CASE STUDY

AMSHEET, LEBANON

LESSON:  How to take down a government monopoly

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How a young think tank took down Lebanon’s dysfunctional state-run power production

Lebanon has been plagued by hours-long power outages since the 1970s. That’s because the government is the monopoly supplier of power, stifling innovation and competition that would have led to better electricity service for consumers. Thanks to the Lebanese Institute for Market Studies, the power market is now open to private competition, and the people of Lebanon can look forward to less government waste and overspending—and more light.
The Lebanese Institute for Market Studies, or LIMS, formed in 2015 during one of the country’s darkest moments since it gained independence. The freedoms Lebanon’s founding fathers had fought for began to erode as the government grew excessively and reduced liberties. By 2015, debt had reached 148 percent of GDP. So a team of Lebanese visionaries stepped up and created an organization that would work to restore economic freedom in Lebanon.

Every day, the team at LIMS works to empower the people of Lebanon and fight for their liberties using research, education, and thought-provoking discussions with public officials, the media and the people.

Let there be light: Opening up the power market in Lebanon

Imagine living in a country where it’s possible you might get cut off from running water, get stuck in the elevator to work for hours, or have your life support stop functioning because you lack access to an adequate power supply. Now imagine that problem exists because the government you’re required to fund is the monopoly supplier of power.

It’s a maddening concept people in developed countries can’t even fathom. But citizens of Lebanon understand this as their daily reality, in which the average person experiences an average of 12 hours of rolling blackouts a day.

Government has proved it can’t properly provide electricity to the people of Lebanon – but the free market, and the businesses and creative force it unleashes can. Fortunately for the people of Lebanon, the Lebanese Institute for Market Studies, or LIMS, stepped in to fill the void of new ideas with original research and a fully baked solution set that would open up the country’s electricity market to private companies and lead to better power service for consumers.
Here’s how LIMS changed the landscape for the Lebanese power market:

- LIMS drafted a blueprint for reform in 2014 that laid the groundwork for ending the Lebanese government’s power monopoly. LIMS’s vision was to cut government spending and to replace the public electricity monopoly with private competition.

- LIMS followed their research foundations with a massive public awareness campaign. Since 2016, LIMS did 33 TV interviews on prime-time news and talk shows, 20 radio appearances, 42 newspaper interviews and 50 online articles, all of which highlighted the group’s push for change.

- Next, LIMS launched a persuasion campaign, holding 32 meetings with members of parliament and ministers. LIMS officials laid out their plans and research, showing decision-makers there was a better way to produce electricity in their country.

- On April 30, 2019, the Lebanese Parliament ratified a new electricity plan (Law 129) that clears the way for private companies to produce electricity.

**KEY TAKEAWAYS**

LIMS proves that big policy fights are winnable, especially if the problem you’re seeking to address has a significant impact on the general public. LIMS’s story offers lessons on how to:

- Fill the void of new ideas with research and a fully baked solution set
- Expose the public to your alternative vision and build public support
- Leverage that public support and viable policy alternative to create pressure on public officials
THE CONTEXT: Life in the dark

Electricity was introduced to Lebanon in 1906 when the Ottoman Empire allowed private Belgian investors to open the first electricity company in Beirut. It was then transferred to a French company in 1923 and finally to the government in 1954. Since that date, the government has been the monopoly provider of electricity in Lebanon.


Even $35 billion can’t make government-run electricity function

Since the Lebanese established monopoly control over the country’s power, all attempts to solve the blackout crisis have centered on throwing more taxpayers dollars at the problem. It hasn’t worked. All in, the Lebanese government has spent $35 billion on electricity since 2010 without stopping the mass power outages that plague its people.

“People in Lebanon suffer from an average of 12 hours of rolling blackouts every day,” said LIMS President Patrick Mardini.

The lack of stable electricity goes far beyond a minor personal inconvenience. As Reuters writer Angus McDowell puts it, “Lebanon’s electricity crisis has pushed it to the brink of financial ruin, as power cuts hobble the economy and subsidies have racked up one of the world’s largest public debt burdens.”

Lebanon spends over $1 billion a year on power subsidies, the equivalent of 40 percent of national debt. That’s a big deal, considering that the country is spending half its budget on public debt. This massive and inefficient governmental spending, combined with the instability of the nation’s power source and government, are a huge deterrent to business investment. Indeed, the country’s economy has grown just 1–2 percent in recent years.

The challenge of getting anyone to act on this crisis was monumental. For starters, from 2014–2016, Lebanon was without a president. The problem has continued today, with a caretaker at the helm of government due to infighting from politicians.

HOW WE DID IT: Meeting the conversation where it’s happening, then launching a campaign the people want and need

Even though it’s technically illegal to produce power privately, people in Lebanon have been turning to private production—via generators—to overcome government failure. As of 2017, private generators offered services to 70 percent of households during blackouts.

