

# Casesheet



Focus: Jordan

## Regulation and Supervision in Water Supply and Sanitation (WSS)

### Key Facts Jordan

Population	5.4 million
Urban population as a percentage of total population	78%
Population with access to water supply	98%
Population with access to to waste water collection and treatment systems	63%
Regulatory framework	Ministry of Water and Irrigation (MWI) / Water Authority Jordan (WAJ)/Programme Management Unit (PMU)
Service providers	National public providers with regional administrations as well as private operators.

### Situation in the country with regard to WSS

Jordan is one of most water-scarce countries in the world and the lack of water will be a serious challenge to its future economic growth. Despite scarcity, water use is not efficient, with high levels of Non Revenue Water (NRW) in the range of 47% in the Amman region. Agriculture, which contributes about 5% to GDP, uses around 63% of water resources, again with high NRW-levels, low tariff, and low cost recovery. As a consequence, Jordan suffers chronic imbalances in its water supply-demand equation. Connection rates to

the municipal network are high, at more than 98%, but water supply is intermittent. Around 63% of the approximately 5.4 million inhabitants of Jordan have access to wastewater collection and treatment systems.

**Service provision in the Sector.** The Water Authority of Jordan (WAJ) is responsible for WSS service provision in the Kingdom. Over the past years an ambitious restructuring programme was implemented, including the decentralization and commercialisation of services as well as the delegation of

power from the centrally controlled WAJ to regional units operating on a commercial basis.

Private Sector Participation (PSP) went underway in 1999 with the signing of a Management Contract between the WAJ and the private joint venture LEMA (Ondeo and Montgomery Watson Arabtech Jardaneh) for the Amman Greater Area serving 2.2 million customers (set to expire by the end of 2006). Additional PSPs were considered but not carried out. The tender of a Management Contract

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Management Contract and other PSP initiatives in the Gouvernorates. However, its regulatory functions remain limited to sector monitoring with a focus on performance improvement and asset management. Over time, PMU gradually expanded its field of intervention to include PSP-promotion, introduction of modern management tools and monitoring and reporting of the water operators. In the future PMU will become the monitoring and auditing unit of the water sector.

**Incentives for Service Providers.**

There are no real market-based incentives for performance in place. Performance indicators were used in the Amman Management Contract, as well as in the Micro PSP contracts.

**Dispute Prevention and Resolution.**

There are no institutionalised dispute prevention and resolution mechanisms in place. Conflicts with regard to the Amman Management Contract were carried out between the private operator LEMA, the PMU and the MWI.

**Pro-poor Provisions.**

A well-established tariff structure exists for domestic water use (progressive system) with subsidised lifeline tariff for poorer communities, generally guaranteeing affordability. Intermittent supply proofs to be a larger burden on the shoulders of the poor.

**Assessing Results**

**Regulatory Independence.** Although WAJ and PMU are semi-autonomous bodies, the degree of political interference in Jordan's WSS sector continues to be an important factor in regulation. Within the current structure it is

difficult to differentiate and coordinate between the responsible agencies.

**Transparency in Decision-making.**

Since the first PSP activities in 1996 (preparation of the Amman Management Contract), transparency and co-operation between the public and private sector has considerably improved. Today, the public as well as the private sector perceive the Amman Management Contract as a success. The large number of international companies willing to bid for recent tenders has shown that the trust of the international market in the procedures in Jordan is relatively strong.

**Stakeholder Involvement.**

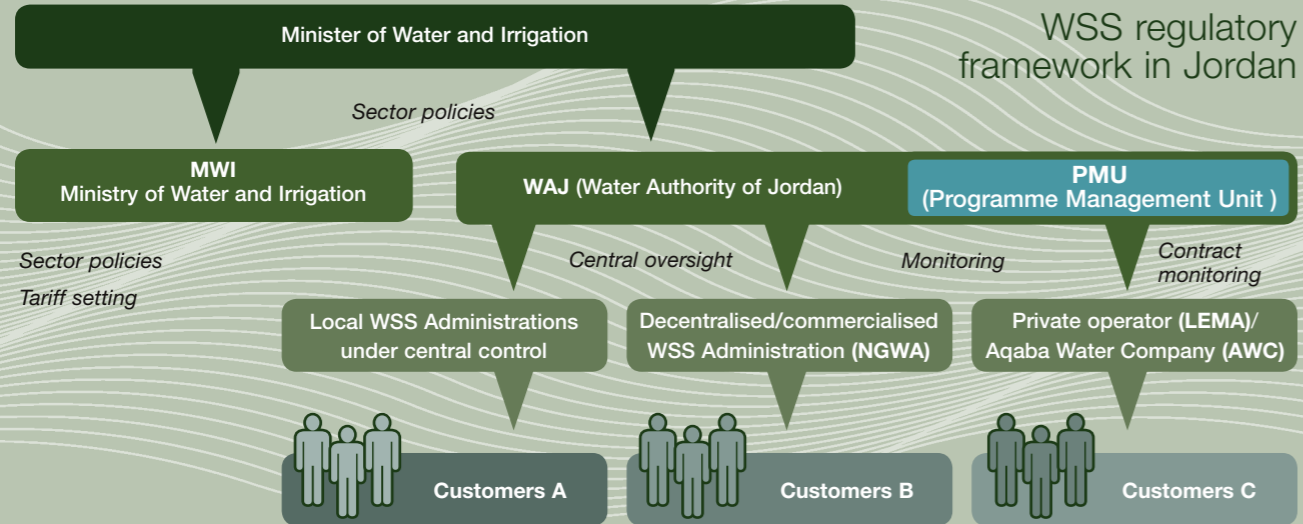
There is no institutionalised consultative process. Even though WAJ law envisages the participation of citizens and local authorities there is little evidence of stakeholder engagement. With regard to the Amman PSP-preparation process and other intended PSPs, there was no stakeholder involvement. The private operator LEMA, on the other hand, has made positive experiences with customer consulta-

