

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

Project labelled under the Union for the Mediterranean

## 4<sup>th</sup> Consultation Workshop of the Policy Dialogue in Palestine

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State of Palestine  
Palestinian Water Authority



Union for the Mediterranean  
Union pour la Méditerranée  
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# Governance

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Water governance addresses among other things:

1. Principles such as **equity and efficiency in water resources and services allocation & distribution;**
2. **Policies, legislation and institutions;**
3. **Clarification of the roles** of government, civil society and the private sector and their responsibilities regarding ownership, management and administration of water resources and services.

# Water Sector Background to Reform 1/3

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- Started in 1995 with focus on Gaza
- Established PWA also in 1995
- Introduced the first PS intervention in 1996 in Gaza
- Enacted the Water Law of 2002
- World Bank investigated the sector in 2006
- A water sector audit report was done in 2008
- World Bank sector report produced in 2009
- Cabinet endorsed an Action Plan for Reform also in 2009

# Water Sector Background to Reform 2/3

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Institutional assessment of the water sector in 2011 (IWSR) analyzed governance and management functions :

The Palestine Water Authority, PWA:

- The Water advisory council was not functioning
- PWA showed signs of confusion regarding its role,
- Water was not given its strategic importance,
- Conflict of interest in its mandate
- Regulatory function, was lacking.

The West Bank Water Department ,WBWD:

- Debt exceeded 650 million shekels
- Southern water system fallen apart
- High UFW, low billing

# Water Sector Background to Reform 3/3

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The Project Management Unit , PMU:

- Design and review of projects
- Construction supervision and procurement
- Conflict of interest

The Service Providers, SP:

- Evolved on their own, no strategic plan
- Own philosophies
- Lack of financial accountability
- Jerusalem Water Undertaking (1966) surfaced

# Decision on Institutional Reform

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In 2012, the Ministerial Infrastructure Committee approved the principle of the reform plan, approved recommendations of IWSR and tasked PWA to prepare a new Water Law that would:

- define the general structure and function of the institutions governing and managing the sector
- clarify the responsibilities of the different ministries involved in the water sector, and
- define legal issues related to water

# Water institutions identified in the new law

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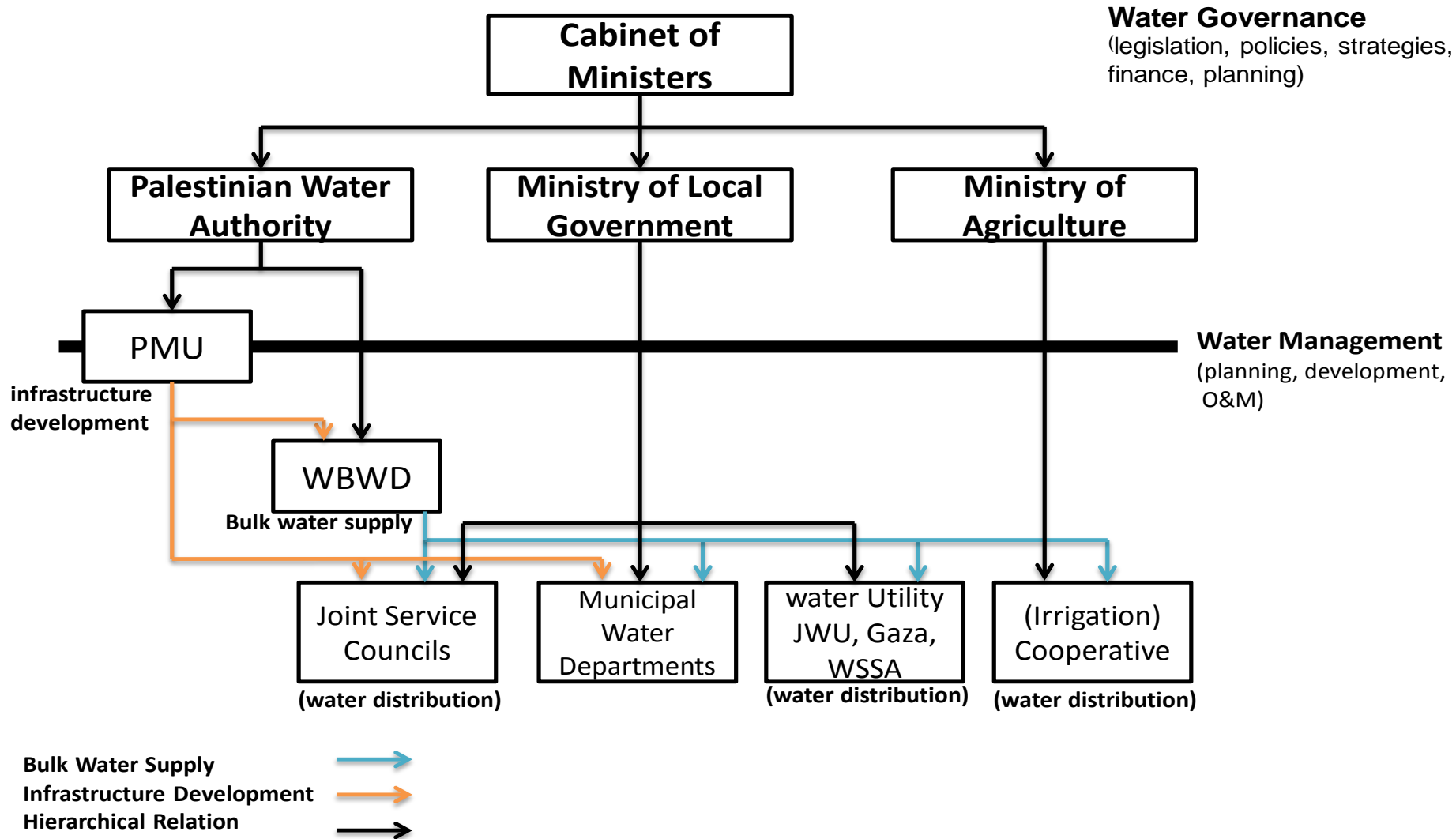
The Law calls for implementing IWRM principles but primarily separates policy from delivery functions and establishes the regulatory function. A major component, however, is a participatory approach with stakeholders.

- **PWA** manages resources, allocates, protects water quality, and develops projects
- **National Water Company**, supplies and sells of bulk water to undertakings, local authorities, joint water councils and WUAs on license from PWA
- **Regional Water Utilities** are Points of delivery of the bulk water are for all water users (other than for irrigation), and **Water Users Associations** for irrigation water.
- **Water Sector Regulatory Council** monitors water Service Providers and National Company in the production, transport, distribution, and consumption of water as well as wastewater management

All have the responsibility of “ensuring water and waste water service quality and efficiency to consumers in Palestine at affordable prices,” on the basis of IWRM.

