensurate with the size and nature of the project and should be directly related to it and should be auditable and verifiable.
   b. The project information, which includes the procedures for bid submission and the financial, technical and administrative elements of the project and the mechanisms for inquiries, objections and their settlement.
   c. The draft Partnership Agreement and its annexes.

8- The Project Committee shall send the draft tender document to prequalified candidates.

9- The Project Committee, assisted by the Working Team, shall conduct consultations with all of the prequalified candidates and lenders in a neutral and transparent way to reach a comprehensive and final conception of the technical requirements, the practical means and the best financial structure to undertake the PPP Project. The draft tender document shall be amended, if necessary, by the Project Committee in light of these consultations.

10- The Project Committee shall submit the tender document, in its final form, to the Council. Once the Council approves the tender document, the President of the Council shall submit it to the Council of Ministers for final approval. With regards to PPP Projects of municipal nature which have been subjected to the provisions of this law, and once the Council approves the tender document, the President of the Council shall refer it to the president of the relevant municipal council or federation of municipalities to obtain the required endorsements in accordance with the provisions of Legislative Decree No. 118, dated June 30, 1977.

11- The Project Committee shall send the tender document to the prequalified candidates.

12- The prequalified candidates shall prepare their technical and financial proposals and shall submit them to the Project Committee in accordance with the principles set out in the tender document.

13- In case less than three proposals were submitted, the tender for the PPP Project shall be launched again. In case this does not result in the submission of at least three proposals, two proposals may be deemed sufficient to proceed, subject to the approval of the Council of Ministers.

14- The Project Committee shall open the technical proposals in the presence of the bidders to check for their compliance with the submission requirements stipulated in the tender document. The Project Committee may ask the bidders to provide necessary clarifications, missing information and confirmation of commitments, if any, subject to a defined deadline.

15- The technical proposals which are not compliant with the requirements of the tender document shall be rejected and their related financial proposals shall be returned unopened to their bidders who presented them. The reason for non-compliance shall be notified to the bidders.

16- The Project Committee, assisted by the Working Team, shall evaluate the remaining technical proposals according to the criteria defined in the tender document, and shall identify the accepted technical proposals in light of this evaluation. In case less than two technical proposals were accepted, the tender is launched again to ensure competition.

17- The Project Committee shall open the financial proposals related to the accepted technical proposals in the presence of the bidders and shall submit afterwards a report to the Council classifying the bidders in light of the technical and financial evaluation. The Project Committee shall attach to the report its recommendation with respect to the best bid based on the evaluation criteria stated in the tender document.

The Project Committee, with the authorization of the Council, may engage the best bidder in negotiations aimed at improving the proposal from a technical aspect.

Article VIII:

The winning bidder is the bidder who submitted the best proposal as per the evaluation of the Project Committee based on the evaluation criteria stated in the tender document, and as approved by the Council. The Project Committee shall announce the outcome of the bidding process and shall notify the remaining bidders of the reason for their failure.

Article IX:

1- The Private Partner shall establish a Lebanese joint-stock company (the Project Company), all of whose shares shall be nominative and which shall be subject to the provisions of the Code of Commerce, enacted by Legislative Decree No. 304, dated December 24, 1942. [The Project Company] shall be exempted from the nationality requirement stipulated in Articles 78 and 144 and from the requirement of appointing an additional auditor; and the [Project Company's] Chairman and or CEO shall be exempted from the obligation of obtaining a work permit.

2- Regarding PPP Projects undertaken by the State or public institutions and any moral person of public law with the exception of municipalities or federations of municipalities, the Private Partner shall not have the right to relinquish its shares in the Project Company before the project reaches the operational stage, as defined in the Partnership Agreement, without the approval of the Council of Ministers. The approval of the municipal council or the federation council shall be required for projects of a municipal nature.

3- The Public Entity shall be allowed to participate in the Formation of the Project Company and to contribute to its capital, and its in-kind contributions shall be exempted from the verification treatment provided for in Article 86 of the Code of Commerce such that the valuation is performed by an independent entity with international experience. The members of the board of directors shall be selected by the General Assembly and the Public Entity shall be represented for the duration of its contribution by at least one member appointed by the Council of Ministers based on the suggestion of the Concerned Minister.

4- The Project Company shall not be subject to the oversight of the Court of Accounts.

<u>Article X:</u>

The Partnership Agreement shall be signed by the authorized signatory on behalf of the Public Entity and by representatives of the Project Company. When necessary the Private Partner and any other concerned party shall as well sign the Partnership Agreement. The Partnership Agreement shall include the following:

1- Each party's rights and obligations;
2- The financing basis of the PPP Project;
3- The duration of the Partnership Agreement, which shall not exceed thirty-five years starting from the date of signature;
4- All revenues that the Project Company will receive from the Public Entity, or revenues that the Public Entity will receive from the Project Company, depending on the nature of the PPP Project, for the performance of the works entrusted to the Project Company pursuant to the Partnership Agreement, as well as the methods of payment of these revenues;
5- The fees and tariffs and royalties related to the PPP Project that the Government or the municipal council or the federation council may authorize the Project Company to collect on behalf of and for the account of the Public Entity;
6- The key performance indicators of the Project Company;
7- The reports that the Project Company should prepare in connection with the execution of the PPP Project and should submit to the Public Entity and the Council;
8- The allocation of risks between the Public Entity and the Project Company, in addition to the actions to be taken and procedures to be followed to reduce the impact of such risks;
9- The rules for amending the Partnership Agreement's main conditions;
10- The guarantees, commitments and obligations which may be given by the Project Company and/or the Private Partner and/or the Public Entity for the implementation of the PPP Project;
11- The money and properties of the Public Entity which is put at the disposal of the Project Company throughout the term of the Partnership Agreement for the performance of its obligations, in addition to the rights and obligations of the Project Company in respect of such money and properties;
12- The procedure of transfer of the PPP Project in due course to the Public Entity, when the nature of the Project requires such transfer;
13- The procedures required to ensure the continuity of the PPP Project and the works performed under the Partnership Agreement upon termination of the Partnership Agreement, whether due to its expiration or early termination or in the event of failure by the Project Company to perform any of its contractual obligations;
14- The procedures and penalties that may be imposed on either party in the event of any breach of its contractual obligations and the detailed mechanisms to execute such procedures;
15- The dispute resolution mechanism, which can include mediation and domestic and international arbitration.

Article XI:

The Public Entity shall be responsible for overseeing the execution of the PPP Project in all its aspects as stipulated in the Partnership Agreement. The oversight applies to two phases, the Formation Phase and the Operational Phase.

1- The Formation Phase

a. Immediately following the signature of the Partnership Agreement by its parties, the Public Entity shall appoint:
    i. A steering committee, chaired by a representative of the Public Entity and including representatives of the Concerned Minister (in case the Public Entity was other than the State), the Council's Secretariat General, the Ministry of Finance and the regulatory authority of the sector, if one exists.
    ii. A project management office for the Formation Phase, which includes in addition to its appointed members, specialized experts and local and/or international consultants as deemed necessary in accordance with the nature of the PPP Project. The project management office plays the role of interface between the steering committee and the Project Company.

b. The project management office shall receive and evaluate the reports submitted by the Project Company in connection with the execution and progress of works, and shall prepare quarterly monitoring reports and submit them to the steering committee. The monitoring reports shall show the extent of compliance of the Project Company with the execution timetable stipulated by the Partnership Agreement and shall include suggestions regarding urgent matters requiring settlement.

c. The steering committee shall meet on a quarterly basis, and whenever an urgent matter arises, in order to review the monitoring reports submitted by the project management office and to issue necessary instructions and submit reports to the Public Entity, and the Concerned Minister (in case the Public Entity was other than the State), and the Council's Secretariat General.

d. The Public Entity other than the State, and upon approval by the Concerned Minister, may take necessary measures and decisions based on the reports of the steering committee and the project management office.

2- The Operational Phase

a. Before this phase starts, the Public Entity shall appoint a project management office for the Operational Phase, which includes in addition to its concerned members, a representative of the regulatory body of the sector if it exists and specialized experts and local and/or international consultants as deemed necessary.

b. The tasks of the project management office shall include, but are not limited to:
    i. Monitoring the operations of the Project Company with regards to output and level and quality of the requested services relative to the required standards and with regards to risk allocation.
    ii. Proposing measures to remedy any breach of obligations by the Project Company and to impose sanctions as per the Partnership Agreement.
    iii. Contributing to resolving disputes, should they arise.
    iv. Ensuring the general compliance of the Project Company with the terms stipulated in the Partnership Agreement.

c. The project management office for the Operational Phase shall present the monitoring results in reports on a bi-annual basis and whenever necessary. A copy of these reports shall be sent to the Public Entity for it to take appropriate decisions, and to the Concerned Minister in case the Public Entity was other than the State, and to the Council's General Secretariat for their information and opinion and referral to the Council whenever necessary.

Article XII:

The Council's Secretariat General shall:

1- Prepare annual reports regarding the program of PPP Projects, and proposals aiming at developing and encouraging public private partnerships in general, and submit them to the Council for referral to the Council of Ministers.
2- Train the staff of the public sector to develop their capabilities and enable them to effectively study and manage PPP Projects.

Article XIII:

1- Contrary to any other text, the Public Entity shall have the right to put at the disposal of the Project Company real estate properties that it owns and that it deems necessary for the execution of the PPP Project for the duration of the Partnership Agreement.

