

# Business Planning and Performance Monitoring- Essential Pillars of Water Utility Success in Lebanon

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# Purpose of Presentation

- To describe the Performance Improvement Program being implemented in Lebanon for the four Water Establishments.
- To present the Business Planning Process and Business Planning Model being applied by each Water Establishment.
- To present the Performance Monitoring and Benchmarking Program being implemented by the Ministry of Energy and Water and the four regional Water Establishments.
- To share the experience to date and future expectations in this significant undertaking.



# Current Situation in Lebanon

- Four, regional Water Establishments are responsible for water supply and wastewater services in their defined service areas.
- Three of the four require annual operating subsidies from Central Government to meet current costs.
- Central Government wants Water Establishments to operate on commercial principles based on improved performance/efficiency, and with tariff structures that cover operating costs, and generate free cash flow for capital needs.



# Coordinated Donor Initiative

- Lebanon water sector receiving donor support in performance improvement from two major donors:
  - GTZ under its Lebanon Water Sector Reform Programme
  - USAID under its Lebanon Water and Wastewater Sector Support Program
- Both GTZ and USAID are operating fully coordinated programs in providing support to the Ministry of Energy and Water, and each of the four regional Water Establishments.



# Business Planning Model

- Driven by defined, quantified Strategic Goals as determined by the Management based on a current condition assessment and priority setting.
- All Strategic Goals are linked to specific Performance Improvement Action Plans.
- All Performance Improvement Action Plans have an assigned senior manager with primary responsibility for implementation.
- All expenditures and other revenue needs are captured in an interlinked spreadsheet model.
- Water demand forecasts are essential to model success.



# Elements of Business Plan

- Vision and Mission Statement
- Senior Management Overview
- Strategic Goals
- Water Demand Analysis and Forecast
- Capital Investment Program
- Organizational Structure and Staffing
- Performance Improvement Program
- Operations and Maintenance Budget Forecast
- Revenue Needs and Tariff Analysis/Pricing Strategy



# Vision and Mission Statement Senior Management Overview

- **Vision Statement** – What does the water utility ultimately aspire to be in the eyes of its customers?
- **Mission Statement** – What does the water utility see as its focus and priorities in serving its customers?
- **Senior Management Overview** –
  - What are the major concerns/challenges senior management sees?
  - How will it act to monitor and adjust its strategies to meet possible changing conditions?



# Strategic Goals

- Key to Business Plan process.
- Define quantifiable targets for improved performance .
- Must satisfy the following:
  - **Specific** in their statement
  - **Realistic** as to their objective
  - **Measurable** in their performance
  - **Time Bound** in their execution



# Water Demand Analysis, Management and Forecasting

- Water demand analysis, management and forecasting is not well understood in many countries around the world.
- It must be the highest priority in the MENA countries.
- Essential for staff to understand:
  - International Water Association's standardized Water Balance Model.
  - Negative impacts of Non-Revenue Water on water utility operations.
- Business Plan Model quantifies and accounts for water as a product that must be sold, not lost.



# Capital Investment Program

- Not a regular responsibility of Water Establishments in Lebanon until recently, but rather one of Central Government (mainly Council for Development and Reconstruction) MSOffice1
- Changing as a result of Business Planning process. MSOffice2
- Will become increasingly important as grants are transitioned to loans to be paid from cash flow.
- Business Plan Model helpful to demonstrate “you cannot have it all”, and investments must be more economically justified and supported by improved efficiency, proper tariffs and higher collection rates.

## Slide 10

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**MSOffice1** CDR could be completely deleted, the slide becomes lighter and we avoid confusion because not only CDR is doing investment, but MEW, Council of the South, and others are implementing projects. But CDR is the main player in the regard.

up to delete it and leave central government only, or keep it.

, 11/5/2010

**MSOffice2** this is not changing as a result of business planning, but as a result of law 221 that gave more responsibilities to WEs in terms of investment. i believe this is misleading.

, 11/5/2010



# Organizational Structure and Staffing

- Performance is achieved by people
- Organizational structure and staffing levels are key components of Business Plan Model
- Business Plan Model can address:
  - Staffing efficiency
  - Manage normal and accelerated staff attrition
  - Support the planning of training initiatives
  - Manage shifts in staffing priorities



# Performance Improvement Action Plan

- Provides summary details of the specific actions needed to achieve the stated **Strategic Goal**.
- Defines the timing and amount of **Capital Investments** needed to achieve each stated Strategic Goal.
- Defines the **Milestone Targets** for each year in the five-year planning period.
- Assigns **Primary Responsibility** to a senior manager to coordinate the implementation of the Action Plan.



# O&M Budget, Debt Service, and Capital Reserve Forecasts

- Business Plan Model addresses all major line items in a water utility budget, and can forecast changes by line item, by year.
- Model is particularly sensitive to the critical factors of labor, energy, maintenance and chemicals.
- Model recognizes debt service/debt repayment cash flow needs
- Model provides for individual forecasts for Capital Renewal, Capital Repair and Replacement, and New Capital Investment.