tion by way of focus group discussions in Amman. In Aqaba stakeholder consultations took place guaranteeing the smooth transition towards a water company. But in general low trust in authorities and the absence of non-governmental organisations are impediments to taking the poor consumers' views forward.

**Promotion of Competition.**

Initially, there was a strong drive towards PSP. However, due to changing markets it became apparent that complex PSP models would not be sought anymore and that alternative approaches, such as Micro-PSP and the concept of a public company, would be promoted. WAJ supports decentralisation as a first step towards PSP through delegation of authority and also the implementation of different forms of PSP (Amman Management Contract, Managing Consultant Contract for the NGWA, Aqaba Water Company, BOT Asamra wastewater treatment plant) and other PSP measures.

**WSS regulatory framework in Jordan**



Northern Gouvernorate Water Administration (NGWA) was cancelled. As a consequence, it was decided to tender a three-year Managing Consultant Contract (MaCo), which will give way to the establishment of a commercially operating public company. The negotiations for a Build Operate Transfer (BOT) tender on Disi water supply were stopped while the BOT Asamra wastewater treatment plant is currently under implementation. In the future further BOTs as well as the publicly owned water company approach and Micro-PSP options (PSP of local private companies in selected business activities such as billing and collection) are sought for Jordan's water sector. The first Micro-PSP contract has been awarded to a local Jordanian Engineering consultant in 2005.

**Regulatory Framework**

**Institutional Structure of the Sector.**

Within the existing setting there is no clear separation of the roles of agencies with regard to regulatory and supervisory and operational tasks. The

Ministry of Water and Irrigation (MWI), the WAJ, as well as a Programme Management Unit (PMU) carry out regulatory tasks (see chart above).

**Regulatory Tasks, Powers and Tools.**

Within the regulatory framework, the MWI is responsible for monitoring, planning, management and the formulation of strategies and policies in the water sector. Price regulation is also done by the MWI, which is committed to set tariffs at operation and maintenance (O&M) cost recovery at minimum. However, decisions of a financial nature require the approval by the cabinet. WAJ is a semi-autonomous body within the ministry, carrying full responsibility for WSS nationwide as well as for regulatory oversight. WAJ, in coordination with MWI, is also responsible for the groundwater monitoring and control. In future WAJ is sought to be mainly responsible for bulk water supply to the providers and the WSS services in the remaining Gouvernorates. The PMU is responsible for the regulation of the Amman

tation of further PSP projects. It operates under the supervisory control of an Executive Management Board, which is headed by the Minister.

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## Conclusions and Outlook

**Impact of Regulatory Reform on Sector Performance.** NRW continues to be rather high and service provision is not satisfactory. However, the overall performance in the WSS sector has improved. The achievements of the first Amman Management Contract became apparent after five years. The highest cost recovery in Jordan is achieved by Aqaba Water Company, which is benefiting from its location, a small service area with some major consumers. The Northern Governorates Water Administration (NGWA) can be considered as the best performing utility managing to reduce its operational deficit by more than 30% within just four years.

Urban water demand is projected to almost double by 2020. To increase supplies and service efficiency, the government has already launched an ambitious investment programme. Key measures in order to meet the challenges are the institutional and the regulatory reforms. The principal regulatory functions are not likely to be carried out by an independent regulator within the foreseeable fu-

ture. However, an agency with a certain degree of independence could be formally introduced as a mediator between all stakeholders to promote high quality service provision, transparency, legitimacy and equality in a politically and economically uncertain environment. There is also a pressing need to get consumers more involved and to raise their awareness.

## Role of German Development Cooperation.

German Development Cooperation has been engaged in Jordan for over 30 years. Through its Water Programme, GTZ is supporting the implementation of the Jordanian Water Strategy in all important institutions responsible for water supply and sanitation, irrigation and water reuse as well as water resources management. The Operations

Management Support (OMS) component of the programme supports the institutional reform in WSS, improved operational efficiency and „Phasing-In Approaches“ for different PSP options. In close cooperation with KfW, progress could be achieved with regard to cost recovery in the sector. German Development Cooperation closely coordi-

nates with USAID, JICA, MREA and the EU. Currently GTZ is heading the Donor Subgroup on Water. Within its Technical Committee on Commercialisation and PSP, issues on regulation, PSP and user group participation, especially in irrigated agriculture, have been elaborated and presented to the Minister of Water and Irrigation.

*This document belongs to a series of Case Sheets, which draw on GTZ's advisory services in the area of "Regulation and Supervision of Water Supply and Sanitation". The conclusions expressed in this paper are those of*

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## Imprint

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