2- If the implementation of the PPP Project requires the expropriation of private properties, either the Council or the Project Company shall request from the Public Entity to expropriate these properties. In this case, the expropriation rules shall apply and the decisions for the seizure and the transfer of ownership shall be issued within 6 months of the issuance of the decree declaring public benefit. The expropriated properties shall be registered in the name of the Public Entity in the land registry, and the Project Company shall be given the right to use such expropriated properties for the duration of the Partnership Agreement.

3- The Project Company or the Private Partner has the right to fully or partially finance, with the Public Entity, the compensation for the expropriation of the real estate properties required for the PPP Project, such that this financial contribution is considered an integral element of the financing of the PPP Project.

Article XIV:

The expenses of the PPP Project that are to be borne by the State shall be reflected in the national budget.

Article XV:

Each of the Council and the Public Entity shall retain the experts and consultants referred to in this law based on their respective bylaws whenever they exist, otherwise, based on the provisions of the general accounting law.

Article XVI:

The provisions of this law shall not prevent the Private Partner and the Project Company from benefiting from the provisions of Law No. 360 dated August 16, 2001 and relating to the development of investments in Lebanon, and from the provisions of Law No. 705 dated December 9, 2005 and relating to the securitization of assets.

Article XVII:

The implementation details of this law shall be set, when necessary, by virtue of decrees adopted by the Council of Ministers, upon proposal by the President of the Council.

Article XVIII:

This law shall become effective immediately upon its publication in the Official Gazette.

The next section describes the current tendering process for PPPs in Lebanon, consistent with the PPP law.

PPP TENDERING PROCESS IN LEBANON

A. PPP Tendering Process

Proposing a PPP Project

The first step of the process for a PPP project involves a proposal which should include a pre-feasibility study (details of which are under Item B in this section) to be sent by relevant public entity/ministry to the Secretariat General of the High Council for privatization and PPP (HCP). The public entity/Ministry may rely on ideas, proposals, feasibility studies and/or reports provided to it by companies, consultants or others, to complete its proposed project file inclusive of the-feasibility study.

In this context, for companies seeking to express interest in bidding for a project that is not currently in consideration with the HCP, the most effective first course of action would be to propose the project to the concerned Ministry and possibly assist with the preparation of a pre-feasibility study, in case the Ministry is interested in putting forward a proposal. This approach, however, should not give this company any competitive advantage over other bidders who might be interested once the project is tendered competitively.

The HCP Secretariat General will review the file submitted by the concerned ministry and issue its recommendations to the HCP Board, which is chaired by the Prime Minister and is composed of the four permanent members as previously described, as well as the Minister who initially submitted the project to HCP.

Following the HCP Board's approval to proceed with the project, the HCP Board will form a project Steering Committee to review and follow up on the concerned project. The project Steering Committee then selects consultants to be retained by the HCP to undertake the full feasibility study and commence preparations for the project tendering, which are submitted back to the HCP Board for approval.

Should the HCP Board approve proceeding further with the PPP Project, the President of the Council of Ministers would forward the project file to the Council of Ministers for its approval.

Prequalification Phase

Upon the approval of the Council of Ministers to proceed with a PPP project, the HCP Secretariat General issues a request for expressions of interest which includes the prequalification criteria for the selection of the potential private partners.

Results of the Prequalification are reported to the HCP Board for approval. Once approved, the HCP Secretariat General announces the prequalification results.

Tendering Phase

The HCP Secretariat General then proceeds in preparing the tender documents and based on consultations with the prequalified bidders on the draft project agreement, it finalizes the tender documents.

The HCP Secretariat General must submit the final tender documents to the HCP Board. In the case of approval by the HCP Board, the Prime Minister then forwards the project tender documents to the Council of Ministers for approval.

If the Council of Ministers approves the PPP project Tender documents, the HCP Secretariat General can then proceed to the bidding process and subsequent evaluation of the bids. The HCP Secretarial General then prepares its evaluation report together with its recommendation of the preferred bidder to the HCP Board for its approval or comments. The HCP Board can mandate the project steering committee to negotiate with the winning bidder on certain technical aspects.

Agreement and Execution

Following completion of the negotiations with the Winning bidder, the final PPP Contract/Agreement is signed by the concerned Minister or relevant public entity which is then in charge of monitoring the execution of the PPP project.

As defined in the PPP law, the PPP Project Agreement will include all elements which govern the relations between the public entity, the project company and any third parties/investors/financers/guarantors.

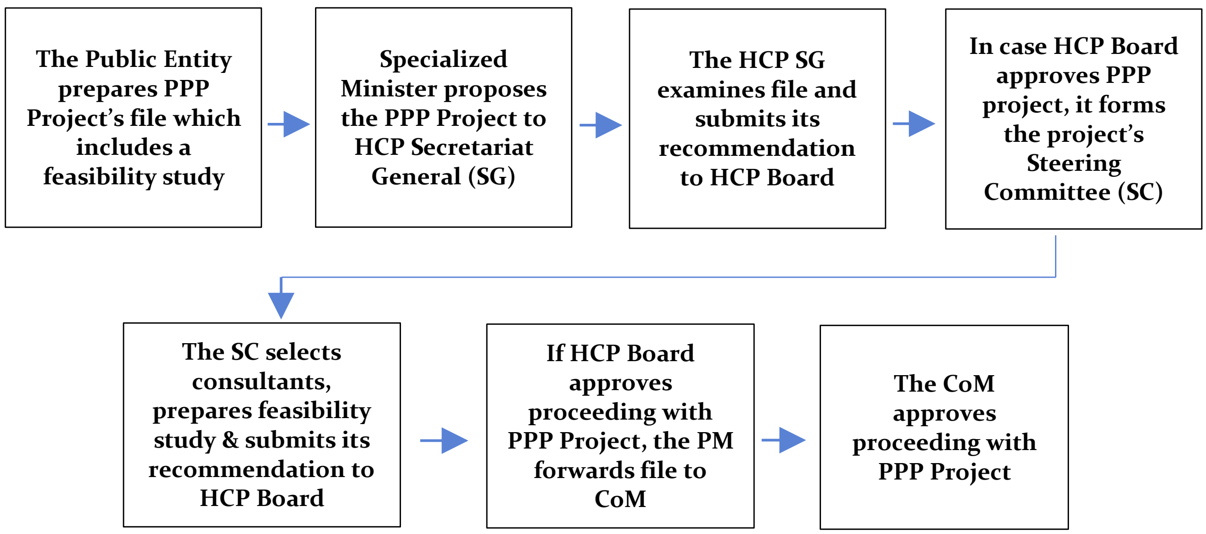
Average time from Proposal to Launching

The average time needed from submission of project file including the pre-feasibility study from the Specialized Ministry to the HCP, up to the beginning of the official Tendering is estimated to range between 12-18 months but would certainly vary depending on the size and complexity of the project.

PPP Tendering Stages Illustrated

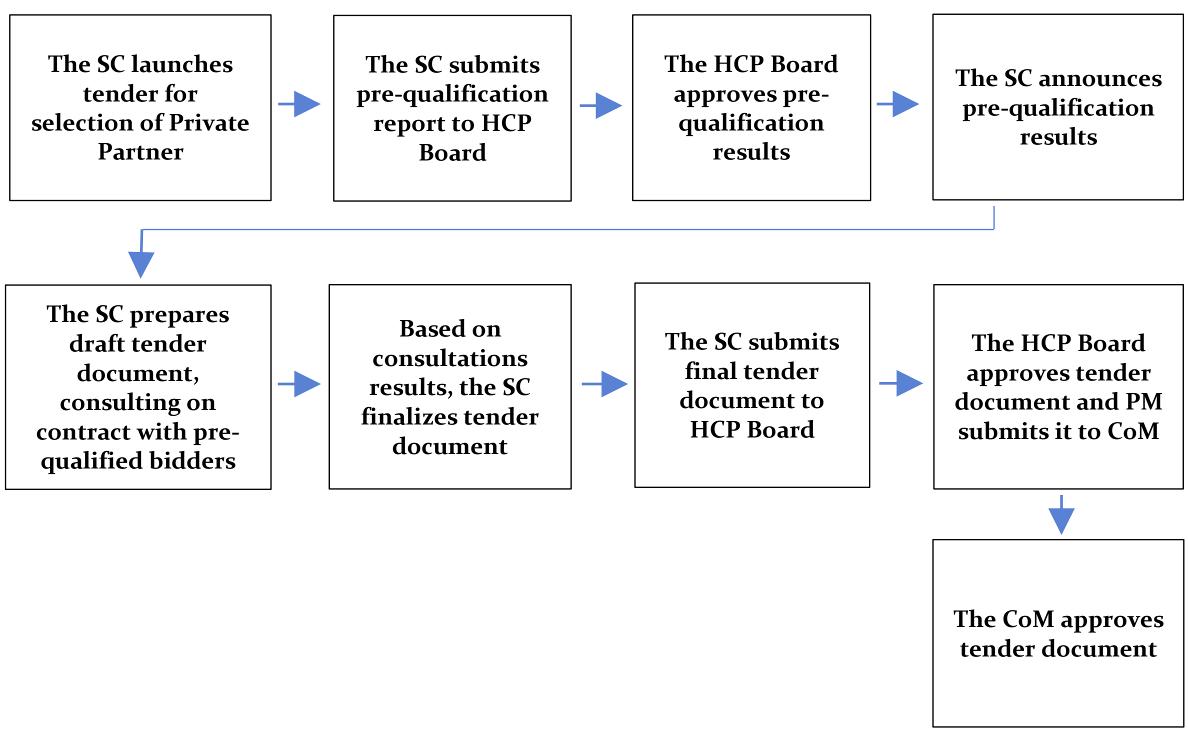
The above process can be illustrated by splitting the Tendering Process into 3 stages, for information purposes only.

