



ACWUA

Financing Water Services in the Arab Countries
Public Private Participation, PPP
“The Jordanian Experience”

**“Private Sector Involvement
in Water Infrastructure in Lebanon”**

Eng. Mohammed Bany-Mustafa /ACWUA

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The Arab Countries Water Utilities Association (ACWUA) was founded in April 2007. Since January 2009, a permanent secretariat is established.

ACWUA, as a regional center of excellence, will partner with water supply and wastewater utilities in Arab countries to provide best practice service delivery to their customers through:

- Serve as regional platform for exchange of knowledge and best practice amongst member experts and professionals.
- Develop resources, facilitate training programs, and advocate for professional certification to enable member utility staff to perform their duties in a professional, reliable and cost-effective manner.



ACWUA

- Promote standards of performance for the governance, management, operation and maintenance of water supply and wastewater utilities.
- Support the interests of ACWUA members including the provision of advice and consultation in water legislation, policies, and sector management and reform.
- Develop, promote and disseminate publications and other knowledge products to meet the needs of members and other regional professionals.

Water Situation in the Arab Countries

- The water sector in the Arab region suffers from chronic problems, such as water scarcity, weak water and environmental policies, high investment needs, lack of management and technical capacity, increasing demand due to growing populations, and conflict.
- Arab Countries are facing the most challenging water resources conditions in the world.
- per capita is currently under 500 m³/year in most of the Arab Countries.
- These severe conditions have lead many countries in the region to fossil groundwater exploitation and sea water desalination.

Water Situation in the Arab Countries

- More than 65% of the renewable water resources are transboundary and originate outside of the region.
- It is estimated that about 50 million people lack of access to safe drinking water and 97 million people lack of access to proper sanitation in the Arab Countries.
- The achievement of the water and sanitation related (MDGs) and protection of an increasingly threatened environment will require major financial investment in terms of infrastructures.

Water Situation in the Arab Countries

Situations in 2025 have been projected using the classical scale of levels of competition for water, results shows that:

- Lebanon would be one of the 15 countries (worldwide) suffering from water stress.
- Egypt, Morocco and Syria would be among the 9 countries suffering from water scarcity.
- Algeria, Bahrain, Djibouti, Jordan, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Somalia, Tunisia, the United Arab Emirate and Yemen would be among the 22 countries meeting the water barrier before 2025.

Water Situation in the Arab Countries

The Hashimoto Action Plan² (HAP) spells out six specific actions to help achieve the MDG targets relating to water and sanitation with which international financial institutions need to be concerned are:

- Water Operators Partnerships
- Financing of water and sanitation projects,
- Sanitation,
- Monitoring and reporting,
- Integrated water resources management, and
- Water and disaster.

The Arab Countries Sustainable Development Challenges

The Arab region share many common development problems:

- severe water scarcity,**
- high population growth rates, and**
- rapid land degradation.**

Many face similar challenges in planning and managing for sustainable development:

- weak national institutions,**
- outdated legal frameworks,**
- centralized structures,**
- low levels of civic participation, and**
- undersized business sector.**

The Water Utilities Challenges for Water and Sanitation include:

- the growing cost of financing the upgrade and expansion of water and sanitation services,
- improving the overall performance of the water and sanitation sector, and
- the lack of effective demand for financing water and sanitation projects.

Water Financing in the Arab Countries

The IDB estimates that Arab countries may need to invest up to \$200 billion in water-related infrastructure over the next ten years,

- This is such huge sum of money to be provided by governmental budgets.
- There is no doubt that implementation of such projects requires the allocation of the necessary funds.
- The Public Sector see a greater role for the private sector in meeting demand for water and sanitation infrastructure services over the next decade.



Water Financing in the Arab Countries



- Partners and donors currently active in assisting the Arab Countries water sector can play a major role in assisting Arab Countries towards the achievement of the MDGs. Their role even can be further extending to the implementation phase.
- The new principle of private sector participation in various water projects, such as implementing, upgrading and managing drinking water networks, sewage system, building treatment plants and irrigation systems has emerged.



