

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

Managing PPPs in a fiscally constrained environment through appropriate budget processes

Reducing the regulatory risk through a high-quality water regulatory framework

Enhancing stakeholders' engagement to improve accountability and buy-in

AGREED WAYS FORWARD INCLUDE ACTIONS TO:

- Address the strategic planning gap by **setting up strong dedicated PPP capacity in the Ministry of Finance, the Prime Minister's Office and other key agencies** and develop related methodologies, including for capital investment assessment, value for money (VfM) and for linking capital investment projects to the budget process;
- Address the funding gap by analysing subsidies in the water sector and long-term needs and **developing a strategic financial plan for the water and wastewater service sector** to identify the sources of revenues and the expected expenditures in the sector as well as trade-offs and alternative scenarios to meet the costs;
- Address the procurement and VfM process gap by **developing a basic VfM methodology** building on established practices and developing a standard contract for PPPs to bridge the legal framework gap. Moreover, as the key to VfM in all procurement is a competitive bidding, steps should be taken to ensure competition in the bidding process;
- Address the fiscal guardian gap and public affordability by **improving budgeting procedures and linking projects and budget preparation, execution and accounting** to ensure that fiscal risks are identified, managed and treated transparently;
- **Address the capacity gap** by enhancing private sector participation expertise in the administration through targeted training programs and the appointment of a dedicated professional transaction advisor, to be the main public side co-ordinator in each project;
- **Embed more thoroughly the instruments of good regulatory policy** in the water sector to improve the efficiency and accountability of the regulatory framework for water, e.g. by conducting systematic consultation with regulated entities and the public on new regulatory decisions and impact assessment and ex post evaluation of existing regulations;
- **Improve clarity on the Project Management Unit's roles and functions**, as the utility regulator aligns its resources with its core work and establish appropriate accountability mechanisms to enhance the credibility of the regulatory framework, including by making the information collected by the PMU on the performance of water services publicly available;
- **Continue the corporatisation efforts** and strengthen the autonomy of water providers by professionalising the water operators' staff and strengthening the financial sustainability of operators through the development and implementation of an appropriate tariff methodology and specific accompanying measures;
- **Strengthen the information base to raise citizen awareness** on critical issues related to water by establishing a public, reliable and up-to-date database informing stakeholders about costs and benefits related to water production, treatment and distribution; supporting relevant NGOs and universities that can contribute to strengthening the information base for the water sector; and producing clear and evidence-based information on the potentially beneficial role that private actors can play in the water sector;
- **Strengthen multi-stakeholder platforms** to encourage the dialogue among NGOs, academics, citizens and local governments and service providers on water-related issues;
- **Engage customers more systematically**, including through media and communication campaigns that give adequate attention to specific target groups, e.g. women and young people.

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.

Governance & Financing for the Mediterranean Water Sector

PROJECT LABELLED UNDER:



THE PROJECT IS IMPLEMENTED BY:



WITH THE SUPPORT OF:



Front cover image courtesy of Garvin Bannerman
Description: Petra, Jordan

POLICY BRIEF

WATER GOVERNANCE IN JORDAN: 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 Jordanian Water Policy Dialogue (2013-2014) conducted jointly by the Global Water Partnership – Mediterranean (GWP-Med) and the Organisation for Economic Co-operation and Development (OECD) in close cooperation with the Jordanian Ministry of Water and Irrigation (MWI). The Dialogue allowed building a shared consensus among key stakeholders on the main areas for improvement towards the sustainable financing of Jordan's water sector, also through private sector involvement, and included targeted actions to achieve this. These were described in an analytical country Report and are 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 FEMIP Trust Fund of the European Investment Bank (EIB), the Swedish International Development Cooperation Agency (Sida), the GEF UNEP/MAP MedPartnership and the Mediterranean Component of the EU Water Initiative (MED EUWI).