Stage 1 – New Project Proposal and Approval

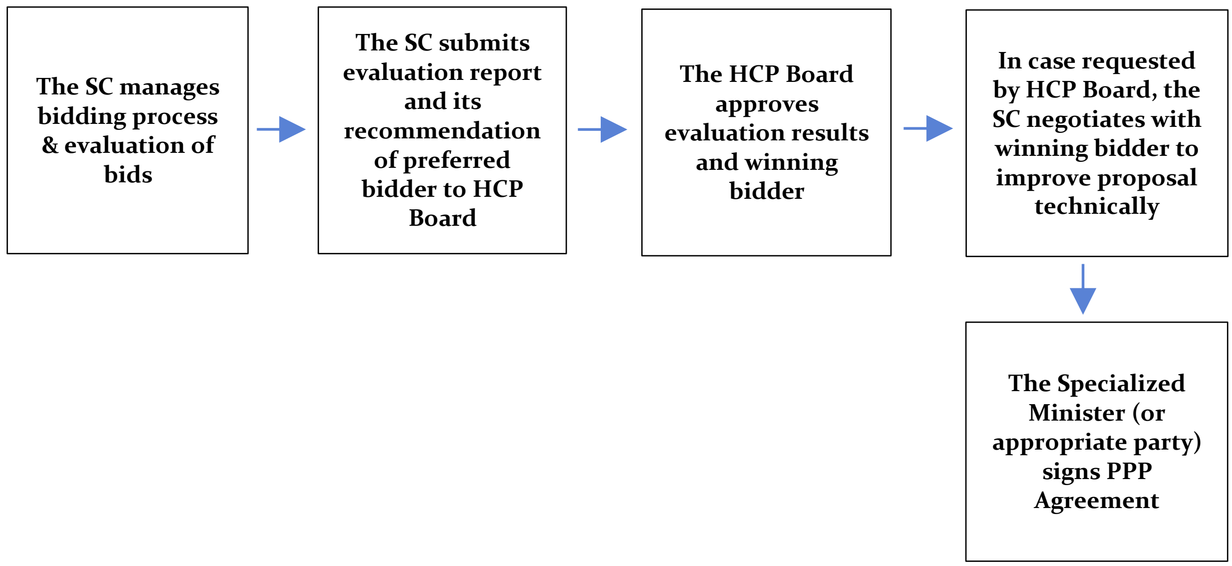


SC: Steering Committee   CoM: Council of Ministers   PM: Prime Minister   HCP: High Council for Privatization and PPP.

Stage 2 – Launch of Tendering process, pre-qualification and completion of tender document.



Stage 3 – Bidding and selection of winning bidder



B. Pre-feasibility Study

The pre-feasibility study must be included in the proposal of a PPP project by the specialized ministry or public entity, which is submitted to the Secretariat General of the High Council for Privatization and PPP (HCP).

The result of the pre-feasibility study shall be a brief concept note for a well-defined project. It would provide a basis for the HCP Secretariat General to prepare the screening report, which would also take into consideration market, financial and legal factors that will help the HCP in deciding on the appropriateness of moving forward to the next stage, namely a full-fledged feasibility study.

PPP Pre-feasibility study – Outline

I- Contact Information

a. Name of the public entity (ies) in charge
b. Contact name and email address

II- Introduction

a. Name of the Project
b. Project Location
c. Project overview

III- Identification of the need and benefits of the project

a. Description of the need being fulfilled by the project. Include detail on the nature of the need and its quantification and how it was assessed.
b. Description of direct and indirect benefits of the project.
c. The contribution of the project to the government's policy and general goals.
d. Assessment of the expected project outcomes and impacts (economic impact and socioeconomic factors).
e. Identification of other possible options and why the one proposed was selected.
f. Identification of the project beneficiaries and stakeholders.
g. Description of how intended beneficiaries were involved in the project identification.
h. Assessment of environmental considerations, including possible mitigation of possible risks.
i. Identification of any programs and activities that complement the project.
j. Description of the relevant experience and capabilities of the public entity in charge, and the type and level of resources that it can provide for project planning.

IV- Preliminary technical and operational analysis

a. Description of the technical solution and scope.
b. Description of the operational aspects of the project.
c. Description of the physical aspects of the project: the condition of the site, geographical area, affected area and population etc.
d. Identification of the possible technical and operational risks.

V- Preliminary analysis of the financial feasibility

a. Estimation of Capex and O&M cost including life-cycle refurbishment costs during the expected duration of the project.
b. Forecast of revenues, if applicable, with the underlying assumptions.

c. Assessment of the possibility of self-financing the project through affordable user fees? Any external funding available?
d. Preparation of a preliminary business plan outlining projected revenues and expenditures for the project life.
e. Discussion of possible financial risks.

VI- Project readiness and Status
Identification of any aspects/constraints that might affect project readiness/challenges such as:
a. Land availability
b. Level of demand
c. Stakeholder negative aspects
d. Legal or regulatory uncertainties
e. Any studies that have already been carried out
f. Any other relevant information
g. Any consultations made with the private sector (investors and/or bidders)

C. Five measures of transparency

To ensure a transparent tendering process, there are five main measures adopted in the tendering process and subsequent project implementation:

1) All stakeholders must be involved in project discussions for the tendering process.
2) Pre-qualified companies are to be consulted on PPP tender documents and contracts
3) A minimum of three bidders are required in the initial tendering phase
4) The PPP contract must be included in the tender documents to ensure changes cannot later be made without consent.
5) Companies should report progress on the advancement of the project(s) semi-annually.

POTENTIAL PPP PROJECTS IN LEBANON

The following list of projects was prepared by the High Council for Privatization and PPP jointly with: *The Presidency of the Council of Ministers, The Ministry of Public Works and Transport, The Ministry of Energy and Water, The Ministry of Telecommunications, The Ministry of Environment, The Council for Development and Reconstruction, The Tripoli Special Economic Zone Authority*.

It should also be noted that the projects presented in this booklet are not all at the same level of development, with some at more advanced levels while others are still in very early developmental stages.

TRANSPORT SECTOR

1. EXPANSION OF BEIRUT RAFIK HARIRI INTERNATIONAL AIRPORT

GOVERNMENT ENTITY

Ministry of Public Works and Transport

PROJECT DESCRIPTION

Government of Lebanon (GoL) intends to expand its sole operational commercial airport in Lebanon, the Beirut Rafic Hariri International Airport (BRHIA) on a PPP basis.

The key project components are as follows:

- The development of a new terminal for 6,000,000 passengers and its concourse.
- Some improvements to existing airport infrastructure (the aprons, taxiways etc.)
- Some improvements to the access roads.
- Develop non-aeronautical revenues for the financial sustainability of the project.
- Dar Al Handasah Consultants (Shair & Partners) completed the Airport Master plan and are currently working on the traffic impact study expected to be completed by end of March 2018.

OBJECTIVES AND EXPECTED IMPACT

- Cope with the traffic growth as BRHIA traffic has exceeded its planned capacity.
- Improve the quality of service.
- Free government budgets for other sectors.
- Introduce new revenue streams for GoL.
- Contribute to the increase in exports and create jobs.

EXPECTED ROLE OF THE GOVERNMENT

- Provide good governance and undertake a transparent tendering process.
- Include enough non-aeronautical activities to make the project profitable for the private sector.
- Attract funding from multilateral financial institutions.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Finance, build, operate and maintain the new terminal. (Operation and maintenance may apply to the entire airport, depending on final deal structure).
- Introduce operational efficiencies.

PROJECT LOCATION

- BRHIA is located in Khaldeh at approximately 9km south of the capital city Beirut.
- The airport land is owned by the GoL and can accommodate two additional terminals. The current project is for a new terminal to be built on the west side of the existing terminal.

PROJECT TIMELINE

- Due diligence completed – December 2018

- Launching the tendering process – December 2019
- Contract Award – June 2020

EXPECTED CAPEX (USD)

The total expected investments needed for the expansion of the airport including the terminal and the necessary infrastructure improvements are estimated at about USD 500MM.

CONTACT

Dr. Omar Kaddouha (MOPWT) okaddouha@gmail.com / Ms. Diala Chaar (HCP) dchaar@hcp.gov.lb

2. KLEIAAT RENE MOUAWAD AIRPORT

GOVERNMENT ENTITY

Ministry of Public Works and Transport

PROJECT DESCRIPTION

Government of Lebanon (GoL) intends to rehabilitate and expand Rene Mouawad Airport on a PPP basis. Project highlights:

- Will operate charter, cargo and internal flights as well as hosts an aviation training centre.
- Benefits from an area of 6MM m^2, out of which 2.75MM m^2 is the investment area.
- Currently comprises one runway of 3000m length (expandable by 250m) and 45m width, a 3000m taxiway, a 100-car parking lot, and a control tower.
- Linked to an international coastal and internal road network.

OBJECTIVES AND EXPECTED IMPACT

- Create an enabling environment for economic growth for one of the poorest areas in Lebanon.
- Direct and indirect job creation at the local and national level.
- Reduce road travelling and thus congestion between Tripoli and Beirut through domestic flights for cargo and low cost carriers.
- Reduce the load on BRHIA.
- Introduce new revenue streams for the State.

EXPECTED ROLE OF THE GOVERNMENT

- Rehabilitate the access roads to the airport.
- Relocate the Lebanese army, currently using the site as a military base.
- Provide good governance and transparent tendering process.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Finance and rehabilitate the existing airport.
- Operate and maintain the airport for the contract period, which will be defined during the due diligence phase.