“I am currently using cheap generators that are noisy, polluting, and not very efficient,” said
Abdullah, an entrepreneur who provides electricity during blackouts. “I would like to build more efficient power plants. I can handle all the logistics, and I already have a good client base ... Once it’s legal, I would be able to borrow funds from the bank or attract investors to grow my business, which I cannot do right now.”

Providers like Abdullah are responding to a market demand, but they are limited in what they can offer. Small-scale generators rely on pollutant-heavy fuels and are not a sustainable method of providing people with sufficient power.

To make meaningful changes to the dire situation facing the Lebanese people, LIMS created its “Turn the lights on in Lebanon” advocacy campaign, aiming for a double reform: to cut electricity subsidies in Lebanon and to allow the private sector to enter the electricity production market. In order to achieve those two reforms, LIMS is raising public awareness through a continuous presence in traditional and social media. The institute also reaches out to political parties in order to obtain their support.

HOW WE DID IT: Changing the conversation on electricity in Lebanon

Breaking up a government monopoly is a gargantuan task—and it wasn’t an easy or quick fight for LIMS. Back in 2014, the organization took the first step in its fight by drafting a policy proposition that became a blueprint for reform. LIMS’s vision was to cut government spending and to replace the public electricity monopoly with private competition.

Since 2016, LIMS did 33 TV interviews on prime-time news and talk shows, 20 radio appearances, 42 newspaper interviews and 50 online articles, all of which highlighted the group’s push for change. Public opinion started moving from resigned pessimism to hopeful optimism now that LIMS had provided an alternative vision for how electricity could be produced and provided in Lebanon.

LIMS leveraged changing public sentiment by applying pressure to legislators, holding 32 meetings with members of parliament and ministers privately and in the presence of their advisors. This was an important step, because it persuaded officials in charge of governance that the status quo wasn’t working and gave them ideas for how to resolve the problem by embracing free-market principles.

HOW WE DID IT: Stalling a bad plan and making free-market solutions the inevitable choice

While LIMS ramped up its behind the scenes conversations with parliament and their public-facing campaign, Lebanon continued suffering power outages. The Lebanese government planned to increase government-run power generation by building several new power plants and renting two additional powerships, all at the taxpayers’ expense. LIMS decided enough was enough, stepping in to block this massive spending plan and promoting a market-oriented solution instead.

Any plan that props up the current system without serious reforms is doomed to fail. LIMS knew the first step needed in this fight was to use the government’s layers of bureaucracy and
over-regulation against it, slowing down the plan’s implementation by insisting on detailed interdepartmental review, knowing this process would likely kill the plan outright.

Next, LIMS turned its focus to disseminating research that shared a very important fact about electricity production: Private factories built on land can supply electricity at half the cost of the powerships the Lebanese government incorporated into their taxpayer-funded monopoly. Powerships are ships that have been converted into a floating power supply, and are responsible for 25 percent of Lebanese electricity output. The government contracts these powerships out from Turkey. LIMS explained that the Lebanese government doesn’t have enough money to buy the fuel for the powerships and barges even if the equipment were offered for free, as the Ministry of Energy already exceeded its budget for 2018.

Not only are these powerships inefficient and more costly than private, land-based production, but they also come with a heavy environmental cost. LIMS shared the stories of residents of the town Zouk Mikael, who have long been complaining to the government about the health problems the existing powerships have brought upon them. Under the government’s proposal, additional powerships would have been stationed in the same area, which would double the suffering of the local population.

Opening up the electricity market

Because LIMS was willing to speak out against further funding for the government’s monopoly control over electricity production, others were empowered to raise their voices, making the call for open markets louder and impossible to ignore. In addition to LIMS’s policy research, the president of the Lebanese Republic developed a study quantifying the economic harm electricity outages and losses have caused in Lebanon, urging the government to pursue sweeping reforms.

LIMS followed up by stressing the importance of legalizing private generation and sales of power as opposed to further government spending on the sector, offering an alternative proposal that would resolve the country’s electricity problem while costing taxpayers virtually nothing.

Winning the fight

LIMS won a decisive victory in the fight for electricity freedom. First, in October 2018, LIMS’s advocacy lead to the ousting of an unaffordable new power barge the country had recently deployed. Momentum continued to build from there.

That spring, Lebanon’s first privately owned electricity company was authorized, with much vocal support and celebration from the team at LIMS.

And on April 30, 2019, the Lebanese Parliament ratified a new electricity plan (Law 129) that clears the way for private companies to produce electricity.
1. How might LIMS’s efforts to pass reform been helped or accelerated by taking time to identify and engage a broader coalition of groups supporting the reform?

2. Often times what a think tank prevents from happening is just as important as working to pass a set of reforms. What are effective ways or methods groups can employ to keep bad legislation or regulation from getting passed?

3. How can think tank groups not lose sight of the big goal or reform while trying to achieve smaller wins that open up the potential for the “big” reform to pass further down the line?

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