# Water Sector Framework According to 2002 Water Law

## Water Sector Framework (Before signing the NEW Water Law)





# Water Sector Framework According to 2014 Water Law

## Water Sector Framework (Medium-Long Term)

Governmental Level

Cabinet of  
Ministers

Water Sector  
Regulatory Council

Palestinian Water  
Authority

(Legislation, policies, strategies,  
finance, planning)

Ministry of Local  
Government

Ministry of  
Agriculture

(Licensing)

Water  
Management

National Water  
Company

Source: PWA

\*Regional  
Water Utility

(water distribution)

\*Joint  
Service  
Councils

(water distribution)

\*Municipal  
Water  
Departments

(water distribution)

\*(Irrigation)  
Cooperative

(water distribution)

Bulk Water Supply



Regulation & Licensing/permitting



Abstraction License



\*Apply legislation, policies and strategies developed by PWA

# PALESTINIAN WATER STAKEHOLDERS pre law 2014

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## **Key Stakeholders:**

National Water Council (NWC), Palestinian Water Authority (PWA), West Bank Water Department (WBWD), Ministry of Agriculture (MoA), Environmental Quality Authority (EQA), Ministry of Local Government (MoLG), Ministry of Public Work and Housing (MoPWH), Ministry of Planning and Development (MoPAD), Ministry of Health (MoH), Ministry of Finance (MoF), Israeli Civil Administration (ICA), Joint Water Committee (JWC), Israeli National Water Company (Mekorot), and the Israel Water Commissioner.

## **Primary Local Stakeholders:**

Municipal Water Departments, Village Councils, Joint Service Councils (JSC), Coastal Municipal Water Utility (CMWU), Jerusalem Water Undertaking (JWU), and the Water and Sanitation Services Authority (WSSA).

## **Secondary Stakeholders:**

Donors, international NGOs (INGOs), local NGOs, unions, and educational institutions

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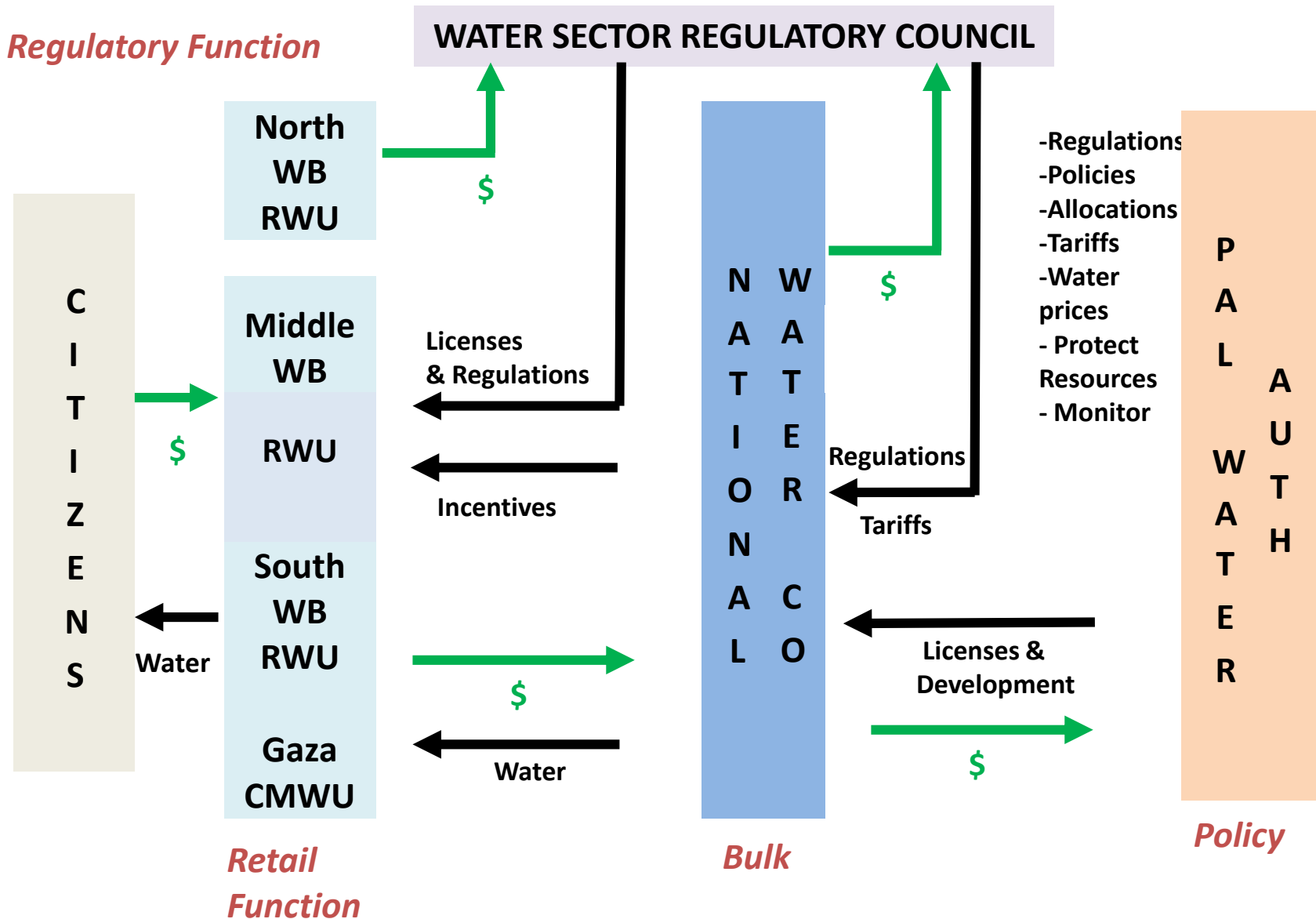
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# Functional structure of the water sector entities – Law 2014



# Provision of services & water utilities 1/8

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Local Governments Law No. (1) of 1997 states that the role of a local government unit is to:

- (a) provide the inhabitants with quality water,
- (b) ensure its supplies in terms of meters and pipes,
- (c) determine the price of water and connection fees,
- (d) protect the springs, canals, wells and basins from pollution.

As for sewage, they are to construct, manage and monitor sewage facilities.

In contrast, the Water Law No. (3) of 2002 provided legal basis for establishing national water utilities

## Provision of services & water utilities 2/8

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On the other hand the Ministry of Environment is responsible, in cooperation with relevant authorities, for standards as well as **quality of potable water**, and **standards necessary for the collection, treatment, reuse, and disposal of wastewater**

## Provision of services & water utilities 3/8

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As for PWA, Water Law of 2014 states, among other things, that the PWA is fully responsible for managing and protecting the water resources in Palestine, preparing general water policies, strategies and plans..... and the establishment and development of the National Water Company and the Regional Water Utilities, as well as .....partake in the development of approved standards of water

# Provision of services & water utilities 4/8

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Though the subjects of resource protection and the provision of quality water to consumers are interactive, conflict may arise in the service provision component.

In reality, there exist **four models** for the provision of services in domestic water supplies, otherwise called Service Providers, either in the form of a:

- (1) Regional Utility,**
- (2) Joint Service Council,**
- (3) Municipal Water Department, or**
- (4) Village Council;**



## Provision of services & water utilities 5/8

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**In the Center:** The Jerusalem Water undertaking (JWU) is the largest and oldest service provider serving 330,000 people in the two cities of Ramallah and Al-Bireh, 10 smaller towns, and more than 45 villages and 5 refugee camps. JWU was enacted in 1966 to develop new water resources, control all water projects in the area and bear the responsibility of providing the population with potable water. It is a corporatized entity, non-profit, and independent civil organization run by a Board of Directors with representatives from the three main municipalities in the area; Unaccounted for water (UFW) is at about 26% but has one of the highest tariffs in the region. It can readily become the RWU in the Center.

## Provision of services & water utilities 6/8

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**In the North:** Joint Service Councils (JSC) were formed, according to the Joint Council for Services Planning and Development (JCSPD) Bylaw of 2006. The goal is to develop a Northern Regional Water Utility, NRWU. The development received the least attention though the governorates have had significant investment in developing water infrastructure. The NRWU undertaking will require extensive planning and investment to have a number of joint service councils develop and consolidate water resources and infrastructure .