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

The water sector in Jordan is under increased pressure. The Syrian refugee crisis has resulted in important strains on the sector, particularly in the northern governorates, combined with rising electricity costs, which represent a significant share of water costs. Moreover, the country faces a fiscal and a cost-recovery crises, which threaten the financial sustainability of the water sector. There is, therefore, little domestic fiscal space in the short to medium term to meet capital and operation and maintenance requirements in the water sector.

The country has solid experience in both small- and large-scale PSP projects, covering various elements from financing to operation and involving management contracts, service contracts and build-operate-transfer (BOT) projects and is also considering involving the private sector in even larger capital projects.

However, experience shows that to reap the benefits of PSP, a number of framework conditions need to be in place, particularly in relation to the regulatory framework, administrative capacity, financial sustainability and strategic planning of projects.

Despite the existence of a specific sector strategy that provides an overarching direction for the water sector and encourages PSP in water and wastewater services, the uncertainty surrounding the institutional and legislative framework both for water and PSP undermines the legal clarity, opportunity and stability of PSP in the water sector.

Given the pressing financing needs, Private Sector Participation (PSP) is seen as potentially an important contribution to the development of Jordan's water sector, particularly for meeting the upfront costs of investment and the transfer of technical knowledge.



To cope with this situation, the legislative framework for water is under revision, while a public-private partnership (PPP) law is pending.

At the same time, a number of regulatory gaps, particularly in relation to tariff setting and monitoring of water service performance, also need to be filled as they create sources of risk for the private sector. Moreover, responsibilities for water and PSP are scattered across a number of institutions, whose responsibilities are in flux.

The capacity of the various government bodies to engage stakeholders is also a critical element for the success of reforms. Until recently, accountability to the public in Jordan's water sector was rather weak. However, the Arab Spring's push has shaken the traditional role of the "government" as the single decision-making authority, while calling for a more "open government" and public consultation processes. This has important implications for the communication and buy-in of PSP projects that are under development.

In this context, the facilitation of the Policy Dialogue in Jordan reconfirmed that a neutral platform, where all key stakeholders seat around the same table to discuss, helps building a common understanding of the main governance challenges and potential solutions, therefore creating ownership of the process and promoting collaboration in identifying the needed actions.

Roles & responsibilities in flux
Insufficient institutional capacity

WATER SECTOR CHALLENGES

Ageing and deteriorating infrastructure

Socio-economic challenges
Legislative framework incomplete

Water Scarcity

The national water policy dialogue: What for?

The GWP-Med / OECD Policy Dialogue on Water Governance and Financing in Jordan (2013-2014) contributed to building a common understanding on the main obstacles to private sector involvement in Jordan's water sector and identify concrete actions to overcome them based on best practices and internationally recognised tools.

All key findings of this multi-stakeholder dialogue were compiled in a tangible outcome, the Report entitled 'Water Governance in Jordan: Overcoming the challenges to Private Sector Participation' that aims to be utilised as a tool in the hands of policy-makers.

The value added of this technical work lies not only on the fact that it provides a snapshot of the current situation in the water service sector of Jordan, but that is also allows, through the Action Plan, to identify where potential overlaps occur in donor-supported initiatives and where gaps remain.

Having engaged more than 150 stakeholders, the Dialogue was based on multi-stakeholder consultations that guided and validated the technical work carried out in parallel, in addition to the input received by key actors during bilateral meetings and prior and subsequent to the consultations. Key stakeholders engaged in the process comprised government agencies, utilities, private sector, regional and international organisations including donors, academia, as well as civil society. Importantly, the close coordination with donors active in the country, allowed to take stock of completed, on-going and planned projects, and therefore to avoid duplication of efforts, identify potential synergies and better streamline the governance and financing analysis of the project with initiatives on the ground.



