

The way forward

Practical recommendations for moving forward are categorised under three pillars, in relation to budgetary, regulatory, and stakeholder relevant issues. These are briefly presented below in the form of a checklist for action. More detailed information on these is available in the Report.

KEY AREAS FOR IMPROVEMENT

Enhancing financial sustainability through improved budgetary processes

Developing the regulatory framework

Enhancing stakeholders' engagement

AGREED WAYS FORWARD INCLUDE ACTIONS TO:

- Address **intra-sector relationships** according to the legal framework including the 2014 Water Law and through MoUs between the parties, enhancing internal communication, establishing rules of procedures, etc.;
- Align the **roles and responsibilities** of other stakeholders from outside the sector also through the establishment of multi-stakeholder platforms; the latter can lead to more democratic water management and improved water services;
- Enhance **private sector relations**, through a private sector forum to survey the potential of the existing private actors and enhance building of trust;
- **Strengthen Capacity Building** in PPP contracts by introducing different PSP/PPP modalities, identifying project applicability to PSP/PPP, developing project preparation and basic Value for Money (VfM) methodologies and introducing the social context of investment into VfM;
- Develop mechanisms to identify the **true cost of water** in bulk supply and set up the process for the utilities to apply a uniform accounting system, conduct an affordability and willingness to pay study through public and multi-stakeholders' consultations, disaggregate gender, poor/middle income, etc.;
- Support the **financial self-sufficiency of water entities**, through assessing the financial relationships among entities and identifying single points of subsidy;
- Establish **accountability mechanisms** for the newly established regulator (WSRC), agree on its core functions, including its role in project and PSP management, the regular conduct of RIAs with gender/socio-economic considerations, etc.;
- Continue the **consolidation of water providers** and establish **regional water utilities** by putting in place a relevant roadmap for action, include socio-economic/demographic indicators as part of their performance indicators, build staff capacity that is gender-sensitive and promote women's access to elected decision-making positions;
- **Submit to Cabinet requirements** foreseen in the Water Law, including water tariff and regional water utilities regulations;
- **Raise awareness, engage stakeholders**, introduce and implement a targeted Communication Strategy, identify consumers' needs and interests, related also to socio-economic factors whilst mainstreaming youth, gender and equity;
- Promote **PPP acceptability** through clear and evidence-based information on the potential benefits from private actor engagement in the water sector and clarify what the private sector has–or has not– brought in Palestine based on specific experiences (in Gaza and partially in Bethlehem);
- Protect **groundwater resources** by setting up a database with validated information (including health-related indicators disaggregated on socio-economic status, sex and age), eliminating free abstraction quantities, enforcing measures against illegal use, abuse and deterioration;

Among the work's highlights has also been the added value to the regulatory framework from establishing a PPP Unit, playing a major role in the project development process, *inter alia*, in strengthening the procedures of project selection and approval and ensuring that the project procurement decision tools are in place. This action is planned to move forward in the immediate future with donors' support.

Furthermore, and along the process, the technical findings and recommended actions have already been used as a guiding tool for example to the established regulator, contributing to its operationalisation through the development of rules of procedure.

About the Governance & Financing for the Mediterranean Water Sector Project

Labelled in 2012 by the Union for the Mediterranean (UfM), the *Governance & Financing for the Mediterranean Water Sector Project* is a joint undertaking of the Global Water Partnership - Mediterranean (GWP-Med) and the Organisation for Economic Cooperation and Development (OECD).

The aim of this regional four-year project (2013–2017) is to diagnose key governance bottlenecks to mobilising financing for the water sector and to support the development of consensual action plans based on international good practices.

Country reviews are carried out to identify main governance challenges to sustainable financing via in-depth technical work and informed multi-stakeholder national dialogues, in close cooperation with the Ministries in charge of water, while a regional dialogue enables the sharing of policy and practical experiences among Mediterranean countries and the promotion of best practices. The project is executed through an interplay of national and regional activities, where the outcome of national work feeds into the regional dialogue, and findings and experiences from the regional dialogue bolster the national work.

Strategic partnerships with the Swedish International Development Cooperation Agency (Sida), the FEMIP Trust Fund (FTF) of the European Investment Bank (EIB), the GEF - UNEP/MAP MedPartnership programme and the Mediterranean Component of the EU Water Initiative (MED EUWI) have been instrumental in setting the project in motion and under effective implementation.