## Provision of services & water utilities 7/8

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**In the South:** The Water Supply and Sewage Authority WSSA serves Bethlehem, Beit Jala and Beit Sahour. A Southern Area Services Improvement (SAWSIP) Program, funded by the WB, was initiated to improve efficiency of water and wastewater services in the southern area of the West Bank, prepare and implement an appropriate institutional framework for water and wastewater services provision, build regulatory and institutional capacity, restore infrastructure, and facilitate PSP presence in the economy.

The program started in 1999 and was completed in early 2006 without the creation of a Southern Utility.

## Provision of services & water utilities 8/8

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**In the Gaza Strip:** There is one JWSC in Gaza, Coastal Municipal Water Utility (CWMU) in addition to water divisions in a number of municipalities. The Coastal Utility was established by Decree of the Minister of LoG in 2000. Municipalities are represented in the general assembly of the Utility in proportion to the total assets transferred to the CMWU. Municipalities are well represented on the Board. This model has been fairly successful leading to operational improvements like more rapid response to repairs while benefitting from the economy of scale. However, the process is not completed mainly due to political strife and we understand that the situation has drastically changed.

# Key issues to the municipal structure in water

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- In light of low water availability and uneven distribution of resources, a certain degree of centralization is needed for proper management of service provision.
- The concept of Joint Services Council has been gaining acceptability and is progressing at the level of small towns and villages. These new entities should be linked to the broader planning and investment needs. This concern is confirmed by the World Bank report of 2009 and expressed by the DG of the Municipal Development and Lending Fund (MDLF), a key player in the process.
- As for smaller municipalities; one way to move forward with amalgamation is through common projects.

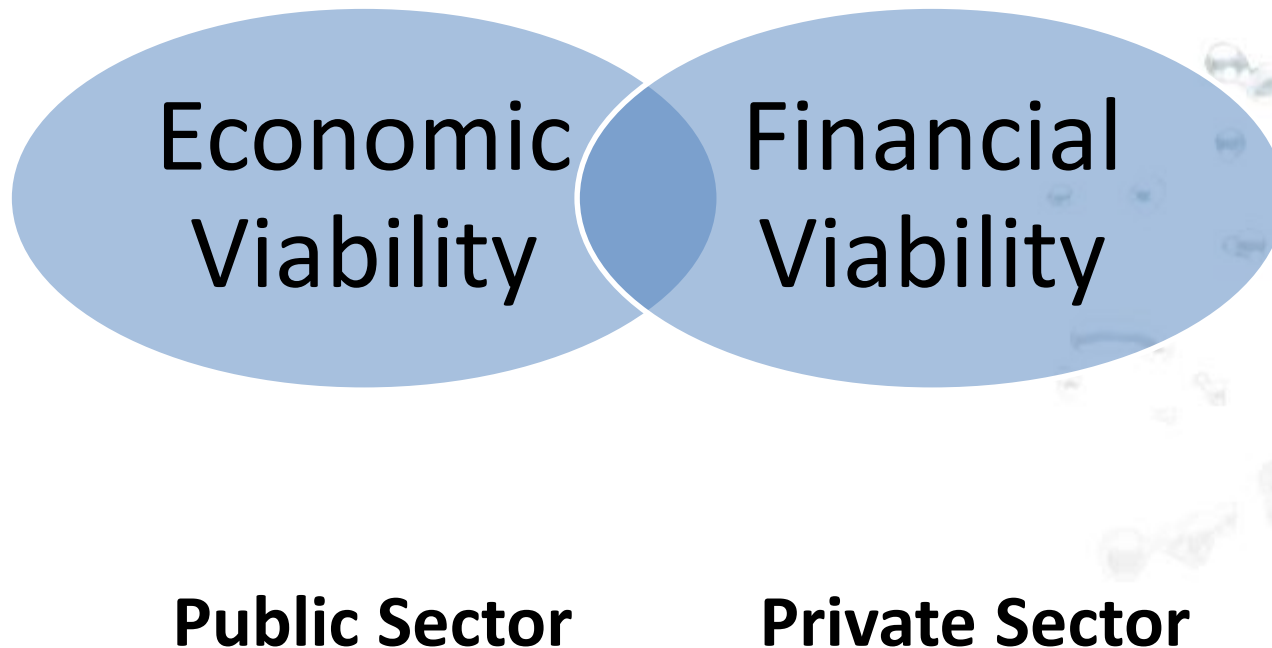
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# PRIVATE SECTOR INTERVENTION

A decorative graphic on the right side of the slide showing a large splash of water at the top, with numerous smaller droplets and bubbles falling downwards, creating a sense of movement and freshness.

## PPP objectives

# Delivery of Public Good with Social Value



# Driving Forces for Private Sector Participation

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- Financial capabilities
- Efficiency improvements
- Burden on budget
- Beyond aid policy
- Economic development
- Political causes