2nd Consultation Workshop, Amman, 5 Feb. 2014, GWP-Med

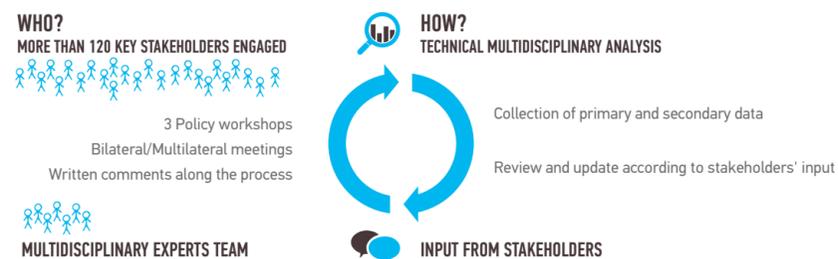
Key milestones of the process have been 3 Consultation workshops that contributed respectively to:

- set the ground for the technical work to be conducted by stimulating discussion on the basis of a diagnostic scoping note shared with the participants ahead of the workshop, which outlined the key challenges and bottlenecks to private sector participation in Jordan's water sector (October 2013);
- share and discuss findings and provisional policy recommendations proposed in the draft report and set the foundations for the development of a roadmap for action (February 2014);
- present and launch the final National Report (June 2014) including the action plan and recommendations on identifying appropriate forms of PSP; improving financial sustainability of the water service sector and; strengthening stakeholder's engagement and transparency mechanisms.

Participants have strongly welcomed the Report's conclusions and recommendations and praised the multi-stakeholder policy dialogue process as a useful coordination tool on water governance initiatives in Jordan. Moreover, they made concrete suggestions on how to ensure that the Report has a sustainable impact.

Overall the Report was seen as a timely endeavour, aligned with existing and planned policies and programmes, and feeding into a number of current high-level efforts, including the on-going national study on the success of PPPs and the elaboration of the 10-year national framework, both of which are under the leadership of His Majesty, the King of Jordan.

SNAPSHOT OF THE DIALOGUE: POLICY DIALOGUE – METHODOLOGY



What are the main findings of the policy dialogue?

The technical work focused on three main governance challenges (i.e. budgetary, regulatory, stakeholder participation) that Jordan faces for involving further the private sector in the delivery of its ambitious pipeline of water projects. The Jordanian authorities are active in these three areas and a number of reform initiatives are underway.

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



1st Consultation Workshop, Amman, 23 October 2013.

- The institutional framework for PPP/PSP is in transition, which could have implications for the water sector. The draft PPP Law proposes the creation of a PPP Unit and other relevant bodies with functions similar to already existing agencies. This could result in confusion for decision-making in PPPs if the Law and accompany regulations do not clarify in a clear way the institutional set-up for PPPs.

- In its current format, a number of gaps in the Jordanian water sector regulatory framework are likely to deter private sector participation and impede the country's efforts to make the most of it and achieve its water service policy objectives. Critical gaps include the somewhat dispersed and unclear responsibilities for oversight, the *ad hoc* approach to tariff regulation and the patchy performance monitoring. Experience shows that a sound regulatory framework reduces the costs to business and enhances the chances that PPP/PSP projects bring about value for money.

- More efforts are needed to achieve financial, legal and managerial autonomy of the already corporatized utilities, with due consideration to the government's intention to corporatize other governorates. The currently corporatized ones, do not have sufficient autonomy over decision making and control over their financial planning, which results in reduced efficiency.

- There is some evidence of weaknesses in planning larger scale PPP projects (such as BOTs) pointing out that better upstream project planning and due diligence are needed to ensure that project impacts can be managed and that the financial basis of the project is sound. This is particularly important in the case of projects that imply a lengthy bureaucratic process between project identification and implementation.



3rd Consultation Workshop, Amman, 4 June 2014.

- The National Strategy for Water, launched in 2008, established a set of goals to raise awareness among the Jordanian public and to engage further stakeholders in the decision making. Despite this political commitment, stakeholder engagement, although not absent, has remained sporadic in water and wastewater services, while it is much more advanced in water resources management.