PROJECT LOCATION

- Rene Mouawad airport is located in Akkar, in the north of Lebanon at distance of 105 km from Beirut, 25 km from Tripoli and 7km from the border with Syria.
- A strategic position next to the Syrian border and to the international road.

PROJECT TIMELINE

- Complete the due diligence – May 2019
- Launch the bidding process – December 2019
- Contract Award – December 2020

EXPECTED CAPEX (USD)

The total expected investments needed, including the terminal and the necessary infrastructure improvements are estimated at about USD 100MM.

CONTACT

Dr. Omar Kaddouha (MOPWT) okaddouha@gmail.com / Ms. Diala Chaar (HCP) dchaar@hcp.gov.lb

3. KHALDEH – NAHR IBRAHIM EXPRESSWAY

GOVERNMENT ENTITY

Ministry of Public Works and Transport

PROJECT DESCRIPTION

The Government of Lebanon (GoL) intends to build an Expressway from Khaldeh to Nahr Ibrahim on a PPP basis. The key project components are as follows:

- Total length of the expressway is 38 km divided into a tunnel section of 12 km and a dual 3-4 lane expressway of total length approximately 20 km, Interchanges, service roads and bridges
- GoL might consider splitting the execution of this expressway into different standalone sections for ease of implementation and for securing the funds for the expropriation.

OBJECTIVES AND EXPECTED IMPACT

- Reduce the severe congestion at Beirut northern and southern entrances by providing a direct connection between the north and the south instead of using Beirut internal roads.
- Reduce the severe congestion on the coastal highway by providing an alternative route to the northern coastal highway.
- Generate a large number of jobs.
- Reduce pollution.
- Enhance economic growth and reduce the country's spending on fuel.

EXPECTED ROLE OF THE GOVERNMENT

- Provide for part or all of the expropriation funds, if needed
- Set an adequate yet affordable toll rate
- Attract competitive funding from multilateral financial institutions

EXPECTED ROLE OF THE PRIVATE PARTNER

- Finance and build one or more sections of the expressway.
- Operate and maintain those section(s).

PROJECT LOCATION

- Starts at the town of Khaldeh South of the city of Beirut and heads northward through Choueifat, Hadath, Hazmieh, then Dikwaneh, Baouchrieh, Jal El dib, Antelias before it connects to the existing Northern Highway at Dbayeh north of Beirut.
- A new tunnel from Dbayeh to Nahr Ibrahim.

PROJECT TIMELINE

- Due diligence completed – March 2019
- Launching the tendering process – March 2020
- Contract Award – September 2020

EXPECTED CAPEX (USD)

- Implementation Cost: USD 1600MM
- Expropriation Cost: USD 1260MM

CONTACT

Ms. Diala Chaar (HCP) dchaar@hcp.gov.lb / Mr. Elie Helou (CDR) elieh@cdr.gov.lb

4. JOUNIEH TOURISTIC PORT

GOVERNMENT ENTITY

Ministry of Public Works and Transport

PROJECT DESCRIPTION

Government of Lebanon (GoL) intends to develop a new Touristic Port in Jounieh on a PPP basis. The project entails the development of a port for cruise ships that has a total area of 920,000m^2 and can accommodate ships of 360m in length. It comprises the construction of:

- 2130m main breakwater, two quays of 1000m total length and 12m depth.
- Two marinas for a total of 400 marina berths.
- One passenger terminal.
- All facilities required for the provision of high quality service to the users.

OBJECTIVES AND EXPECTED IMPACT

- Activate the maritime tourism sector and hence develop the national economy.
- Attract international operators of the large cruise ships.
- Have great impact on the tourism sector more job opportunities.
- Reduce the load on Beirut port which is mainly a commercial port.

EXPECTED ROLE OF THE GOVERNMENT

- Develop detailed engineering designs (already completed).
- Ensure land availability (already completed).
- Complete part of the infrastructure works for about USD 40MM (of which USD 13MM are already ear-marked) over a 3 year period ending in 2020.
- Include auxiliary activities, if needed, to make the project profitable to the private sector.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Complete the building of the port infrastructure (quays, dredging, platform, etc.)
- Complete the port superstructure: internal road network, office building, terminal, parking etc.
- Provide the equipment: mobile cranes, forklift, scanner inspection equipment etc.
- Operate and maintain the port for the contract duration.

PROJECT LOCATION

- The port is located between the army base and the Portemilio beach resort.

PROJECT TIMELINE

- Due diligence completed - March 2019
- Tendering process – March 2020
- Contract Award - March 2021

EXPECTED CAPEX (USD)

The capital costs for the completion of the port are estimated at USD 62MM

CONTACT

Eng. Abdelhafiz Kaissi (MOPWT) ministry@transportation.gov.lb / Ms. Diala Chaar (HCP) dchaar@hcp.gov.lb

5. SAIDA NEW PORT

GOVERNMENT ENTITY

Ministry of Public Works and Transport

PROJECT DESCRIPTION

Government of Lebanon (GoL) intends to develop a New Port in Saida on a PPP basis. The project entails the development of a commercial and touristic port that can accommodate commercial and cruise ships up to 275 m by comprising:

- Three commercial quays of a 590m total length with a draft of 10 meters.
- Around 300 marina berths for touristic boats of 5m draft.

GoL completed part of the infrastructure work for a total of USD 19MM in Dec 2016, including a main breakwater of 1000m length with a reinforced concrete superstructure of 630m length, a secondary breakwater of 230m length, and a 150m commercial quay adjacent to the main breakwater.

OBJECTIVES AND EXPECTED IMPACT

- Equip Saida with a protected and safe port by replacing the existing Saida port, which can't accommodate big ships and can't be expanded due to archeological ruins, and which will become a fishery port.
- Create an enabling environment for Saida's economic growth.
- Provide more job opportunities which will directly impact Saida community.
- Reduce the load on Beirut port by taking part of its non-core activities such as the roro and passengers traffic.

EXPECTED ROLE OF THE GOVERNMENT

- Develop detailed engineering designs (already completed).
- Ensure land availability (already completed).
- Include auxiliary activities, if needed, to make the project profitable to the private sector.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Complete the building of the port infrastructure (quays, dredging, platform, etc.)
- Complete the port superstructure: internal road network, office building, warehouses, parking.
- Provide the equipment: mobile cranes, forklift, scanner inspection equipment etc.
- Operate and maintain the port for the contract duration.

PROJECT LOCATION

- The Saida new port is located within the Eskandar Bay which is situated roughly 500m to the south of the old existing Saida port.
- This new port has access to the main Saida sea-side road.

PROJECT TIMELINE

- Due diligence completed - March 2019
- Tendering process – March 2020
- Contract Award – March 2021

EXPECTED CAPEX (USD)

The capital costs for the completion of the port are estimated at USD 65MM

CONTACT

Eng. Abdelhafiz Kaisi (MOPWT) ministry@transportation.gov.lb / Ms. Diala Chaar (HCP) dchaar@hcp.gov.lb

WATER SECTOR

6. EL BARED DAM

GOVERNMENT ENTITY

Ministry of Energy and Water / North Lebanon Water Establishment

PROJECT DESCRIPTION

The project comprises two components:

- A central core rock fill dam for water supply of 37 MCM (static) / 90 MCM (dynamic) annual storage capacity, of a height of 88m, length of 635m, and crest level of 180m and a fill volume of 4.80 MCM. Submerging an area of 113 Ha, it has very low leakage risk with no housing, archeological or infrastructure impact. The supply from the dam would rely on both pumping and gravity; and
- The associated water treatment plant, transmission lines and reservoirs.

OBJECTIVES AND EXPECTED IMPACT

- Provide water supply for 590 thousand habitants in Tripoli, El Miniye and Akkar zones in North Lebanon, where the deficit rate of water supply provision is estimated at 47%.
- Improve hygienic conditions and social wellbeing.
- Conserve and recharge groundwater ensuring sustainability of water resources.
- Generate employment of 3 million labor-days.

EXPECTED ROLE OF THE GOVERNMENT

- Secure a financing source and enter into financing agreement with the Lender for CapEx.
- Off-taker.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Design, build, maintain and operate the dam and associated water treatment plant and transmission network.
- Sell treated water to the North Lebanon Water Establishment.

PROJECT LOCATION

- The project's water basin covers an area of 271km^2 with an average discharge of 150 MCM. The geology of the site is impervious.
- The land has been expropriated.

PROJECT TIMELINE

- Tender documents available to EPC construction.
- EIA is required.
- Expected construction period of 5 years.

EXPECTED COST (USD)

CapEx and expropriation: USD 300MM

CONTACT

Mr. Ziad Zakhour (MOEW) z.zakhour@gmail.com / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

7. AIN DARA – AZOUNIEH DAM

GOVERNMENT ENTITY

Ministry of Energy and Water / Beirut - Mount Lebanon Water Establishment

PROJECT DESCRIPTION

The project comprises two components:

- A central core rock fill dam for water supply of 4.1 MCM (static) / 5 MCM (dynamic) annual storage capacity, of a height of 53m, length of 300m, and crest level of 1106m and a fill volume of 0.74 MCM. Submerging an area of 28 Ha, it has low leakage risk with no housing or archeological issues but a moderate infrastructure impact. The supply from the dam would rely on gravity; and
- The associated water treatment plant, transmission lines and reservoirs.

