

# The Lebanese Water Sector Restructuring Process

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## I – Introduction

- A misleading fact: “abundance” of water
- Despite receiving more precipitation than neighboring Countries, the situation is not as shiny as it seems.
- There is an urgent need to shift to proper water management practices and good governance

## II- Water Resources & Demand in Lebanon Available Water

	Received/year	Losses/year
Precipitation	8.600 Mm3	
Evapo-transpiration		4.500 Mm3
Transboundary surface flow		670 Mm3
Transboundary groundwater flow		830 Mm3
<b>Theoretically Available Resources</b>	<b><u>2.600 Mm3</u></b>	

## II- Water Resources & Demand in Lebanon Water Demand

Water Needs Mm3/Y sector				Year
Domestic	Irrigation	Industrial	Total	
340	1200	60	1600	2003
450	2400	100	2950	2015

### III – Institutional Situation Prior to 2000

- The Ministry of Energy & Water (MEW) and Water Authorities (WAs) were in charge of the water sector
- The MEW constituted of 2 main directorates:
  1. General Directorate of Hydraulic and Electrical Resources (GDHER): responsible for planning and execution of all water development projects
  2. General Directorate of (Exploitation) Operation: responsible for overseeing the “autonomous” WAs (21) in addition to more than 200 Local Committees

### III – Institutional Situation Prior to 2000 – Cont’d

- **(Autonomous) Water Authorities:** in charge of Operation & Maintenance (O&M) of water supply systems.  
They constituted of:
  1. A Board of Directors (Decision Authority)
  2. An Executive Director/Director General supported by the WAs employees (Executive Authority)
- These WAs were suffering from many problems on the I) Technical, ii) Administrative and, iii) Financial Levels:

### III – Institutional Situation Prior to 2000 – Cont’d

- i. On the technical level: old networks and equipment, absence of preventive maintenance, High ratio of non revenue Water, Pollution etc...
- ii. On the administrative level: very little autonomy, inadequate by-laws to provide quick and reliable services, aging staff (average 55years), restricted geographic distribution and number of subscribers, etc...
- iii. On the financial level: old Accounting Systems (on cash basis), no O&M cost recovery, no financial independence, etc...

### IV – Need for Restructuring:

- Investment and depreciation costs were not taken into consideration by MEW and WAs, and consequently feasibility studies were never conducted properly for potential water development projects
- As a matter of fact, the MEW had to engage the allocated money for projects at the end of the fiscal year in order to ask for more the year after. Therefore, they had vested interest in “spending” rather than “master planning” the sector development
- Tariffs took into consideration the O&M only, because the WAs did not have to pay back investments to the National Budget

#### IV – Need for Restructuring (cont'd):

- WAs were always concerned with increasing their water supply to their customers, and consequently always trying to exploit new resources. They never practiced any demand management
- The Lebanese Government had to provide the necessary investments to rebuild and develop the infrastructure from the national budget

Therefore:

- Restructuring of the Water Sector was considered an important priority by the Lebanese Government and international donors

#### V – Water Sector Restructuring

##### Law 221 - Basic Principles

1. Environmental and Natural Ecosystems Protection
2. Integrated Water Resources Management including Domestic, Irrigation and Waste Water
3. Financial Balance
4. Water Quality Protection
5. Increasing Administrative and Financial Autonomy

#### V – Water Sector Restructuring – Cont'd

##### Law 221:

Issued in 2000, this law could be summarized in 3 points:

1. Reducing the MEW's mission to developing the National Water Policy and the National Water Master-Plan, executing large water development works, and overseeing the WAs
2. Merging the 21 WAs into 4 Water Establishments.
3. Water Establishments became responsible for water project planning and detailed studies, implementation, operation & maintenance, cost recovery, and network replacement

#### IV-Water Sector Restructuring - Cont'd

**Law 221 stipulated the following:**

##### MEW's Responsibilities:

- Study and implementation of the Large Hydraulic Projects (Dams and Tunnels)
- Water Resources Protection
- WAs Overseeing and Concessions Control
- Approving Tariff Policy
- Performance Evaluation of the WAs (Performance Evaluation Committee)

#### **IV-Water Sector Restructuring - Cont'd**

##### **Water Establishments Responsibilities:**

- They are responsible for Water Projects from A to Z: Studies, Implementation, O&M, cost recovery, etc...
- They function according to their own by-laws once these by-laws are approved by the Council of Ministers
- They constitute of:
  - a Board of Directors,7 members (Decision Authority)
  - a Chairman/Executive General Director and his staff (Executive Authority)

#### **IV-Water Sector Restructuring – Cont'd**

##### **Water Establishments (Cont'd)**

- They should fix their tariffs taking in consideration Consumers socio- economic conditions
- They have to prepare their Business Plans and submit them to the MEW for approval

#### **IV-Water Sector Restructuring – Cont'd**

##### **New Departments in the Water Establishments structures that reflect modernization:**

- Quality control and follow up departments: they are aiming to be ISO certified
- IT departments: which became necessary in any modern administration institution
- Human resources and training departments
- Customer Service, and Publicity/Orientation Sections

#### **VI - Next steps**

##### **Public Private Partnership (PPP)**

- Government is not able anymore to invest in infrastructure, or to pay subsidies to Water Establishments
- It is urgently needed to attract the Private Sector with its new investments as well as its experience and know how
- There are some studies currently going on for PPP in the Sector like Management Contracts

### V- Next steps – Cont'd

#### **Financial and Accounting Systems-FAS**

New FAS are being developed for Water Establishments on accrual basis and according to the international Standards with a new design for the Accounting System and a Special Software which was customized to the new design

### V- Next steps – Cont'd

**New water tariff model:** based on cost centers and aiming in a first step to recover the O&M expenditures and in a second gradually the full cost recovery

**New Tariff Strategy:** based on water metering

**New Performance Indicators:** easy to be evaluated, are being developed for the water sector in order to enhance performance and efficiency of the Water Establishments

### V- Next steps – Cont'd

- **Client Services office:** to play the role of public relations with the stakeholders, design and implement campaigns of orientation for efficient use of water, to receive complaints of the subscribers in order to remedy to all the problems ( water cut, pipes failure etc..)
- **Involving Stakeholders in Water Management:** Introduce a new culture in Water Management where all the Stakeholders could have their input for better performances