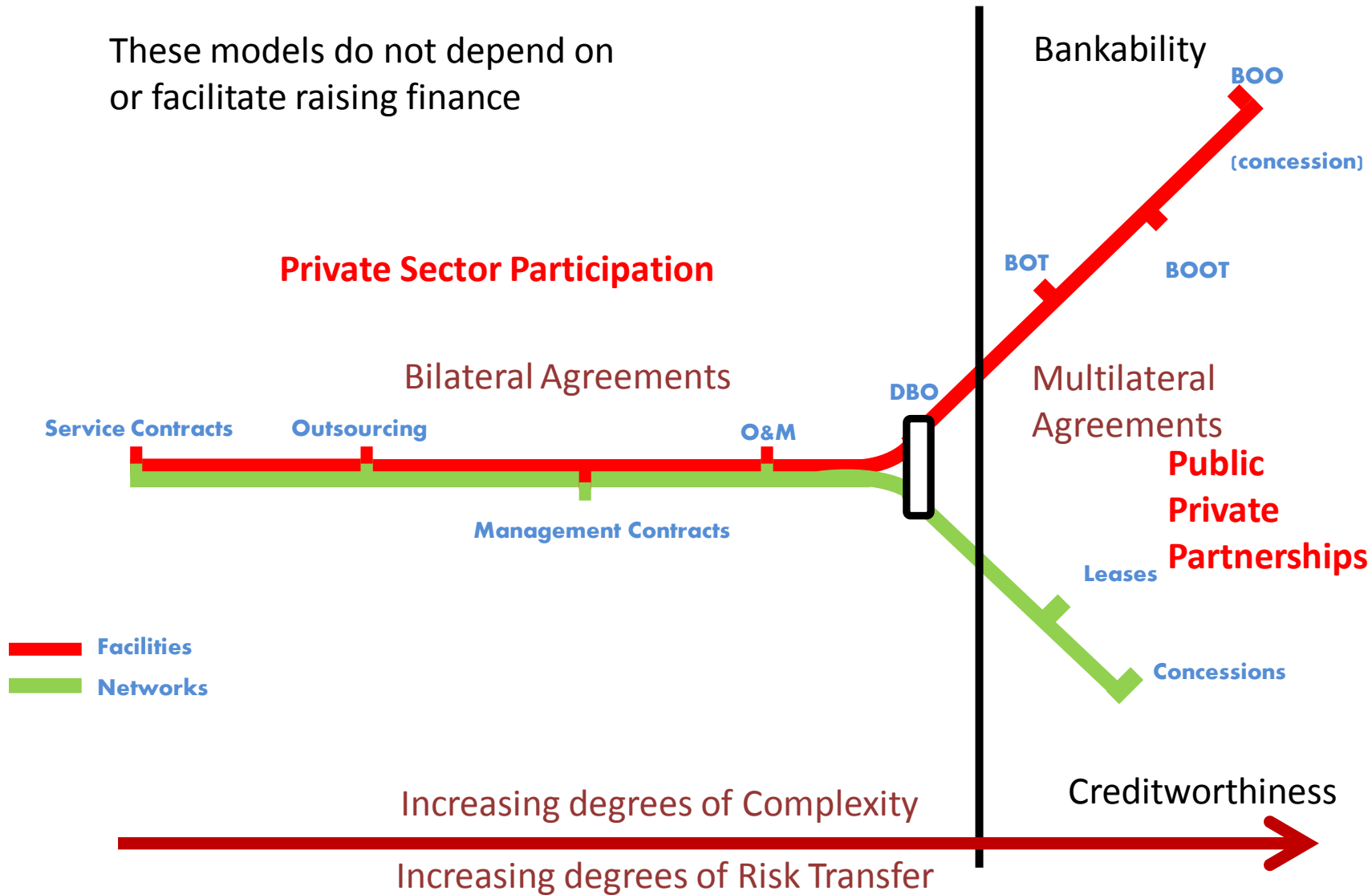
# Basic Criteria for PPP

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- 1/7 Enabling framework
- 2/7 Well dimensioned, economically relevant project
- 3/7 Responsible reliable public party
- 4/7 Motivated, experienced private party
- 5/7 Clear and flexible contract
- 6/7 Smart financing structure

**The Project is Bankable once these are met**

# Taxonomy for Decisions



# Different PPP options for different objectives

## 1. Service Contracts

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- ***Scope***

These contracts offer low level forms of private sector participation and relate, as their name suggests, to services.

- ***Payment***

Payment is generally linked to the delivery of services only and is not based on any form of performance standard beyond delivery of the basic service.

# Different PPP options for different objectives

## 2. Outsourcing Agreements

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### ***Scope***

The classic example of outsourcing as a form of private sector participation related to billing and collection which, by virtue of the heavy dependency on information technology, does not usually utilize skills which are core to the activities of water and wastewater services. In addition, outsourcing arrangements can be utilized for aspects such as non-revenue water

### ***Payment***

Payment is usually tailored primarily to the delivery of the services which are being outsourced although it is not uncommon to have an element of performance based payment (e.g. completion of delivery of services on time, and bonus payments for achieving certain targets; all without shifting much of the risk

# Different PPP options for different objectives

## 3. Management Contracts

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### ***Scope***

Fundamentally, management contracts are no more than outsourcing arrangements although it is the overall management function which is being outsourced.

### ***Payment***

The contractor manages the operations against a fee which is based on the provision of personnel to manage the utility or company. It is common to have a significant element of bonus in recognition of driving service delivery improvements as an incentive for better performance. Since the incentive is a major contributor to the remuneration, a greater degree of risk is transferred to the private sector.

# Different PPP options for different objectives

## 4. Operations and Maintenance Agreements

### ***Scope***

Operations and maintenance agreements (“O&M Agreements”) offer a similar vehicle for improvement of service delivery as outsourcing arrangements.

Whereas it is not usual to have O&M agreements with regards to networks (other than major carriers), such agreements are more common for plants and facilities where specific expertise is provided to run these operations.

### ***Payment***

The distinction between O&M Agreements and outsourcing arrangements relates to how the contractor is paid for services. Under an O&M Agreement the objective of transferring risk to the private sector is achieved by making the majority of the contractor’s fee payable on achieving results. Driving operational costs down without impairing the service is the incentive to generate greater profit. Though this may sound advantageous, two major risks arise; one is that the contractor will be relying on the reasonableness of their counterpart in agreeing on the payment , and the second is the creditworthiness of the contracting authority itself.

# Different PPP options for different objectives

## 5. Design, Build and Operate Arrangements

### ***Scope***

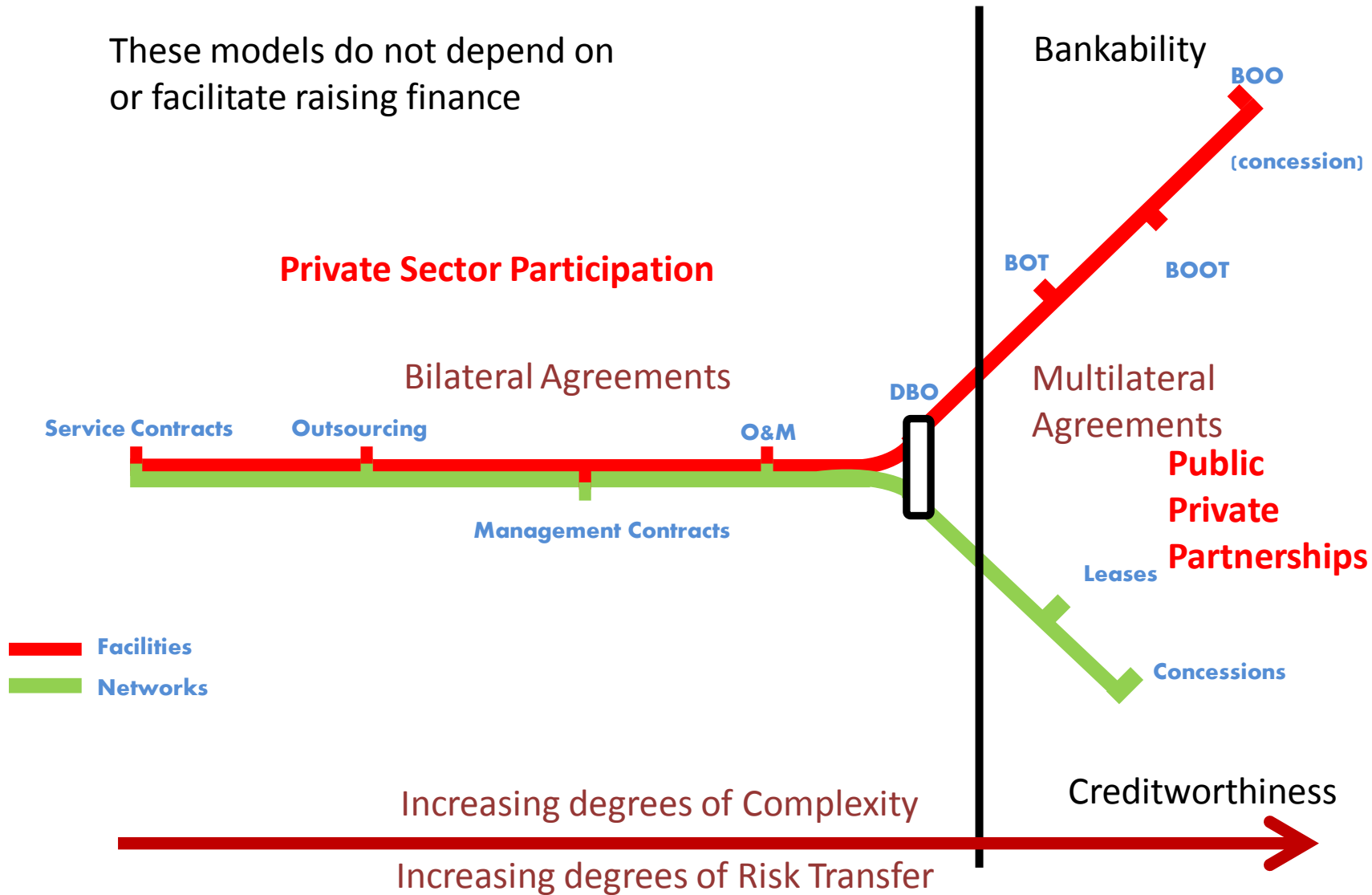
Design, Build and Operate (“DBO”) contracts lie at the junction of the Route-map when developed on a new-build basis.