# Revenue Needs and Tariff Analysis/Pricing Strategy

- The defined Revenue Needs (O&M, Debt Service, Capital Reserves) provide basis for tariff analysis.
- Collection efficiency will impact Revenue Needs to achieve necessary cash flow into the utility.
- Pricing strategy must factor in considerations for the “poorest of the poor” and life-line supplies of water.
- Tariff analysis may result in reiterations of the Model to assess options for reducing Revenue Needs.

## Slide 14

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**MSOffice3** don't you think this is too technical for people to understand? i am sure our DGs for example have no idea what life-line supply means. better use simplified language because we do not have enough time to explain everything.

, 11/5/2010



# Organizing and Conducting Business Plan Process

- Consultants cautioned that planning is done with and not for the water utility.
- Ideally, Business Planning Team consists of all senior management with Director General as Chairman.
- Essential that Director General:
  - Validates the process
  - Takes ownership for the decisions made
  - Supports the implementation of the Final Business Plan
- Planning must progress to completion, even when data is weak or missing; “make intelligent assumptions”.



# Updating Business Plans

- Business Plans in Lebanon are based on a five-year planning period.
- Business Plans are meant to be updated annually for the next five years.
- Prior year performance will impact targets stated in Strategic Goals.
- Only one Water Establishment in Lebanon has not prepared a Business Plan as yet, but will in the first half of 2012.



# Development of Performance Monitoring Program

- Developed to support two levels of the sector:
  - Ministry in its “oversight role”
  - Water Establishments (WEs) as feedback on performance indicators (PIs)
- Determining **Initial Starter Set** of Performance Indicators
  - Awareness building within Ministry and Water Establishments
  - Stakeholder assessment of PIs valuable to WEs
  - Data quality assessment to calculate PIs



# Starter Set of PIs

- Initial assessment process resulted in identification of 21 performance indicators.
- Data quality assessment across all four Water Establishments resulted in only 12 PIs.
- Water Establishments were allowed to identify individual, supplemental PIs when they related to their Business Plan Strategic Goals and had data to support calculations.

# Starter Set Selected

Indicator	Unit		Indicator	Unit
<b>Technical</b>			<b>Management</b>	
Water Coverage	%		Staff/'000 Water Connections	Ratio
Water Sales	M3/conn/m		Training Hours per Employee per Year	#
<b>Financial</b>			<b>Customer Service</b>	
Unit Operating Cost	LBP/m3 sold		Complaints about Water Service	# Complaints per 1,000 Connections
Labor Cost as Percentage of Operating Costs	%		Drinking Water Compliance Rate	
Energy Cost as Percentage of Operating Costs (Water)	%		Total Coliform	% Samples in compliance
Collection Rate	% Overall		Chlorine Residual	% Samples in Compliance
Operating Cost Coverage (from Collections)	%			



# **Implementation of Performance Monitoring Program**



# Elements Driving Program Implementation

- Operations Manual
- Data Collection Forms
- Data Management Model



# Operations Manual

- Serves as guide and reference within Oversight Department-Water in the Ministry.
- Contains annual calendar of key activities and milestones in the normal “data cycle”.
- Manual is dynamic and is annually revised as Program grows in complexity.
- Manual serves as training document for new or replacement staff in Oversight Department-Water.



# Data Collection Forms

- Allows for manual and electronic data recording/ data input depending on local conditions.
- Data form divided into two main sections:
  - Profile Data: characterizes the utility and largely input only once per year
  - Performance Data: recorded and entered monthly and reported to Oversight Department-Water, quarterly.
- Detailed guidelines for end-users of data collection forms are available in Arabic.



# Data Management Model

- Microsoft Access data base model configured to receive data inputs.
- Bilingual screen images are exactly the same as paper form versions.
- Model pre-programmed with initial analysis routines and report formats.
- Detailed guidelines for end-users of data management model are available in Arabic.
- Expectation is that model will be regularly revised and expanded over time.



# Program Launch-Pilot Phase

- Program launched on 1 July 2009.
- 1 July – 31 December was pilot phase.
- Pilot phase parallel with training program for staff of Oversight Department-Water and Water Establishments.
- Key focus of pilot phase:
  - Procedures and consistency in data collection
  - Recording and reporting
  - Not calculated results



# Program Launch-First Data Year

- First data year launched on 1 January 2010.
- Predictable problems being experienced:
  - Consistency of reporting
  - Timely reporting of data
- Follow-up visits to Water Establishments needed on a regular frequency to trouble-shoot procedural problems.



# Conclusions and the Future

- **Business Planning**

- Increased appreciation of Business Planning process by senior management of Water Establishments.
- Water Establishments appreciate the power of the model to display the impact of quantified decisions regarding Strategic Goals on budgets and revenue needs forecasts.

- **Performance Monitoring**

- Too early to conclude effectiveness of program on improving performance.
- Program will take 3-4 years to mature and provide quality results from quality data.