Public Private Participation PPP “The Jordanian Experience”





وضعنا المائي هو تحد استراتيجي لا يمكن تجاهله وعلينا أن نوازي
بين حاجات الصناعة والزراعة ويظل موضوع مياه الشرب هو
الأساس والأهم

جلالة الملك

عبد الله الثاني بن الحسين

"Our Water situation forms a strategic challenge that cannot be ignored. We have to balance between drinking water needs and industrial and irrigation water requirements. Drinking water remains the most essential and the highest priority issue".

H.M. King Abdullah II
November 7, 1999

SPECIFIC QUESTIONS THAT HELP FORM STRATEGIC VISIONS

- What business are we in now?
- What business do we want to be in?
- What will our customers want in the future?
- What are expectations of our stakeholders?
- Who will be our future competitors? Suppliers? Partners?
- What should our competitive scope be?
- How will technology impact our industry?
- What environmental scenarios are possible?

What is PPP?

- PPP is along term contractual relationship between the Public Sector and the Private Sector for the purpose of having the Private Sector deliver a project or service traditionally provided by the Public Sector.
- PPP projects do not minimize Line Ministries' responsibility to improve public services, only the procurement methodology is different
- Performance-based contract under which the private sector supplies public services over time and is paid by the Public Sector, end-user or a hybrid of both. Output is specified by Line Ministers while input is the responsibility of the private sector

Under the PPP Contract:

- The Government secures new infrastructure which becomes Government assets at the end of contract life
- Project and performance risks are allocated to the party best able to manage or mitigate

Why PPP's?

- Infrastructure plays an important role of the over all economic development of any country
- The infrastructure sector needs to urgently implement public sector reforms to address supply-side constraints. It requires changes in delivery mechanisms, processes, procedures and institutional structures to be tailored towards client focused outcomes and results
- Now a widespread consensus that exclusive dependence on the government is not viable; on the other hand complete reliance on private sector will not produce desired and optimal outcomes. This resulted in the emergence of the concept of the PPP where both the Government and Private Sector work jointly for the development of high quality infrastructure.

Why PPP's cont...?

- PPP brings together consortia including developers, investors, constructors and other service providers to finance, construct, operate and maintain assets through long term contracts
- PPPs are key to the Government's economic reform agenda and strategy to increase private sector involvement in public services through leveraging private spending against public spending

Conclusion

- A policy available to Government for the provision of basic services (health, transportation, utilities, roads...etc) which seeks to involve the private sector
- An alternative to traditional full public provision of such services- particularly where the government resources are limited
- A tool to appropriately allocate risks & responsibilities associated with service provisions between public and private sector
- A new source of investment capital for required infrastructure projects
- Reducing Government sovereign borrowings and associated risks
- Driving the creation of local long term funding market
- Utilizing efficiencies of private sector in running public services
- Expanding economy and stimulating job creation
- Increasing quality of public services to the Citizens

Jordan Water Sector Background

- The water Sector in Jordan faces two critical challenges:
 - The water resource challenge
 - The financial challenge