DBO contracts offer a procurement route for facilities with a design and build element but then require the contractor to continue operating the facility for a period of years. This is particularly useful in a situation where the chosen technology is new to the utility developing the asset as it gives a period of time during which staff can be trained. DBO contracts have the advantage of “optimizing the solution for cost” Although applicable mostly to facilities and plants, DBO arrangements can also be useful for networks or pipe based infrastructure, but only on a new-build basis, and if within a defined zone.

### ***Payment***

Typically within a DBO contract payment for the construction phase is made on a traditional certified payment basis, either monthly and/or on milestones (e.g. ground-works completion, desalination cartridges installed, testing and commissioning completed, etc). Thereafter, during the operations phase, it is common to pay a monthly operations fee which may or may not have some element of incentive or output based component.

# Taxonomy for Decisions





# Different PPP options for different objectives

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# Different PPP options for different objectives

## Micro-Level Options for PSP

In some cases, implementation period for PSP options may need to be shortened due to pressing customers needs.

The option has then become Micro PSP's. This option has been proven successful in developing fast track strategy and action plans

## Different PPP options for different objectives

### Micro-Level PSP as a FAST TRACK OPTION

- Short term improvement, fast payback period (as little as one year), deficit reduced in very short time and immediate increase in revenues which can easily support the poor
- Higher flexibility as it uses funds from the routine budget
- Uses local expertise who are familiar with local conditions
- Capacity will be built in these types of activities

## Different PPP options for different objectives **Micro PSP as a POLICY AND STRATEGY OPTION**

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Where PSP cost is relatively low, Where donors funds are not needed, and Where the project preparation time is short, the micro PSP option can be adopted as a policy and strategy for the water and wastewater sector

In order to enable local companies to bid, a workshop is usually held for those interested to assess their ability and capabilities

## Different PPP options for different objectives Micro PSP Examples

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- Service contracts for W & WW treatment plants
- Outsourcing of billing and collection
- O&M and Management of selected activities
- Billing, collection and outstanding amount
- Sewerage connection
- Leak repair services
- Subscribers survey and GIS services

# Case Example/ Macro level

## BOT Contract case from Jordan

- A WWTP was built in 1985
- Overloaded by 1987
- Ministry Completed study in 1997
- Study of other alternatives 1999
- Announced internationally, 8 consortia offered for pre-qualification, a short list of five bidders approved. Two bidders were ultimately interested and offered their technical and financial proposals in July 2001
- Contract was awarded to the winning group in July 2002, followed by financing negotiations with local banks
- The Minister of Water and Irrigation signed the contract on Dec-10, 2003.

# Case Example / Micro level

## Madaba Governorate , Billing and Revenue Collection

### 1- Background

Data about Water Authority Jordan (WAJ) in Madaba :

- 2000 km<sup>2</sup>
- 150,000 inhabitants
- Subscriber number : 19.500

Water Authority Jordan (WAJ) faced several challenges in Madaba Governorate :

- Incorrect billing due to faulty application process
- Bills not distributed due to lack of information system

## 2- Objectives

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- \* Improve water and waste water revenue
- \* Reduce customer outstanding amounts
- \* Improve customer management efficiency
- \* Install an IT-based customer management system
- \* Technical and administrative development of Madaba customer management organization



### 3- Contract Details

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- \* After tendering process the Micro PSP was awarded to Engicon , a local engineering company , Nov 2005
- \* Contract period : 3-year contract starting 2006
  - Preparatory period : 9 months
  - Performance management period : 27 months
- \* WAJ staff seconded to private contractor (42 No.)
- \* WAJ receives all revenues collected
- \* Engicon works under Supervision of PMU
- \* Payment for contractor included fixed and performance based incentive fee

## 4- Activities

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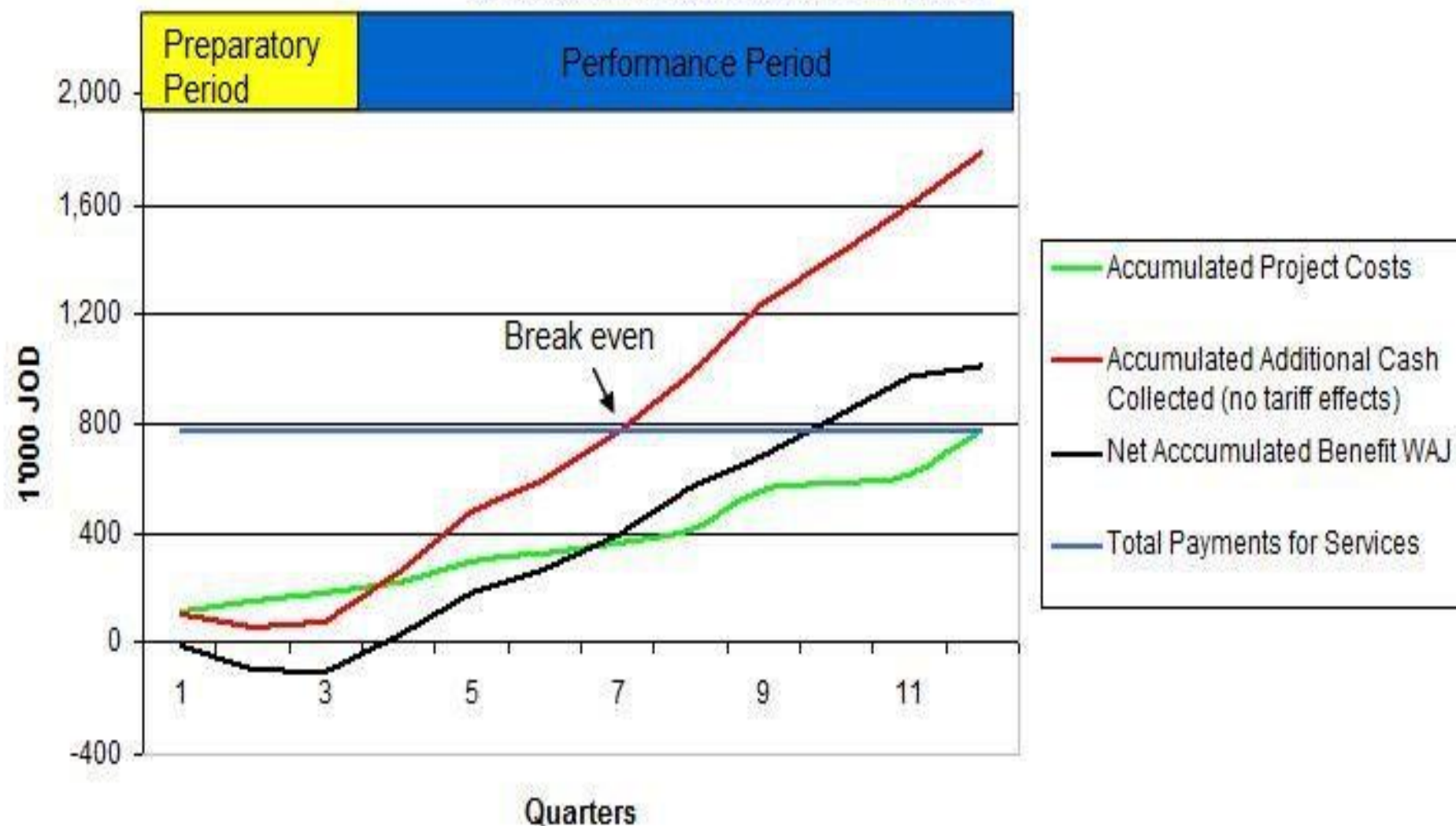
- \* Surveying and mapping of subscribers and digitizing all surveyed routes in governorate
- \* Necessary technical and electro-mechanical equipment were supplied
- \* Bonus for seconded staff was developed and remuneration procedures made transparent
- \* Rehabilitation works of the subscriber department offices and file storage rooms completed

