

## **Governance & Financing for the Mediterranean Water Sector: Water Policy Dialogue in Jordan**

### **Overcoming the Governance Challenges to Private Sector Participation in the Water Sector of Jordan**

**23 October 2013, 09h00 – 11h30  
Kempinski Hotel, Amman, Jordan**

#### **Summary of Donors' Meeting**

##### **Objectives**

The meeting convened the key donors in Jordan's water and wastewater (WWS) sector as part of a joint GWP-Med / OECD exercise to diagnose the obstacles to private sector participation (PSP) in the water sector in Jordan. The meeting had two main objectives: first, present the project on "Governance and Financing for the Mediterranean Water Sector" and explain the tools, methodology and timeline for executing the country work in Jordan. Second, the meeting gave donors a platform to provide information on their activities in water and sanitation in Jordan and their perspectives on the main bottlenecks to PSP in the water sector. The meeting aimed to ensure that the OECD - GWP-Med project complemented donor initiatives on the ground.

Annex 1 includes the list of participants at the meeting.

##### **Main conclusions from the discussions**

Donors are engaged in a wide range of activities in Jordan's water sector. These include infrastructure development, institutional support, technical assistance, capacity building and various advisory services. This involvement has given the donor community a good understanding of the challenges and bottlenecks facing the water sector. Donors welcomed the GWP-Med/OECD project as a useful complement to their activities and as a means to provide evidence-based analysis of the governance and financing obstacles to private sector participation (PSP) in the water sector in Jordan.

Donors noted that even though the government of Jordan has taken measures to tackle the various challenges facing the water sector, the push for institutional, legal and financial reforms has been uneven. There has been significant turnover within senior ranks of the government, which has made it difficult to sustain political will for enacting necessary changes to the legal and institutional framework for PSP. In particular, the adoption of a PPP Law and the creation of a PPP Unit, have been stymied by weak government support. There were also some concerns that the recent inflow of grant money from the Gulf Co-operation Council would dull the impetus for reforms. Moreover, the influx of refugees and rising energy costs have elicited a crisis-driven response from water officials in the administration,

rather than a more deliberate and strategic approach to dealing with the water sector's challenges. Donors indicated that the GWP-Med / OECD project provides an opportunity to develop a common understanding of key reforms needed in the WWS sector and to focus the attention of the authorities on implementing them.

Deep reforms are needed in several areas to lever the benefits of PSP in the water sector. The restructuring of the institutional set up needs to be continued. In particular, the efforts underway to transform the Programme Management Unit (PMU) within the Ministry of Water and Irrigation (MWI) into a dedicated water regulator need to be sustained. The donors noted that with the corporatisation of water utilities and the consolidation of water services, the time was ripe and there was political momentum for the establishment of a regulator for the sector – although the legislative foundations for its establishment remain weak. The donors also expressed some concerns that ensuring the independence of the regulator would be challenging given the experience of regulators in other sectors, particularly transport and energy, which have been increasingly falling back under political control. The establishment of the water regulator needs to be accompanied by additional restructuring, including the change of the Water Authority of Jordan (WAJ)'s functions to a bulk water supplier and reinforcing the commercialisation of the utilities. OECD work on the governance of regulators, regulatory policy and its platform of economic regulators, could be useful tools in helping the dedicated regulator to discharge its functions in the most effective way possible, while drawing on the experiences of dedicated regulators in other countries.

The public sector's ability to service its debt and other liabilities is also under increasing strain. Major strategic projects, such as As Samra, still need to be paid for but the government has not put in place a clear and predictable plan for meeting its financial commitments. Utilities are facing severe cost recovery constraints and the government is reaching the limit of its ability to give sovereign guarantees, which could further imperil the financial health of water operators such as Yarmouk. In this context, donors suggested that the government needs to evaluate available scenarios to improve the financial sustainability of the sector, including possibly raising tariffs to improve cost recovery in the water sector. Utilities barely cover their operations and maintenance costs: about 30% of the costs are covered from user charges, which is not enough. Beyond this, the government needs to manage the cost side in order to reduce investment needs. This would require a comprehensive financing strategy and a clearer pipeline of projects that could help concentrate government and donor efforts. Some donors, such as the Millennium Challenge Corporation, lay conditions for aid and the IMF has most recently imposed conditions for structural reforms and cost recovery as part of its Stand-By Agreement with the government of Jordan.

While participants noted that the public sector in Jordan has acquired significant experience with private sector participation, the long term sustainability of current and planned projects is not ensured. The country lacks long-term sector planning and capacity within the public sector, especially for project development, remains weak. These issues hint at the need for continued capacity building to enable public officials to engage with private enterprises on an equal footing. Unclear processes for undertaking PPPs were also cited as impediments to contract development and execution. OECD could shed light on how public financial management, ensuring value for money in PPPs and financial sustainability can be enhanced in Jordan's water sector.

The capacity of the various government bodies to engage stakeholders will be critical to the success of reforms. While the general public is aware of Jordan's water scarcity challenges, there is scope to discuss affordability of water services, quality of service provision, and to raise acceptance for higher tariffs among end-users. The experience of the Jordan Valley Authority and early attempts by water user associations to mobilise farmers and other water users in the Jordan Valley have the potential to become full-fledged platforms for stakeholder engagement. Donors welcomed OECD guidance on governance mechanisms that could help increase citizens' awareness and end-users' involvement in the water sector.

### **Next Steps**

Based on the discussions in the meeting and the collection of additional documentation, the scoping note will be updated and a final report, with recommendations, be prepared over the next few months. A stakeholders' consultation workshop is planned in the first quarter of 2014 and it will convene a larger range of stakeholders. The updated scoping note and recommendations will be discussed on this occasion.

- Based on the discussions in the workshop, comments received on the scoping note and the collection of additional documentation, a report including a diagnostic analysis and recommendations will be prepared by January 2014.
- A stakeholders' consultation workshop is planned in the first quarter of 2014, convening a larger range of stakeholders, where the report will be discussed.

## ANNEX 1: LIST OF PARTICIPANTS

**Overcoming the Governance Challenges to Private Sector Participation in the Water Sector of Jordan  
Donor Group Meeting  
23 October 2013, Amman, Jordan**

*List of Participants*

		<i>Name</i>	<i>Position</i>	<i>Affiliation/Organisation</i>	<i>Email</i>
1	Mr.	Serge Perrin	Senior Project Officer	Agence Française de Développement (AFD)	<a href="mailto:perrins@afd.fr">perrins@afd.fr</a>
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11	Ms.	Aziza Akhmouch	Public Governance and Territorial Development Directorate, Administrator, Water Governance Programme	Organisation for Economic Cooperation and Development (OECD)	<a href="mailto:Aziza.AKHMOUCH@oecd.org">Aziza.AKHMOUCH@oecd.org</a>
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14	Mr.	Ian Hawkesworth	Head of Public-Private Partnerships and Capital Budgeting	Organisation for Economic Cooperation and Development (OECD)	<a href="mailto:ian.HAWKESWORTH@oecd.org">ian.HAWKESWORTH@oecd.org</a>

15	Mr.	Alan Brown	Institutional Development Advisor/ Water Supply Team Leader	U.S. Agency for International Development (USAID) – Institutional Support & Strengthening Program	<a href="mailto:abrown@isspjordan.org">abrown@isspjordan.org</a>
16	Ms.	Barbara Rossmiller	Chief of Party	U.S. Agency for International Development (USAID) - Institutional Support & Strengthening Program	<a href="mailto:brossmiller@ISSPJORDAN.ORG">brossmiller@ISSPJORDAN.ORG</a>
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