

# **Tariff strategy in the water sector in Lebanon**

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## **Main Objectives of a water tariff strategy**

▶ **Water tariff strategy remains a key element in the establishment of a national policy framework and will help to insure:**

- ▶ system sustainability
- ▶ economic efficiency
- ▶ revenue sufficiency

▶ **The objectives of tariff strategies are usually debated among various stakeholders and concerned groups**

▶ **But the final choice to desired objectives and priorities has to be taken by the Public Authorities :**

▶ **Setting a water tariff strategy is a major political act.**

## **Main Objectives**

**This tariff strategy will help to:**

- ▶ **Achieve a full cost recovery policy**
- ▶ **Improve management procedures**
- ▶ **Explore more opportunities to attract private sector to develop public private partnerships (PPP) in the water sector.**
- ▶ **Induce efficient water production, management and consumption behavior**
- ▶ **Reach politically and socially accepted tariff schemes**
- ▶ **Open opportunities to business**

## **Assessment of the tariff strategy in Lebanon :**

### **Global framework**

- There are no specific water tariff regulations in the Lebanese text laws. The text law 221/2002 mentions the elements to be considered in the pricing of water including**
  - *“Water establishments will be in charge each within its region and competence of putting tariffs for potable, irrigation and waste water taking into consideration social, and general economic constraints” (par.1 section b of article 4).*
  - *The modalities of execution should be specified by ministerial decrees based on proposals presented by the Minister of Energy and Water together with the Minister of Finance.*
- It's also mentioned that water establishments should reach financial equilibrium and at the same time consider the social condition of consumers.*
- Tariffs are subject to Political Social and Administrative choices*

## **Assessment of the tariff strategy in Lebanon :**

### **Current situation**

**Where do water establishments stand with their tariff strategy ?**

- A flat rate tariff : Subscribers pay a flat annual rate on the basis of a consumption of one cubic meter per day. Tariffs are :**
  - *Disconnected from the real consumption of water*
  - *Unrelated to the quantity of water distributed*
  - *Uncorrelated with the effective cost of water production and distribution.*
- Water consumption charges represent the main part of the bill.**
- An annual billing system and collection process**

## **Assessment of the tariff strategy in Lebanon : Current situation**

- Link space area of houses to a larger number of M3**
- Metering examples in some region**
- No specific tariff for economic sectors**
- No control for private wells**
- No blocs tariff**
- No tariff or any collection for wastewater**
- Tentative business plans for some establishments**

## **Improving water tariffs strategy**

**The water tariff strategy is an efficient management tool that will:**

- Improve revenues and reduce deficits***
- Enhance the sustainability of the water establishments,***
- Rationalize operation costs and expenses***
- Improve economic efficiency of water resources***
- Improve data***
- effective production and consumption,***
- operation and investments costs and their breakdown.***
- Introduce a model tariff strategy***
- Explore opportunities to attract private sector to develop public private partnerships (PPP) in the water sector.***

## Challenges and risks

### ❑ **Tariff modernization and consumption metering**

- ***Uncertainty of the production and distribution system to ensure the demand.***
- ***A drop in effective consumption of water due to metering,***
- ***Insufficient revenues linked to a seasonal low consumption in remote areas***
- ***Social and political resistance to changes.***
- ***Lack of competent human resources to implement the new procedures.***
- ***Incremental investments for installing meters and improving billing and collection.***
- ***System resistance to changes.***



## **Recommandations for a Sound and sustainable water tariff strategy**

- Confirm that metering is a major issue at all stages: production, distribution, and consumption.**
- Confirm the necessity to gradually reach financial equilibrium of all costs including O&M, Investments, preservation of water resources,**
- Rationalize operation costs, expenses and collection**
- Ensure the training of human resources**
- Regular revisions of tariffs in connection with real costs.**
- Establish synergies with international institutions: World Bank, EU...**
- Establish a communication long term strategy to raise public awareness**
- Rely on outsourcing for management, billing, collection... PPP programs**