OBJECTIVES AND EXPECTED IMPACT

- Provide water supply for 225 thousand habitants in 66 villages in the Aley Caza of Mount Lebanon, where the deficit rate of water supply provision is estimated at 64%.
- Improve hygienic conditions and social wellbeing.
- Conserve and recharge groundwater ensuring sustainability of water resources.
- Generate employment of 1.1 million labor-days.

EXPECTED ROLE OF THE GOVERNMENT

- Secure a financing source and enter into financing agreement with the Lender for CapEx.
- Off-taker.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Design, build, maintain and operate the dam and associated water treatment plant and transmission network.
- Sell treated water to the Beirut - Mount Lebanon Water Establishment.

PROJECT LOCATION

- The project's water basin covers an area of 14.2 km2 with an average discharge of 5 MCM. The geology of the site is impervious.
- The land will require expropriations costing USD 5MM.

PROJECT TIMELINE

- Tender documents available for EPC construction.
- Scoping for EIA was submitted to the Ministry of Environment in Nov. 2017.
- Expected construction period of 4 years.

EXPECTED COST (USD)

CapEx and expropriation: USD 115MM

CONTACT

Mr. Ziad Zakhour (MOEW) z.zakhour@gmail.com / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

8. MAASER EL CHOUF DAM AND LAKE

GOVERNMENT ENTITY

Ministry of Energy and Water / Beirut - Mount Lebanon Water Establishment

PROJECT DESCRIPTION

The project comprises two components:

- An asphalt concrete face rock fill dam for water supply of 2.2 MCM (static) / 2.2 MCM (dynamic) annual storage capacity, of a height of 51.5m, length of 253m, and crest level of 1131.5m and a fill volume of 0.5 MCM. Submerging an area of 13.5 Ha, it has high leakage risk with no housing, archeological or infrastructure impact, and no agricultural land loss. The supply from the dam would rely on gravity; and
- The associated water treatment plant, transmission lines and reservoirs.

OBJECTIVES AND EXPECTED IMPACT

- Provide water supply for 70.43 thousand habitants in 25 villages in the Chouf Caza of Mount Lebanon, where the deficit rate of water supply provision is estimated at 55%.
- Improve hygienic conditions and social wellbeing.
- Conserve and recharge groundwater ensuring sustainability of water resources.
- Generate employment of 0.85 million labor-days.

EXPECTED ROLE OF THE GOVERNMENT

- Secure a financing source and enter into financing agreement with the Lender for CapEx.
- Off-taker.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Design, build, maintain and operate the dam and associated water treatment plant and transmission network.
- Sell treated water to the Beirut and Mount Lebanon Water Establishment.

PROJECT LOCATION

- The project's water basin consist of Wadi Hazirane (3.1 km^2) and Wadi Bou Jerios (4.9km^2) with an average discharge ranging between 1.1 and 1.3 MCM. The geology of the site is partially impervious. The land will require expropriations costing USD 2MM.

PROJECT TIMELINE

- Tender documents available for EPC construction. EIA is required.
- Expected construction period of 4 years.

EXPECTED COST (USD)

CapEx and expropriation: USD 87MM

CONTACT

Mr. Ziad Zakhour (MOEW) z.zakhour@gmail.com / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

WASTEWATER SECTOR

9. QORTADA-SFAILEH-DEIR KHOUNA-HLALIYEH

GOVERNMENT ENTITY

Ministry of Energy and Water / Beirut - Mount Lebanon Water Establishment

PROJECT DESCRIPTION

The project comprises two main components:

- Four wastewater treatment plants: Qortada (34,330 PE), Sfaileh (108,800 PE), Deir Khouna (79,478 PE) and Hlaliyeh (51,144 PE) in horizon year 2050; and
- Their relative collection and conveyance systems, connecting 14,500 homes and all totaling 400km of lines and 284km of over-asphalting.

OBJECTIVES AND EXPECTED IMPACT

- Environment and groundwater protection from wastewater pollution.
- Elimination of public health hazards to citizens.

EXPECTED ROLE OF THE GOVERNMENT

- Undertake land expropriation and help secure financing for the project.
- Initiate a tariff reform, require metering and enforce connections.
- Ensure appropriate quality and quantity of influent.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Design, build, operate and maintain the above systems for 35 years.
- Monitoring the quality and characteristics of the raw wastewater
- Respect the effluent and air quality standards set by the Ministry of Environment.
- Provide staff training.

PROJECT LOCATION

- Qortada : Deir-El-Harf, Kneisse, Qsaibe, Qortada, Ras El Metn, Zandouka, Aiyoun, Broumana (part), Masqa.
- Sfaileh: Bzibdine, Dlaibe – Aarbaniye, Hasbaya El Metn, Jouret Arsoun, Kfar Selouna, Salima, Aayroune, Ain El Zeitoun, Baabdat (part), Choueir, Dahr El Souane, Douar, Ghabe Bologna – Wata Mrouj, Mar Moussa, Mrouj, Mzakke, Qennabe Salima, Sfaileh, Zaraoune, Qennabe Bsefrine, El Qaaqour, Arsoun, Jouwar El Haouz, Qornayel, Tarchich, Aintoura, Majdel Tarchich, Mtein, Qottara Aintouret.
- Deir Khouna: El Chmeice, Deir Khouna, El Qrayeh, Haret Hamzeh, Mazraet el Mzeiraa, Qoubeyyaa, Qtaleh, Ras el Harf, Saoufar, Bmariam, Btebiat, Btekhnay, Chbaniyeh, Khraibeh, Qalaa, Falougha, Hammana.
- Hlaliyeh: Aabadiyeh, Ain Mouaffaq, Baalchmay, Bhamdoun, Chouit, Hlaliyeh, Roueisset El Ballout.

PROJECT TIMELINE

- Feasibility study completed.
- Currently identifying plots of land requiring expropriation (surface of 136,000m2)
- Expected construction period of 2 years.

EXPECTED COST (USD)

CapEx and expropriation: USD 194MM

CONTACT

Ms. Randa Nemer (MOEW) rnemer@cyberia.net.lb / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

10. ALEY (MOEW MASTER PLAN ZONE 8) WASTEWATER SYSTEM

GOVERNMENT ENTITY

Ministry of Energy and Water / Beirut - Mount Lebanon Water Establishment

PROJECT DESCRIPTION

The project comprises two components:

- Two activated sludge technology wastewater treatment plants: Maasriti/Chourit, serving Region A (65,000 PE year 2035 and 97,000 PE year 2050) and Charoun, serving Region B (15,000 PE year 2044 and 22,500 year 2050); and
- Their relative collection and conveyance systems, totalling 266km of lines.

OBJECTIVES AND EXPECTED IMPACT

- Protecting the water resources in the region from contamination with sewage.
- Protecting the ecosystem of the Damour and Safa River, part of which was included in the UNESCO nature and environment reserves protection program particularly the valley of Damour.
- Improving water quality, health and sanitation conditions.

EXPECTED ROLE OF THE GOVERNMENT

- Finalize the location of the sites and initiate the land expropriation process.
- Help secure financing for the project.
- Initiate a tariff reform, require metering and enforce connections.
- Ensure appropriate quality and quantity of influent.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Design, build, operate and maintain the above systems for 35 years.
- Monitoring the quality and characteristics of the raw wastewater.
- Respect the effluent and air quality standards set by the Ministry of Environment.
- Provide staff training.

PROJECT LOCATION

- Region A includes the villages of: Sofar (partly ~70%), Mansouriyet Bhamdoun (partly ~50%), Majdelbaana, Chanay, Bedghane, Charoun (partly ~50%), Mecherfe, Mazraat el Nahr, Btater, Ain el Halazoun, Habrammoun, Bserrine, Ramliyye, Mraijat, Kfarnis, Majdelmeouch (partly ~70%), Chourit, Maasriti, Rechmaya and Ain Trez.
- Region B including the villages of: Charoun (partly ~50%) and Eghmid (partly ~90%).

PROJECT TIMELINE

- Draft EIA recently submitted to Ministry of Environment.
- Feasibility study completed
- Expected construction period of 2 years

EXPECTED COST (USD)

CapEx and Expropriation: USD 75MM.

CONTACT

Ms. Randa Nemer (MOEW) rnemer@cyberia.net.lb / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

11. ALEY (MOEW MASTER PLAN ZONE 7) WASTEWATER SYSTEM

GOVERNMENT ENTITY

Ministry of Energy and Water / Beirut - Mount Lebanon Water Establishment

PROJECT DESCRIPTION

The project comprises two components:

- Two wastewater treatment plants: Mejdlaya activated sludge technology plant, serving Region A (45,000 PE year 2025 and 66,000 PE year 2050), and Bchetfine upflow bioreactor technology, serving Region B (20,000 PE year 2025 and 30,000 PE year 2050); and
- Their relative collection and conveyance systems, totalling 250km of lines.

OBJECTIVES AND EXPECTED IMPACT

- Protecting the water resources in the region from contamination with sewage.
- Protecting the ecosystem of the Damour and Safa River, part of which was included in the UNESCO nature and environment reserves protection program particularly the valley of Damour.
- Improving water quality, health and sanitation conditions.

EXPECTED ROLE OF THE GOVERNMENT

- Finalize the location of the sites and initiate the land expropriation process.
- Help secure financing for the project.
- Initiate a tariff reform, require metering and enforce connections.
- Ensure appropriate quality and quantity of influent.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Design, build, operate and maintain the above systems for 35 years.
- Monitoring the quality and characteristics of the raw wastewater
- Respect the effluent and air quality standards set by the Ministry of Environment.
- Provide staff training.