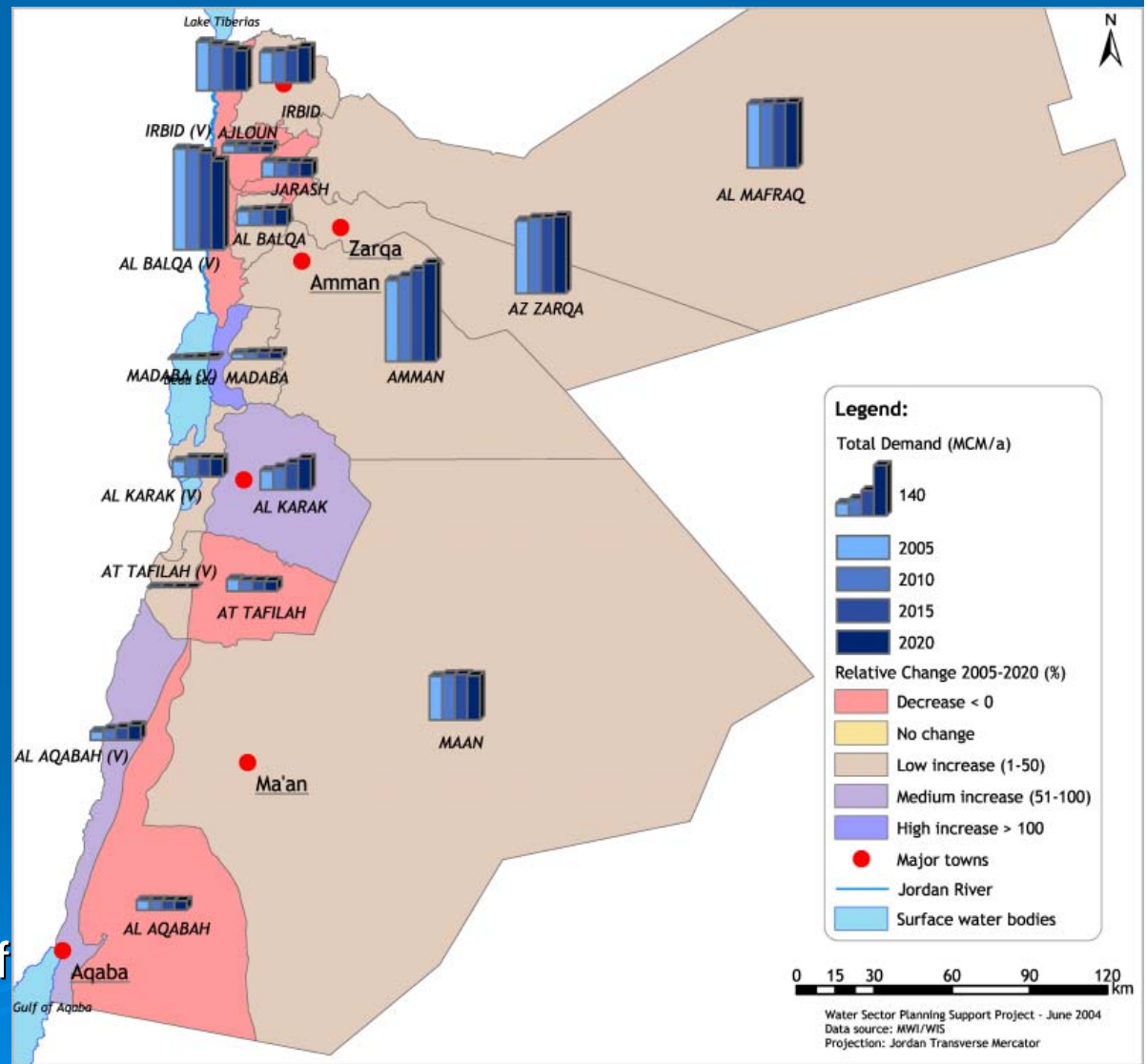
Water Sector Background

The Water Resource Challenge

- Water deficit

In 2007 the Demand exceeded Resources by 638 MCM/year and the Allocations exceeded Resources by 73 MCM. Annual per capita water availability is 145m³/year.

This is far below the International poverty line of 500 m³/year.



Water demand in Jordan

Water Sector Background

➤ The Financial Challenge

- High capital investment level due to water scarcity, remoteness of water resources and settlement patterns
- Mobilization at additional sources of financing, including the private sector
- Low capital cost recovery
- High operation and maintenance cost

- Within the framework of an integrated planning for the water sector, in May 2009 King Abdullah gave the go-ahead for a National Water Strategy until 2022. The strategy includes an Action Plan for the investments of Jordanian Dinar 5.86 billion (USD 8.24 billion) over a period of 15 years, corresponding to more than 16% of Jordan's GDP.
- The program also identifies a role for Private Sector Participation (PSP).

- The practical steps needed to be taken include an effective Water Demand Management, an efficient Water Supply Operations and a well developed institutional reform.
- We intend to reduce demand by raising awareness of the general public on the water condition in Jordan. We all agree that we need to value water more, use it more wisely and have every stakeholder to take his share of responsibility for protecting this vital resource.