THE PRESENT DOCUMENT WAS DEVELOPED WITHIN THE FRAMEWORK OF THE PROJECT:

Governance & Financing for the **Mediterranean Water Sector**

PROJECT LABELLED UNDER:



THE PROJECT IS IMPLEMENTED BY:



WITH THE SUPPORT OF:



Front cover image courtesy of Guillaume Paumier
Description: Roof water tank in Jenin, Palestine

POLICY BRIEF

WATER GOVERNANCE IN PALESTINE: OVERCOMING THE GOVERNANCE CHALLENGES TO PRIVATE SECTOR PARTICIPATION

Governance & Financing for the **Mediterranean Water Sector**

The present document is based on the outcomes of the Palestinian Water Policy Dialogue (2014–2015) conducted by the Global Water Partnership - Mediterranean (GWP-Med) in close collaboration with the Palestinian Water Authority (PWA). The Dialogue facilitated the shared understanding and building of consensus among key stakeholders on the main areas for improvement towards the sustainable financing of Palestine's water sector, including through private sector involvement. An analytical country Report portrays the process and incorporates tailored-made recommendations and concrete actions, based on best practices and internationally recognised tools. The Dialogue was carried out in the framework of the Union for the Mediterranean (UfM) labelled project *Governance & Financing for the Mediterranean Water Sector*, with the financial support of the Swedish International Development Cooperation Agency (Sida), and the GEF UNEP/MAP MedPartnership.

Water Financing in Palestine: Context of the dialogue & policy relevance

Geo-climatic conditions, demographic and urbanisation trends, suboptimal management and governance modalities and notwithstanding the lingering political situation have put *-inter alia-* severe pressure on the water sector in Palestine. Moreover, the financial constraints to the sector are multiple and the financial needs exceed budgetary capabilities. In conjunction with deteriorating or non-existent infrastructure, limited technical capacity and the particular socio-economic context, the situation is likely to deteriorate unless financial and know-how deficiencies are urgently tackled.

Committed to effectively reform the service subsector, the Government established in 2014 the Water Sector Regulatory Council (WSRC), an independent entity mandated to regulate the service provision process of all water supply, delivery and wastewater utilities. Further institutional modifications are currently underway (e.g. the set-up of a National Water Company). In parallel to the reform process, continued efforts to consolidate the water service providers and increase efficiency are accompanied by the establishment of an effective monitoring system.

Partnering with the private sector was recognised as one of the options that can contribute tangibly towards meeting existing challenges, by providing the needed funds for infrastructure projects and helping increase operational efficiency, with due consideration to social equity.

In this context, the new Water Law explicitly stipulates that the Palestinian Water Authority (PWA), among other responsibilities, shall also promote private sector participation in the water sector, in coordination with relevant authorities, by issuing regulations for creating a climate conducive to private sector investments and implementing institutional, regulatory, and economic reforms to that effect.

Addressing governance issues can effectively help move towards a more financially sustainable water sector. The facilitation of the Policy Dialogue in Palestine reconfirmed that a neutral platform, allowing for the regular and open multi-stakeholder interface, can be catalytic for building a common understanding of the main governance challenges, creating ownership of the process and promoting operational collaboration among actors.

A water reform process –having commenced in 2010 and enacted by the New Water Law in 2014– aimed at improving the provision of water services to all citizens, based on the application of integrated and sustainable water resources management principles.

The Government's willingness to improve the governance structure needed for attracting private investment into the sector, is clearly demonstrated and also reflected in the new Water Law.



From left to right: Rawan Isseed, PWA, Ahmad Hindi, PWA, H.E. Naser Tahboub, Deputy Secretary General, Union for the Mediterranean, H.E. Mazen Ghuneim, Minister, PWA, Anthi Brouma, GWP-Med



The national water policy dialogue: What for?

The GWP-Med Policy Dialogue on Water Governance and Financing in Palestine (2014-2015) identified main governance challenges to financing the Water Sector, including through Private Sector Participation and suggested gender-sensitive and pro-poor actions to move towards the financial sustainability of the sector.

All key findings and recommendations, products of the multi-stakeholder dialogue, were compiled in the Report entitled 'Water Governance in Palestine: Sector Reform to include Private Sector Participation'. The Report is a dynamic document serving as a tool in the hands of policy-makers.

Having engaged more than 150 stakeholders, the Dialogue was based on multi-stakeholder consultations that guided and validated the step-by-step development of the technical work. The analysis identified key areas for improvement and reform options based on international best practices. Its particularity and added value stems also from the emphasis on bilateral meetings between the project team and the stakeholders, as a key input to the technical analysis.

Key milestones of the process have been four Consultation workshops that contributed respectively to:

- set the ground for the technical work to be conducted (November 2014);
- present and discuss technical findings and provisional policy recommendations (May 2015);
- share and discuss the amended Report, including a roadmap for action tailored to Palestine's context (June 2015); and
- present the final Report (December 2015) and allow stakeholders to act as champions by taking over the lead of specific agreed-upon actions.