PROJECT LOCATION

- Region A includes the villages of: Mansouriyyet Bhamdoun, Taazaniyye, Btalloun, Rejmeh, Bhouara, Ain ej Jdide , Bkhechtay , Ain Hala, Ghaboun, Baysour (partly), Souq el Gharb (partly), Keyfoun (partly) and Mejdlaya.
- Region B includes the villages of: Kfaramay, Chartoun, Roueissat el Naamane, Bouzraide, Doueir er Remmane, Silfaya, Dfoun, Bennay as well as the villages of Aamiq, Knaisse, Deir Kouche and Bchetfine.

PROJECT TIMELINE

- Draft EIA undertaken but exact WWTP sites is yet to be determined.
- Feasibility study completed
- Expected construction period of 2 years

EXPECTED COST (USD)

CapEx and Expropriation: USD 60MM.

CONTACT

Ms. Randa Nemer (MOEW) rnemer@cyberia.net.lb / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

12. KFARHAI WASTEWATER SYSTEM

GOVERNMENT ENTITY

Ministry of Energy and Water / Beirut - Mount Lebanon Water Establishment

PROJECT DESCRIPTION

The project comprises two components:
- A wastewater treatment plant in Kfarhai (13,980 PE year 2040); and
- Its collection and conveyance system, totalling 103km of lines.

OBJECTIVES AND EXPECTED IMPACT

- Protecting the water resources in the region from contamination with sewage.
- Protecting the resources of the Mseilha Dam, expected to be completed in 2019.
- Improving water quality, health and sanitation conditions.

EXPECTED ROLE OF THE GOVERNMENT

- Finalize the land expropriation process.
- Help secure financing for the project.
- Initiate a tariff reform, require metering and enforce connections.
- Ensure appropriate quality and quantity of influent.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Design, build, operate and maintain the above systems for 35 years.
- Monitoring the quality and characteristics of the raw wastewater
- Respect the effluent and air quality standards set by the Ministry of Environment.
- Provide staff training.

PROJECT LOCATION

- District of Batroun, towns of Aartez, Assia, Bijdarfil, Boqsmaiya, El Ftahat, Harbouna, Helta, Jibla, Kfar Chlaimane, Kfar Hatna, Kfarhai, Kfifane (50%), Kour, Sourat and Zane.

PROJECT TIMELINE

- Draft EIA submitted to Ministry of Environment in 2013.
- Feasibility study completed.
- Tender documents largely ready.
- Expected construction period of 2 years.

EXPECTED COST (USD)

CapEx and Expropriation: USD 25MM.

CONTACT

Ms. Randa Nemer (MOEW) rnemer@cyberia.net.lb / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

13. SHABTINE WASTEWATER SYSTEM

GOVERNMENT ENTITY

Ministry of Energy and Water / Beirut - Mount Lebanon Water Establishment

PROJECT DESCRIPTION

The project comprises two components:

- A wastewater treatment plant in Shabtine (6,524 PE year 2040); and
- Its collection and conveyance system, totalling 62km of lines.

OBJECTIVES AND EXPECTED IMPACT

- Protecting the water resources in the region from contamination with sewage.
- Protecting the resources of the Mseilha Dam, expected to be completed in 2019.
- Improving water quality, health and sanitation conditions.

EXPECTED ROLE OF THE GOVERNMENT

- Finalize the land expropriation process.
- Help secure financing for the project.
- Initiate a tariff reform, require metering and enforce connections.
- Ensure appropriate quality and quantity of influent.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Design, build, operate and maintain the above systems for 35 years.
- Monitoring the quality and characteristics of the raw wastewater
- Respect the effluent and air quality standards set by the Ministry of Environment.
- Provide staff training.

PROJECT LOCATION

- District of Batroun, towns of Dirya (75%), Douq, El Aalale, Hadtoun, Mehmarch, Racha, Shabtine and Toula.

PROJECT TIMELINE

- Draft EIA submitted to Ministry of Environment in 2013.
- Feasibility study completed.
- Tender documents largely ready.
- Expected construction period of 2 years.

EXPECTED COST (USD)

CapEx and Expropriation: USD 15MM.

CONTACT

Ms. Randa Nemer (MOEW) rnemer@cyberia.net.lb / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

ENERGY SECTOR

14. ZAHRANI AND SELAATA IPP PROJECTS

GOVERNMENT ENTITY

Ministry of Energy and Water

PROJECT DESCRIPTION

Implementation of two Independent Power Producer ("IPP") projects involving two Combined Cycle Gas Turbine (CCGT) power plants located in Zahrani and Salaata areas, each with a capacity ranging between 500 MW and 600 MW.
In terms of fuel supply, GoL is planning to develop Floating Storage Regasification Units (FSRUs) for Liquefied Natural Gas (LNG) for each Project. The deployment of the FSRUs is expected to be finalized by GoL ahead of the Projects' completion. Both Projects are planned to have dual fuel capabilities using natural gas as a primary fuel and Heavy Fuel Oil (HFO) as a secondary duel with diesel oil being a start-up fuel and a back-up fuel.

OBJECTIVES AND EXPECTED IMPACT

- Increase national power generation capacity.
- Decrease the cost of electricity by using natural gas and efficient production technologies.
- Decrease the emissions factor of electricity production in Lebanon by using environmentally friendly technologies.
- Provide alternative power capacity to allow for the gradual replacement of old plants.

EXPECTED ROLE OF THE GOVERNMENT

- Provide land and supply fuel.
- Grant IPP License.
- Terms and Conditions for the above to be detailed in the Transaction Documents to be developed by the IFC for the benefit of the Government of Lebanon.

EXPECTED ROLE OF THE PRIVATE PARTNER

- To fully develop the Projects through the provision of Financing, Engineering, Procurement and Construction services, and Operation and Maintenance services for the plants' lifetime.
- Terms and Conditions for the above to be detailed in the Transaction Documents to be developed by the IFC for the benefit of the Government of Lebanon.

PROJECT LOCATION

- Zahrani site is adjacent to the existing power plant.
- Selaata site is located in the area near the existing waste water treatment plant.

PROJECT TIMELINE

- IPP Transaction Closure is expected within 18 months from the start of the Transaction Advisory services to be performed by the IFC.
- Projects completion to be with a maximum of 30 months from award.

EXPECTED CAPEX (USD)

USD 600MM per project

CONTACT

Mrs. Nada Boustani (MOEW) nadaboustani@hotmail.fr

TELECOMMUNICATIONS SECTOR

15. NATIONAL DATA CENTER

GOVERNMENT ENTITY

Ministry of Telecommunications / OGERO

PROJECT DESCRIPTION

One or more scalable data center facilities and infrastructure based on Tier 3 standard, offering cloud infrastructure, platform and software services (IaaS, PaaS and SaaS) to both the public and private sectors, with the potential of expanding services in the region.

OBJECTIVES AND EXPECTED IMPACT

- Enable and promote the ICT sector and leverage the benefits of fiber rollout.
- Improve IT, data security and governance by implementing standardized security and data governance policies.
- Improve business continuity and disaster recovery capabilities.
- Encourage foreign businesses to invest and establish bases in Lebanon and create employment and economic growth.
- Enable data integration between different government entities facilitating the foundation and delivery of e-Government services.

EXPECTED ROLE OF THE GOVERNMENT

- Provide site locations, fiber connectivity and favorable regulatory conditions.
- Assist in the transfer of assets.
- Provide anchor tenancy (the two mobile companies, OGERO and governmental entities).
- Possibly contribute through co-financing, tax benefits, equity measures, subsidies/grants and different types of guarantees (minimum revenue, exchange rate and debt).

EXPECTED ROLE OF THE PRIVATE PARTNER

- Design, build, finance, operate and maintain the data center infrastructure for 10-20 years.
- Assume the demand risk and recover its investment from user payments.
- Assume the economic ownership of the assets during the life of the contract.

PROJECT LOCATION

- Several potential locations are proposed; the final location(s) will be decided in consultation with the Private Partner.

PROJECT TIMELINE

- Pre-feasibility study completed.
- Expected construction period of 1 - 2 years.
- Expected operation and maintenance period of 10 – 20 years.

EXPECTED COST (USD)

CapEx: USD 80 - 150MM (depending on design)

CONTACT

Dr. Jamal Fakhoury (MOT) jfakory@gmail.com / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

WASTE SECTOR

16. MUNICIPAL SOLID WASTE TO ENERGY SYSTEM

GOVERNMENT ENTITY

The Council for Development and Reconstruction

PROJECT DESCRIPTION

The project comprises two components:

- An incineration plant of 2,000 tons/day capacity based on "Waste to Energy" technology for municipalities that are willing to participate in the project; and
- Six associated sorting plants.

OBJECTIVES AND EXPECTED IMPACT

- Put an end to the spread of uncontrolled solid waste dumpsites.
- Protect the environment (Air, Water, Soil, biodiversity, etc.) from the pollution caused by haphazard dumping & open burning of solid waste.
- Produce electricity through the "Waste to Energy" technology.

RESPONSIBILITIES OF THE GOVERNMENT/MUNICIPALITIES

- Identify project site and undertake any required expropriation.
- Collect and transport solid waste to the facilities while ensuring quantity and quality of incoming waste.
- Off-take any generated electricity exceeding the plant's power consumption.

RESPONSIBILITIES OF THE PRIVATE PARTNER

- Design, build, finance, operate and maintain the above system for 20 years.
- Respect the environmental safeguards set by the Ministry of Environment.

PROJECT LOCATION

- To be determined

PROJECT TIMELINE

- Site identification and expropriation.
- Undertake EIA and seek approval of MoE.
- Final design and tender documents ready for EPC tendering.
- Expected construction period of 3-5 years.