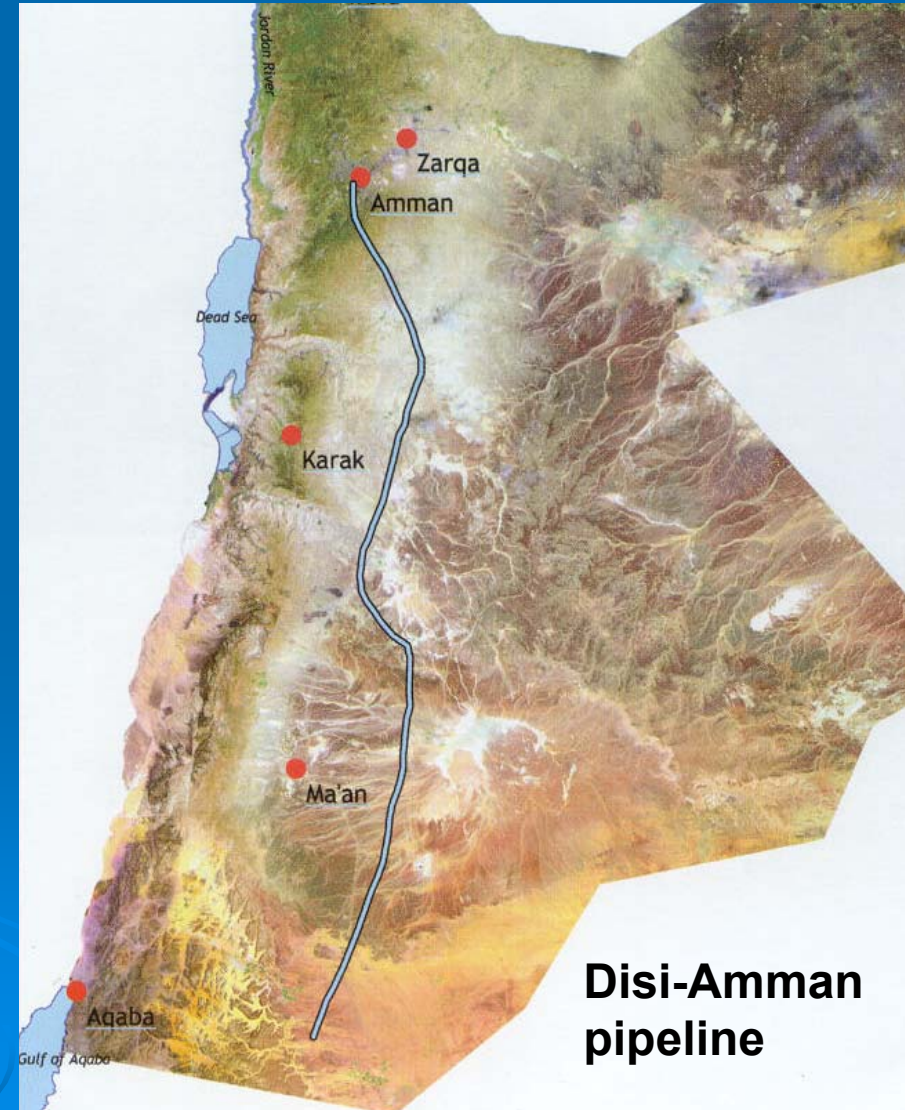
The Water Sector will take on board serious important plans.

- By 2022, the Disi water conveyance and the Red-Dead Canal would be operational.
- By 2022, non revenue water (NRW) would not exceed 25%.
- By 2022, we should have cost reflective tariffs.
- The Ministry shall introduce a new Water Law, Water Regulatory body and a Water Council.
- We shall dispose off all non-Water functions from JVA.
- The Ministry shall have a streamlined structure by separating "wholesale" operations (National) and "retail" operations (Local Service Delivery).
- **This will enhance and improve how the private sector could participate effectively.**