## Activities (Continued)

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- \* IT-based customer management system introduced
- \* Training of staff (computer skills, customer care, data entries, appraisal course for management)
- \* Sewerage database system installed

## Costs and Benefits for WAJ



## Summary of Micro PSP Results in Madaba

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- \* Increase in Revenue, decrease in Accounts Receivable
- \* Efficient, transparent and reliable billing system and collection procedure
- \* Professional process
- \* Increased responsibility and accountability of staff and improved motivation
- \* Better customer care and satisfaction
- \* Outstanding bills reduced by measures against water use
- \* Reputation of WAJ in Madaba has improved

# Overview of Private Intervention in Palestine

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Experience in this regard has been very limited and was experienced at three locations with a varying degree of success. The three were of the Management Contact module with fixed fees and performance incentive

- Gaza management contract 1996 – 2000, and extended
- Effort at management contract in Bethlehem and Hebron 1999 , curtailed by intifada
- Gaza Emergency Water Project 2005 – 2012, contract awarded in 2005 for two years but was terminated earlier than foreseen

# Gaza Management Contract Summary

Indicator	1995	1999
UFW	50%	31%
Revenue, NIS	1.1m	30.7m
System Mapping	80%	
Leaks Repaired	2,000	
Connections Replaced	10,000	
Meters Repaired	7,000	
Meters Replaced	8,000	
Illegal Connections Identified	11,000	

## Key Lessons Learnt

1. Operational fund needs
2. Identifying indicators (31); fewer would be better; less were used in Amman and Hebron
3. Balancing indicators for incentive payment
4. Regulatory plus audit needed; not just audit

## Provision *BETHLEHEM & HEBRON MANAGEMENT CONTRACT (GEKA)*

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**Scope:** Managing water supply of 600,000 inhabitants

**Focus:** Operating the Bethlehem system; technical assistance to Hebron

**Details:** Install new meters, install new pipes, reduce leakage, reduce NRW, improve and manage institution, introduce better billing and collection, introduce better maintenance procedures

**Operational Funds:** \$21m WB credit + gap between MC fees & revenues

**Capital Investment:** \$ 36m EIB

**Payment:** Management Contract (MC) fees, performance bonus against set targets

Contract terminated one year after its commencement curtailed by the intifada, and the premature cancellation of EIB support

### ***Company claims:***

- more than 75% of first year goals were achieved
- significant improvement in water quality
- 50% decline in customer complaints re supply interruption
- unaccounted for water declined from 50% to 24% in Heb & 10% in Bethlehem
- illegal connections eliminated in Heb and more than halved in Bethlehem



## PPP Experience in a solid waste project

The only PPP project concluded successfully in the West Bank, pertaining to a Solid Waste Landfill Operations at Joint Service Council-Hebron & Bethlehem JSC-H&B. It is an essentially a simple Operation and Maintenance contract, but is very innovative, and can be replicated easily over a range of wastewater facilities. The project was formulated with the help of IFC. This example can apply to Operation and Maintenance of wastewater treatment plants, for example, where available expertise can be used in managing technologies otherwise not available at the Joint Service Councils particularly when the plant is constructed to serve more than one provider.

- First PPP in West Bank
- Strong potential for demonstration effects as an innovative mechanism to deliver public services
- Will benefit 840,000 people in towns and villages in Bethlehem and Hebron, who will significantly enjoy improved solid waste management services
- Estimated reduction of GHG emissions by 13,400 tons over 7 years

# Private Sector Participation Revival 1/2

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A joint committee, designated by the Prime Ministry, met on 20.05.2012 and discussed the merits of PSP, and specific potential opportunities for PSP (desalination in Gaza, NRW reduction as performance-based contracts, and wastewater treatment plants), and requested from the Cabinet:

- (1) starting a dialogue with the private sector,
- (2) establishing a qualified team within the PWA and assigning a higher ministerial committee as a reference entity,
- (3) identifying the regulator to these partnerships,
- (4) identifying subsidies/guarantees to ensure the success of the partnerships,
- (5) promoting reuse of treated wastewater through a policy,
- (6) setting tariff and fees regulations, and
- (7) seriously addressing the phenomenon of non-payment of water and wastewater bills.

# Private Sector Participation Revival 2/2

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The Cabinet of Ministers issued letters on 26.05.2013:

- (a) to the Ministry of Agriculture to set a comprehensive policy to encourage farmers to use treated wastewater in irrigation,
- (b) requesting the Permanent Economic Committee to adopt PSP studies conducted for the water sector to be followed by the legal process of competitive tendering,
- (c) to the Ministry of National Economy alongside the Ministry of Local Government, Ministry of Agriculture, and PWA to open a dialogue with the Palestinian Private Sector to discuss investment opportunities in the Water Sector,
- (d) requesting the Head of PWA alongside the Ministry of Local Government and Ministry of Agriculture to conduct studies and prepare for Private Sector Participation in water and wastewater projects and in coordination with relevant authorities and submit these projects to the Permanent Economic Committee.

# The Legal Framework

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The 2014 Water Law specifically:

- mandates the PWA to help create a stable and suitable investment environment to encourage the private sector to invest in the activities and investments of the water sector.
- calls for making institutional, regulatory and economic changes to encourage partnerships with the private sector; all according to a Bylaw to be drafted for this purpose.
  - Written law
  - Other countries
  - Shows commitment
  - Requested by the private sector
  - Addresses procurement and guarantees

# The Regulatory Framework

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- The Regulatory framework is not complete.
- Entities within the sector are still in transition.
- A long list of regulations need to be taken yet, such as establishing the entities called for in the Law namely the utilities, users' association, the new bulk supply company, and the PPP bylaw.
- The newly formed WSRC is still at its early stages of development, regulating the performance of the utilities.
- Relationships between the various entities within the sector have to be formalized by meetings, protocols, with a communication process applied.

# Public Funding and Financial Sustainability

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- A Strategy for financial sustainability of the water sector was prepared in 2014 which, after identifying revenue sources for each of the entities, indicated a 5-year target for self-sufficiency and cost recovery for all entities.
- It is assumed that the national government will be responsible for closing the gap in the interim. The Budget process for the year 2016, and particularly the monitor thereof, would thus be challenging and educational in light of the structural changes introduced by the Law.