EXPECTED COST (USD)

CapEx excluding Expropriation: USD 450MM.

CONTACT

Dr. Ibrahim Chahrour (CDR) ibrahimc@cdr.gov.lb / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

17. HAZARDOUS WASTE INTERIM STORAGE

GOVERNMENT ENTITY

The Ministry of Environment

PROJECT DESCRIPTION

A minimum of three interim storage facilities for Hazardous Waste generated in Lebanon (estimated at 50,000 tons/year).

OBJECTIVES AND EXPECTED IMPACT

- Protection of the environment from uncontrolled disposal of hazardous waste.
- Proper control and environmentally sound management of hazardous waste.
- Compliance with international conventions.

RESPONSIBILITIES OF THE GOVERNMENT

- Issuance of related national legislation and regulations.
- Monitoring on proper handling, sorting, packaging, labelling, transporting of generated hazardous waste in line with relevant national and international legislation and guidelines.

RESPONSIBILITIES OF THE PRIVATE PARTNER

- Design, build, finance, operate and maintain the above system for 20 years.
- Collect and transport hazardous waste from source to the storage facilities.
- Preliminary Treatment and/or Shipment abroad according to Basel Convention on the Control of the Trans-boundary movement of waste.
- Respect the environmental regulations set by the Ministry of Environment.

PROJECT LOCATION

- To be determined.

PROJECT TIMELINE

- Site identification yet to be done. Once done, undertake EIA and seek approval of MoE.
- Expected construction period of 1 year.

EXPECTED COST (USD)

Estimated CapEx: USD 50MM.

CONTACT

Viviane Sassine (MOE) v.sassine@moe.gov.lb / Ms. Maya Chamli (HCP) mchamli@hcp.gov.lb

SPECIAL ECONOMIC ZONE

18. TRIPOLI SPECIAL ECONOMIC ZONE

GOVERNMENT ENTITY

Tripoli Special Economic Zone Authority (TSEZ)

PROJECT DESCRIPTION

The TSEZ is the first project of its kind in Lebanon to develop a multi-use economic zone complete with all required infrastructure and utilities. The 55-hectare site is adjacent to the Port of Tripoli and offers many logistical advantages. It is expected to be a catalyst for the sustainable economic growth of Tripoli and the north of Lebanon. It will provide a streamlined and transparent business environment, develop state-of-the-art infrastructure services, and bolster SME capabilities to attract local and foreign investors and expand Lebanon's export potential.

OBJECTIVES AND EXPECTED IMPACT

- Generate additional economic activity and promote new value added sectors.
- Promote net exports of goods and services.
- Create new employment opportunities, develop human resource skills and expertise and promote technology transfers.
- Support SME development by creating backward and forward linkages to increase output and raise the standards of local enterprises.

EXPECTED ROLE OF THE GOVERNMENT

- In 2008, the Lebanese Parliament passed the TSEZ Law No. 18, establishing the zone and in 2015 the Government appointed the Board of the TSEZ. In 2009 the Government passed several implementation decrees paving the way for a faster implementation of the law.
- In addition to funding the budget of the TSEZ authority, the government has allocated USD 15MM for the first phase of the infrastructure works of the site. It is also actively working to obtain a concessional loan to finance the remainder of the infrastructure cost.

EXPECTED ROLE OF THE PRIVATE PARTNER

- Construct the factory buildings and lease both buildings and serviced plots at market rates.
- Lease the site from the TSEZ authority at below market rates and accepts the responsibility for the management, maintenance, and operation of the zone.
- Assume the economic ownership of the assets during the life of the contract.

PROJECT LOCATION

- 550,000 square meters of land adjacent to the Port of Tripoli. The site has connectivity with multi-modal transportation, and can easily access the workforce in Tripoli.

PROJECT TIMELINE

- Feasibility study completed.
- Master plan including SEA and a detailed design will be ready in June 2018.
- Infrastructure works for the first phase in 2019.
- Expected construction period of 1 - 2 years and expected O&M period of 30 years.

EXPECTED COST (USD)

CapEx: USD 270MM, including infrastructure and commercial and industrial facilities.

CONTACT

Mr. Samir Nahas (TSEZ) snahas@tsez.gov.lb / Ms. Diala Chaar (HCP) dchaar@hcp.gov.lb

The winning bidder will be required to establish a joint stock company to undertake the PPP project. The next section explains the process and considerations for establishing operations in Lebanon for foreign and local investors.

ESTABLISHING OPERATIONS IN LEBANON

Lebanon's openness – and the multitude of advantages present in its social, legal, and economic infrastructure – has attracted significant foreign direct investment (FDI). Investing in Lebanon presents numerous advantages including: free-market economy, absence of controls on capital movement and foreign exchange, well-developed banking system having strong financial soundness indicators, highly-educated labor force, good quality of life, and limited restrictions on investors.

A brief overview of Lebanon's investment and regulatory environment for businesses is presented in the following section.

Establishment of Companies

It is permissible for foreign investors to own shares and companies in Lebanon. The Code of Commerce provides for a range of business entities, accessible to both local and foreign investors, with a small number of exceptions (in real estate and exclusive commercial representation). The business entities accessible to local and foreign investors related to PPP projects are detailed below. Registration and other fees to establish various forms of companies are minimal.

Joint-stock companies (SAL or Société Anonyme Libanaise)

The Joint Stock Company (JSC) or S.A.L. is a Lebanese public corporation with the power to conduct the broadest range of commercial activities. All of Lebanon's banks are required to have the form of a JSC, and JSCs pay entity-level income tax on profits.

Capital Requirements and Incorporation Procedure

For incorporation, JSCs require a minimum of three founders and its Articles of Incorporation and any amendments need to be enlisted in the Commercial Register following shareholder approval. A minimum capital requirement of LBP 30 million (USD 20,000) is applicable, except for certain sectors (e.g. banking, insurance, etc.) where it is higher. A board of directors is responsible for managing a JSC, and it must be composed of between 3 to 12 members, the majority of whom must be Lebanese; however, the chairman can be a foreign national.

JSC shares are negotiable securities that can be issued as registered shares, or preference shares. These shares represent equal amounts of the company capital, and entitle the owner to attendance at shareholder meetings, voting rights, rights to dividends, priority rights in further subscriptions, and to share in the company's assets upon liquidation. JSC shareholders are devoid of liability outside their capital subscriptions.

Registration Procedure

The registration of a JSC in Lebanon comprises several steps. Briefly, it begins with the preparation of the bylaws which should be notarized. Following this, the JSC's shareholders shall deposit the initial capital amount under the JSC's name in a bank chosen by them, and consequently the founding shareholders receive a certificate issued by the bank in this respect. Afterwards, the JSC's constitutive general assembly convenes to launch the company; also, in this meeting, the constitutive general assembly elects the members of the board of directors who will later elect their chairman.

The JSC is then ready to be registered before the Commercial Register, which requires the submission of several documents such as the notarized bylaws, the bank certificate, general assembly minutes, shareholders' identification documents, and proof of residency. Once the JSC is registered, it shall declare its operations before the Ministry of Finance and obtain a fiscal number (or tax number).

Taxation

Lebanon also has one of the lowest corporate income tax rates in the world and boasts a competitive business environment, in which a business can be established in as little as 9 days and 5 procedures, making Lebanon an attractive business destination. Taxes are applied on the total income or profits generated in Lebanon. They are determined according to income type, which falls under three categories:

- Profits from industrial, commercial, and non-commercial professions (Chapter I)
- Salaries and wages and pension salaries (Chapter II)
- Revenues from moveable capital (e.g. dividend income) (Chapter III)

If a taxpayer earns income from multiple sources, each form of income is taxed based on the relevant provisions of the Lebanese Income Tax Law which is divided in different sections, summarized above.

Foreign individuals and companies must adhere to various requirements in Lebanon's tax regime, including:

- *Personal income tax.* Lebanon's personal income tax scheme is progressive, with rates starting at 2% and ending at 20% (wages and salaries). Taxation of movable capital (which is defined broadly to include, among other things, directors' fees) takes place at a flat rate of 10% of gross receipts.
- *Corporate income tax.* Corporations are taxed at a flat rate of 17% of net profits. Companies that are (fully/partially) exempt from this tax include Lebanese offshore and holding enterprises and air and sea transport organizations.

Other relevant Corporate Income Tax considerations include laws and regulations on capital gains tax, payroll taxes, social security contributions, value-added tax, built property tax, stamp duty, custom duties, excise taxes, and license fees. Furthermore, Lebanon has signed tax conventions with around 32 countries in order to avoid scenarios of double taxation.

Openness to Foreign Direct Investments (FDIs)

Lebanon presents a favorable investment environment for foreign Direct Investments. The country's openness is embodied, in part, by its investment and trade policies. In nearly all economic activities, Lebanon possesses free market pricing for most goods and service, an unrestricted exchange and trade system, and extensive links with the developed world.

Over the past decade, the Government has passed several laws and decrees and has upheld a generally non-interventionist stance towards private investment, with public ownership typically confined to utilities and infrastructure; both of these actions are aimed at promoting foreign investment. In addition, Lebanon has concluded several Bilateral Investment Treaties (BITs) in order to encourage and promote foreign investments and it is currently a signatory of over 50 BITs and multiple trade agreements with several countries.