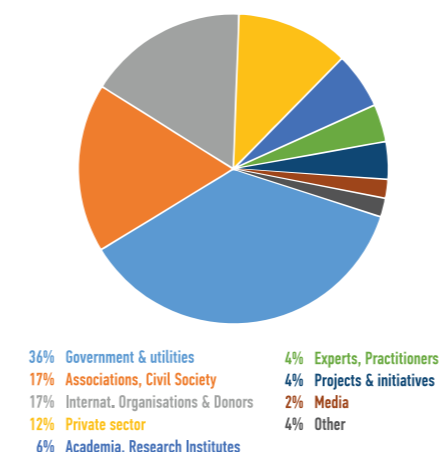
Key stakeholders engaged in the process included government agencies and water utilities; private sector, including companies and banks; research institutes and academia; international organisations including donors, as well as civil society representatives.

Demonstrating ownership of the process and its outputs, stakeholders at the final workshop praised the process as 'a neutral platform allowing for interaction, exchanging views and sharing of information' and focused both on the need to continue the dialogue and the importance to work together for the implementation of the consensus-based action plan.

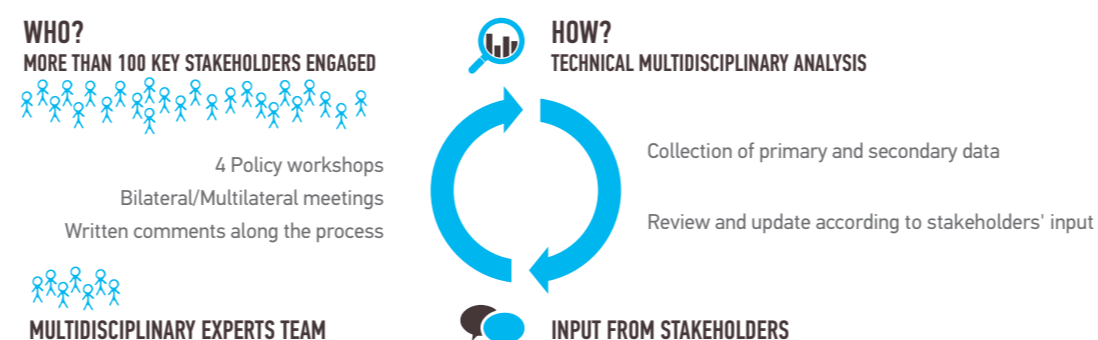
Given that the proposed actions fully align with the ongoing reform process, stakeholders acknowledged the high momentum for taking concrete steps towards better governance and enhanced financial sustainability of the water sector. In this context, the UfM representative, Eng. Abadi, called for donors' support to the government and the key stakeholders involved, to ensure the successful implementation of the agreed upon actions.

'The multi-stakeholder policy dialogue addressed a vital issue for the Palestinian water sector: its financial sustainability'. With this remark, speaking on behalf of H.E. Mazen Ghuneim, Minister/Chairman of PWA, Eng. Awayes, General Director at PWA, acknowledged the value added of the dialogue, during the concluding workshop.

KEY STAKEHOLDERS' CATEGORIES ENGAGED IN THE POLICY DIALOGUE



SNAPSHOT OF THE DIALOGUE: POLICY DIALOGUE – METHODOLOGY



What are the main findings of the policy dialogue?

The technical work that focused on the enabling conditions that need to be in place for Private Sector Participation to succeed in Palestine, fully aligns with the ongoing water sector's reform process, particularly in terms of planning, financial management, adequate capacity, socio-economics and regulatory abilities.



Corroborated through the stakeholders' consultations, the analysis pointed, among others, to the following key issues:

- Important **regulatory functions** need to be in place prior to and during the process of introducing PSP. In particular, capacity within the Palestinian Water Authority (PWA) and the newly established Water Sector Regulatory Council (WSRC) needs to be enhanced as part of the institutional, regulatory and economic reform process, and in order to be able to deal effectively with PSP.
- Roles and responsibilities**, as well as the **relationship** of the various entities within and also outside the water sector who have a role in PPP project development, have to be clearly defined. These include, for example, the Ministry of Finance and Planning and its responsibility with regard to the budgetary management of PPPs and the future higher authority that will receive the economic analysis of projects from the PPP unit, and approve project prioritisation, among others.
- Tariff regulations** should be put in place to reinforce the concept of **cost recovery and sustainability**, based on affordability and willingness to pay considerations and mainstreaming gender to take into account the different perceptions and behaviours related to water management and services. Such information would make a communication strategy more effective, as messages to different stakeholders could be better targeted.
- Effective communication** among all concerned actors needs to be established at all levels; including **intra-sector** (within the sector), **inter-sector** (with other public entities), and **outside the sector** with the private sector and the public at large with targeted messages to different types of actors, with consideration towards gender and youth mainstreaming.
- Awareness raising** must be complemented by social analysis, which could be done simultaneously with the affordability and willingness to pay analysis, ensuring gender and youth mainstreaming.
- The role of **donors**, who have been historically the greatest contributors to the water sector, needs to be clearly identified, given the increasingly emphasis on the role of PSP.
- Creating a **gender-sensitive** framework for **Corporate Social Responsibility** would be useful in order to support the private sector in developing trustful relationships with the public sector and the public at large.