# Tariffs and Financial Sustainability of Water Systems

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- Differences between setting bulk and retail costs
- Single points of subsidy defined
- The fragility of the new water bulk company
- Collection and metering
- Willingness to pay and ability to pay

# Ensuring the value for money

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- Differences in standards in government when using own money or when provided by the private sector, factors go in..
- Value for money and its process



# Engaging with stakeholders

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- Coming up in details
- The four-tier approach



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# WAYS FORWARD

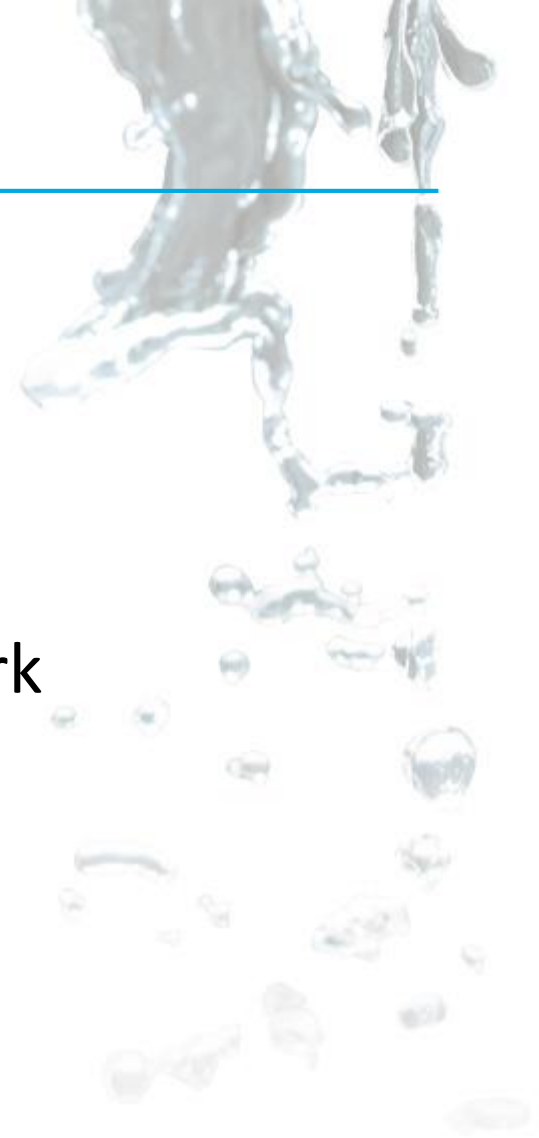


# Ways Forward

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Three critical areas:

1. Improving financial sustainability
2. Completing the regulatory framework
3. Engaging with stakeholders



# Ways Forward: Financial Sustainability

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- Value for money and PPP unit
- Fiscal crisis and financial sustainability
- Burden on national budget
- Cost recovery , UFW, energy, etc



# Ways Forward: Financial Impediments

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- Strategic Planning
  - Portfolio of projects
  - Donor coordination
  - Higher Ministerial Committee
- Funding
  - NRW as priority
  - Opportunity to introduce PSP projects
  - Difficult to assess funding gap at early WSRC
- Procurement and VfM
  - Limited capacity
  - Project preparation and MED 5P
  - Ensure competition
- Capacity
  - Extensive training therefore embedment



# Ways Forward: Regulatory Framework

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- The Regulator
  - No mandate to monitor before contract delivery
  - Detailed Rules of procedure
- Supporting efficient, self autonomous providers
  - Proper setting of tariffs
  - Accountability
- Improve Accountability to enhance stakeholder engagement
  - Transparency
  - Conduct RIAs

# Ways Forward: Stakeholder Engagement

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- Creating an equitable societal environment, promoting social justice, reducing poverty, and awareness on gender
- Strengthen existing mechanisms and platforms for stakeholder engagement in Palestine
- Information base to raise citizens' awareness on the cost of water supply and sanitation
- Fostering greater multi-stakeholder interface between NGOs, science and government on water services
- Communication and capacity development strategy to address customers needs

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# ACTION PLAN





- R1: Address intra-sector relationships**
- R2: Align the roles and responsibilities of other stakeholders from outside the sector**
- R3: Enhancing the private sector relation**
- R4: Capacity Building in PPP contracts**
- R5: Tariff regulations and tariff policy**
- R6: Financial self sufficiency of water entities**
- R7: Establish accountability mechanisms for WSRC**
- R8: Continue the consolidation of water providers**
- R9: Strengthen the autonomy of water providers**
- R10: Suggested checklist for actions related to stakeholder engagement regarding PPPs**
- R11: Submittals to the Cabinet**
- R12: Communication in support of PPP**
- R13: New controls on Groundwater**

Recommendation 1: Address intra-sector relationships	
Action	Identify roles and responsibilities
Steps	Establish an Agreement/Protocol between the parties Develop methods of internal communication Establish Rules of Procedures for WSRC Develop Strategy towards fulfilling the 5-year target of self-sufficiency and cost recovery for all entities
Calendar	Short term
Initiatives	The Water Law The National Strategy
Stakeholders	PWA WSRC Min Agriculture Min of Local Government
International Experience	Separation of policy, operations and regulations are signs of good water governance

<b>Recommendation 2: Align the roles and responsibilities of other stakeholders from outside the sector</b>	
<b>Action</b>	Establish platforms for stakeholders outside the water sector
<b>Steps</b>	Establish a committee for the purpose
<b>Calendar</b>	Short term
<b>Initiatives</b>	Cabinet of Ministers issues, endorses, ratifies water-related regulations/approvals to create synergy among certain Ministries and government bodies whose laws give them a statutory role in the water sector
<b>Stakeholders</b>	Ministry of Planning – Ministry of Finance – Stakeholders from other Ministries
<b>International Experience</b>	Multi-stakeholder platforms are indicators of good water governance leading to more democratic water management and improved and more sustainable water service delivery

## Recommendation 3: Enhancing the private sector relation

Action	Initiate a private sector stakeholder forum
Steps	Survey potential of existing private sector
Calendar	Short term
Initiatives	Water Law promotes the start of a dialogue
Stakeholders	PWA Association of Banks Trade and Commerce Engineers Association Contractors Association Development Entities Ministry of Finance Development Companies
International Experience	A forum has to be in place in any partnership

## Recommendation 4: Capacity Building in PPP contracts

<b>Action</b>	Introducing different PSP/PPP modalities
<b>Steps</b>	Project portfolio identification Identify project applicability to PSP or PPP Project Preparation methodology Basic VfM methodology Introduce the social context of investment into VfM Procedure for preparing a contingency liability report
<b>Calendar</b>	Short term - PSP identified and in progress in one year
<b>Initiatives</b>	Establishing a PPP Unit
<b>Stakeholders</b>	Ministerial Committee Ministry of Finance PPP unit Entity responsible for public debt Regulatory entity
<b>International Experience</b>	EIB MED 5P advisory facility promotes and supports project development Need to be realistic in developing countries in expecting the private sector to cover the investment/ water service cost when accessibility of the poor to water is the target

## Recommendation 5: Tariff regulations and tariff policy

<b>Action</b>	Apply Law Provisions Consider the implications of having a unified tariff for bulk supply while cost-based tariff is applied for retail
<b>Steps</b>	Develop mechanisms to identify true cost of water in bulk and set up the process for the utilities to follow a uniform accounting system Conduct an “affordability and willingness to pay study”, designing the study and analysis of its results, mainstream gender and the poor Develop a dynamic customer data base
<b>Calendar</b>	Medium (two years)
<b>Initiatives</b>	The Water Law calls for preparing tariff regulations and policies
<b>Stakeholders</b>	PWA NWC Utilities WSRC
<b>International Experience</b>	Cost recovery is a major indicator of a utility’s success

## Recommendation 6: Financial self sufficiency of water entities

<b>Action</b>	Apply Law provisions
<b>Steps</b>	Assess the financial relationship between the entities (the flow of money) Identify single points of subsidy Use tariff studies data
<b>Calendar</b>	Long term (5-year target is set by law)
<b>Initiatives</b>	The 2014 Strategy for financial sustainability identifies revenue sources for the water entities Future shift from government and donor funding to consumer tariffs, self-funding, and indirect funding
<b>Stakeholders</b>	PWA WRSC NWC Utilities
<b>International Experience</b>	Standard practice is to generate additional revenues from: -increased productivity (rather than merely collecting fees), -organizational restructuring and rationalization, -reducing leakages, -more efficient collection of tariffs, and -regional spread towards the agglomeration with increasing population density.