In order to promote Lebanon as a key investment destination and attract, facilitate, and maintain investments, the Investment Development Authority of Lebanon (IDAL), the national investment promotion agency, provides:

- Special incentives,
- Important Exemptions, and
- Facilities to large projects

IDAL is authorized to award licenses and permits for new investment in specific sectors and provides assistance across all stages of investment, from the pre-investment stage all the way to the financing and licensing stages. More information about its activities and incentives can be found on IDAL's website (http://www.investinlebanon.gov.lb/).

Incentives for FDI

Lebanon's economy offers important incentives for foreign and local investors. Under the Investment Development Law No. 360 of 2001, foreign and local investors share the same incentives. Lebanon is divided into three Zones (A, B, and C under the law), based on views of economic development status, and each with benefits and incentives.

- In Zone A, the most highly developed zone, investors benefit from automatic work permits to foreign workers provided two thirds of the total payroll are Lebanese nationals and a two-year income tax exemption subject to its shares being listed on the Beirut Stock Exchange.
- In Zone B, on top of the incentives offered in Zone A (and regardless of whether the investors' shares are listed), investors benefit from a 50% reduction in taxes on income and project dividends for a 5-year period.
- In Zone C, on top of the incentives offered in Zone A (and regardless of whether the investors' shares are listed), investors benefit from complete exemption from taxes on corporate income project dividends for up to 10 years.

The Government of Lebanon also offers a 'package deal' that potentially grants investors added incentives, reductions, and exemptions. The maximum benefits of such a package deal as stipulated by law are:

- A complete exemption from income taxes and project dividends taxes for up to 10 years
- Work permits for foreign employees, as long as Lebanese nationals make up two thirds of the project's payroll
- A reduction of 50% or less on permit fees for residence, work, and construction needed for project execution
- An exemption for Joint Stock Companies from legal rules concerning the Board of Directors' nationality composition
- A complete exemption from fees associated with land registration, as well as annexation, subdivision, mortgage, and registration of lease contracts

Free Trade Zones (FTZs) and their Benefits:

The WTO-compatible Customs Law, issued by Decree No. 4461 of 2000, promotes the expansion of free trade zones (FTZs). The Government of Lebanon operates three such zones, which are located at the port of Beirut, port of Tripoli, and Selaata to foster investment in industries such as trade, services, assembly, and storage.

Some of the key incentives and quasi-incentives offered in the zones include:

- A 10-year corporate tax holiday to businesses present in the zones
- Total exemption from import duties and export duties when exporting to locations outside the Lebanese customs area
- Long term, low cost land and building leases (subsidized warehousing space), as well as low cost utility rates for productive activities
- Exemption from the duty to register employees with the National Social Security Fund (the social security service) if companies offer employees equal or better benefits

Applicable Conditions to FDIs

General entry approval is facilitated:

General foreign ownership of Lebanese companies is allowed. Entrants are required to obtain IDAL's approval and licensing in order to benefit from the provisions of the Investment Development Law No. 360 of 2001.

Sectoral entry requirements:

Certain types of projects of national interest may require that at least one third of an operating company's shareholders be Lebanese persons, while foreign involvement in banking is conditional upon screening by Lebanon's Central Bank (Banque du Liban). Within the insurance sector, foreign parties benefit from national treatment on the condition that they operate through a fully incorporated subsidiary. A sector ban applies to media broadcasting, in which participation in the sector is limited to Lebanese joint stock companies, whose shareholders must be solely Lebanese.

Repatriation of investment and profits:

There are no surrender requirements for profits earned overseas. Foreign investors are entitled to remit abroad, in convertible currency, foreign capital invested, including returns, profits, and proceeds arising from the liquidation of investment projects. There are no restrictions on the movement of capital or the inflow and outflow of funds.

Foreign ownership/real estate:

When foreign investors acquire over 3,000 square meters of real estate, they are required to obtain approval by the Council of Ministers and pay a registration fee of around 5% of the property price. Upon approval, the construction on the real estate must take place within a five year period.

Exploitation and normal lease right extending for a period of more than ten years can be attained subject to approval. Approved real estate owned by foreigners must not exceed 3% of the total Lebanese territory. Moreover, foreigners are not allowed to own more than 3% of the area in each province. The total area owned in Beirut must not exceed 10% of its area. The approval is nullified if not acted upon during a period of one year.

Legal & Regulatory Context

Lebanon’s legal system is largely based on the French-derived civil law system, dating back to the French mandate (1920-1943). It is mainly governed by two codes, which are supplemented by various decree laws that regulate commercial and real estate activities along with codes that guide banking, taxation, foreign holding, and offshore companies. The first is the Code of Obligations and Contracts ("COC"), of 1932, which mainly governs Lebanon’s private law, and the second is the Code of Commerce, of 1942, which mainly governs commercial activities.

The COC forms the basis for the civil law system. It clarifies different parties’ obligations towards one another in civil society and dictates contract law, including leases, loans, employment, insurance, and sales contracts. The Code of Commerce then establishes the commercial law system, which governs commercial activities conducted by merchants. The Code of Commerce supersedes any provisions of the COC that would otherwise apply.

PPP FREQUENTLY ASKED QUESTIONS

- **How can we, as a private sector company, propose a project to the HCP?**

  The PPP law 48/2017 has explicitly stated in Article 4 that PPP Projects are proposed by the President of the Council or the Relevant Minister, while PPP Projects of municipal nature are proposed by the president of the municipal council or the president of the federation of municipalities. As such, a proposal by a private sector company, on its own initiative, is of no consequence. A private sector company may present proposals to the Relevant Minister, who might then submit it officially to the HCP Secretariat General. It is worthwhile noting that such suggestion does not put the party presenting the proposal at an advantage as all PPP projects must be tendered through the competitive and transparent process described in the PPP Law.

- **How can we, as a consulting firm, be selected to provide advisory services to the HCP on PPP Projects?**

  As per the PPP law, the HCP retains transaction/financial, technical and legal advisors for each PPP project approved by the HCP board. While this selection is competitive and based on an open and public invitation, consulting firms are encouraged to approach the HCP Secretariat General prior to any official RFP to express interest in being invited to future tenders. This would help the HCP Secretariat General build a database of potential advisory firms and to classify them according to their area of expertise for future direct invitations to bid.

- **How can we ensure that the tendering process for PPP projects does not get randomly suspended or cancelled for political reasons?**

  The PPP law structured the tendering process in such a way that approvals at the level of the Council of Ministers are secured at two points in time, prior to launching the request for prequalification and prior to the request for proposals. Such approvals issued from the Government's highest executive body should comfort potential bidders and confirm the seriousness of the Lebanese Government in pursuing the tendering process and awarding the PPP project.

- **Does the PPP law aim at authorizing the procurement of PPP projects?**

  The procurement of PPP projects has been allowed and undertaken long before the enactment of the PPP Law by Parliament. However, many of the previously procured PPP projects have failed due to the flawed structuring of the project or incomplete PPP contracts or absence of stakeholders' involvement and support. The PPP Law aims at adding professionalism through the establishment of a central PPP unit staffed with PPP experts and at making the tendering process competitive, fair and transparent through a participatory approach involving all stakeholders.

- **How are the private sector's rights guaranteed in a PPP project?**

  The PPP contract, which is part of the tender document and open for consultation, ensures that the rights of the private sector are safeguarded. International arbitration may be included in the PPP contract, as are relevant guarantees provided by the public entity if and when appropriate.

- **Is there broad political support for the CIP projects?**

  The loans and grants pledged by countries and organizations for Lebanon's CIP are contingent on the government implementing certain reforms. There is a consensus at the highest levels of government that the proposed projects represent an urgent need to address stresses in the economy.

- **Is the procurement process truly transparent and competitive?**

  The five measures of transparency mentioned previously in this document aim to ensure a fair bidding process.

- **How long does the PPP tendering process take to reach contract award?**

  This will depend on the type and size of project but, indicatively, it could take one to two years.

- **Does the Government offer sovereign guarantees?**

  Guarantees will differ by project and will be identified during the project design and financial structuring phase, subject to the terms agreed upon by all parties.

- **Does the government entity involved have the know-how to be an effective partner in the PPP project?**

  The Relevant Ministry will meet any shortcomings in staffing and or expertise by setting up project management offices to monitor project implementation.

- **What happens to PPPs when the government changes?**

  Although the PPP contract is signed by the Relevant Minister, it remains enforced and binding between the Government and the private partner even if government leadership changes.

- **What are the protections and recourse in case of disputes (local courts, arbitration, etc.)?**

  The PPP Law allows dispute settlement under international arbitration to ensure fairness and attractiveness of PPP projects.

- **Does the private company need to have established operations in Lebanon to participate in the bidding process for PPP projects?**

  A company need not have established operations in Lebanon in order to participate in the bidding process. In fact, upon contract award, the winning consortium shall establish a Special Purpose Vehicle (SPV) whose sole business would be to implement the PPP contract. Legally, this SPV takes the form of a Lebanese joint-stock company.

- **Are there mandatory requirements for the percentage of Lebanese ownership in Project Company or for hiring local workers/contractors?**

  No mandatory requirements exist regarding the nationality of the shareholders. On a case by case basis, the Government may privilege Lebanese hiring or contracting, and will indicate any such stipulations in the project RFPs on a case by case basis.

- **Can the Government decide to change a private partner under certain conditions?**

  The PPP project agreement will include performance indicators to be met by the private partner, as well as conflict resolution mechanisms. In case of underperformance or breach of contract, the Government can take actions as stipulated in the agreement, which may include penalties or contract termination.

CONTACT

High Council for Privatization and PPP
Grand Serail, Beirut, Lebanon
Tel: +961 (0) 1 987 500
Fax: +961 (0) 1 983 061
hcp.gov.lb