## Recommendation 7: Establish accountability mechanisms for WSRC

<b>Action</b>	Enhance the credibility of the regulatory framework
<b>Steps</b>	Agree on core functions of WSRC WSRC to regularly conduct RIAs Clarify role of WSRC in project development and PSP process and management WSRC Rules of Procedure should show the procedures for resolving possible overlapping functions and lines of responsibility and accountability
<b>Calendar</b>	Short term
<b>Initiatives</b>	Bylaw calling for regulatory, institutional and economic changes is being drafted
<b>Stakeholders</b>	WSRC Cabinet of Ministers PWA Ministry of Local Government Ministry of Agriculture
<b>International Experience</b>	Regulation should tackle major issues of popular interest such as monopoly prevention, continuity of supply, and connecting the poor. Standard practice to gain credibility and buy-in is to make the information collected by the WSRC on the performance of water services publicly available



## **Recommendation 8: Continue the consolidation of water providers**

<b>Action</b>	Establish Regional Water Utilities
<b>Steps</b>	Put in place a strategy and plan for consolidation / Service provision to the customer comes in a 'recognizable' form, unify the processes / Build the capacity of the staff of the RUs and properly choose their Boards and Managers, using gender equal recruitment practices/ Link new JSC entities to the broader planning and investment needs
<b>Calendar</b>	Medium term
<b>Initiatives</b>	Establishing WSRC
<b>Stakeholders</b>	WSRC Ministry of Local Government
<b>International Experience</b>	Reduction of regional spread towards the agglomeration of entities with increasing population density is easier to manage

## Recommendation 9: Strengthen the autonomy of water providers

<b>Action</b>	Ensure the autonomy of water providers
<b>Steps</b>	Apply cost recovery basis in tariff setting and provide support to the collection of revenues through compliance and enforcement means / Proper setting of tariffs accompanied by accountability measures on use of revenues, improving the collection of bills and enhancing capacities to efficiently manage the resources under their disposal
<b>Calendar</b>	Long term
<b>Initiatives</b>	Establishing WSRC
<b>Stakeholders</b>	WSRC / Utilities / UPWSP
<b>International Experience</b>	International experience shows that giving more autonomy to the water providers is a way towards achieving better performance through the establishment of an independent regulator / To contribute to more autonomy, there should be effective measurement systems to allow monitoring of the utilities concerned / Applying performance indicators with emphasis on the base case and publishing these indicators regularly to promote accountability is a standard practice

## Recommendation 10: Suggested checklist for actions related to stakeholder engagement regarding PPPs

<b>Action</b>	Raise awareness / Engage stakeholders / Introduce and implement Communication Strategy
<b>Steps</b>	Strengthen information base on critical issues: national water resources – real cost of water – wastewater services / Engage stakeholders, gender equal representation, on several issues: investments – tariff levels – service quality / Prepare a Communication & Capacity Development Strategy to raise awareness and help identify consumers' needs, mainstream youth and gender
<b>Calendar</b>	Continuous
<b>Initiatives</b>	The 2013 Policy and Strategy Document considers PPP an essential part of reform with regard to special projects and services provided by the bulk water supplier and the regional utilities
<b>Stakeholders</b>	Water sector / Government at large / Local Community / National Extent Engagement process initiated by this study has to be championed and institutionalized Communication process may follow the four tiers of stakeholders
<b>International Experience</b>	Regulatory issues are important in the water sector, in particular in the case of increasing private sector involvement: 1) Regulation of the quality of water, 2) Regulation of prices of the products (price of a m3 – price recovery mechanisms – incentives to connect to the water or wastewater systems), 3) Price adjustment and risk allocation, 4) Regular and reliable supply, 5) The amount of investments agreed, 6) Pressure in the system, & 7) Capex regulating RR on capital

## Recommendation 11: Submittals to the Cabinet

<b>Action</b>	Submit requirements stated in the Law
<b>Steps</b>	<ul style="list-style-type: none"><li>• Water Tariff Regulations</li><li>• Regional Water Utilities Regulation</li><li>• Regulation in licensing of service providers</li><li>• Water and Wastewater Connection Regulation</li><li>• Legislation for WR Protection Zones</li><li>• SPs Incentives By-Law identifying and regulating extent of local authorities participation in general structure of Regional Utilities</li></ul>
<b>Calendar</b>	Short term
<b>Initiatives</b>	The Palestinian Cabinet of Ministers is ready to address the necessary parties in support of improved PPP integration
<b>Stakeholders</b>	Cabinet of Ministers PWA WSRC MoLG
<b>International Experience</b>	Standard practice as defined by legislation

## Recommendation 12: Communication in support of PPP

<b>Action</b>	Gain PPP acceptability
<b>Steps</b>	Produce clear & evidence-based information on the potentially beneficial role of private sector contribution to the water sector to dispel myths and clarify what the PS has (or has not) brought in Palestine based on experiences in Gaza and partially in Bethlehem
<b>Calendar</b>	Continuous
<b>Initiatives</b>	In support of the government policy
<b>Stakeholders</b>	Donors/international NGOs/local NGOs/unions/educational institutions.....Independent stock-taking and assessment exercise should clearly set out upsides and downsides of change and raise awareness among priority target audiences (e.g. women & men at household level) on role, responsibility and contribution of the private actors in water
<b>International Experience</b>	Governance structures of the private water companies or public utilities are important. Where conditions are in place assuring good governance, accountability & transparency, communicating these results could then help secure political acceptability of PSP projects & contribute to rebuilding trust between the public & water supplier

## Recommendation 13: New controls on Groundwater

<b>Action</b>	Protect groundwater resources
<b>Steps</b>	Set up the database and feed it with validated information including socio-economics, gender and youth wherever groundwater is used / Eliminate free abstraction quantities / Assess aquifer safe yield / Limit abstraction quantities / Enforce measures against illegal use and abuse / Enforce against deteriorating GW / Legislate for WR protection zones
<b>Calendar</b>	Long term
<b>Initiatives</b>	Law calls for making the necessary institutional and regulatory changes to protect groundwater resources
<b>Stakeholders</b>	PWA Ministry of Agriculture WUAs Farmers
<b>International Experience</b>	Much experience is available internationally. Neighboring Jordan is a good example

A high-speed photograph of a water splash, with a large, intricate splash at the top and many smaller droplets falling below it, set against a dark-to-light gradient background.

**Thank you  
for your attention!**