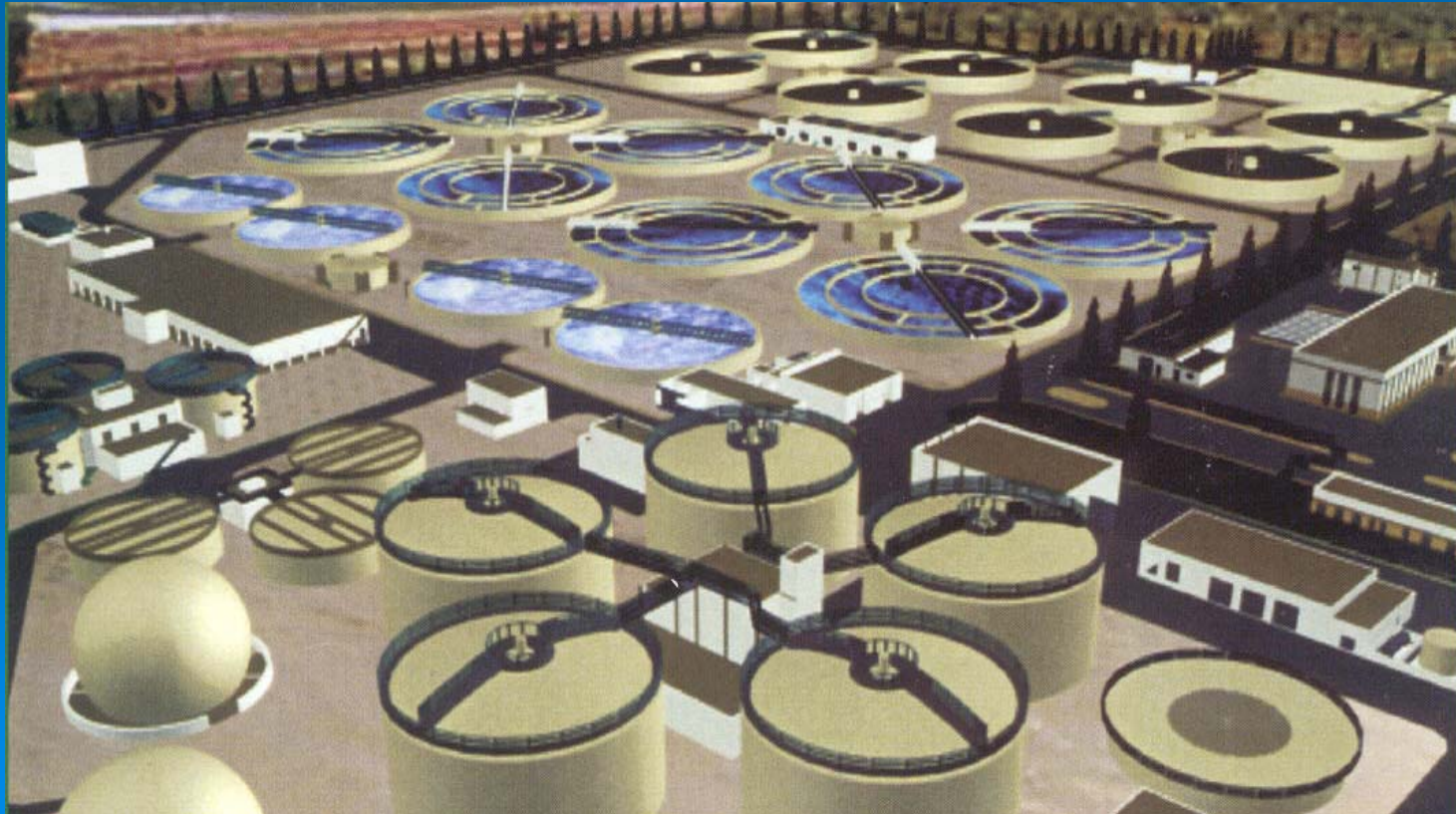
The investment program provides various opportunities for the private sector. The prospects are wide ranging and cover all forms of participation from large scale BOT projects to micro PPP projects.

Private sector participation projects include:

- Amman Water and Wastewater Management Contract
- Southern Governorates Management Contract
- Aqaba Water Company
- Disi-Amman Water Conveyance System (BOT/Public Company)

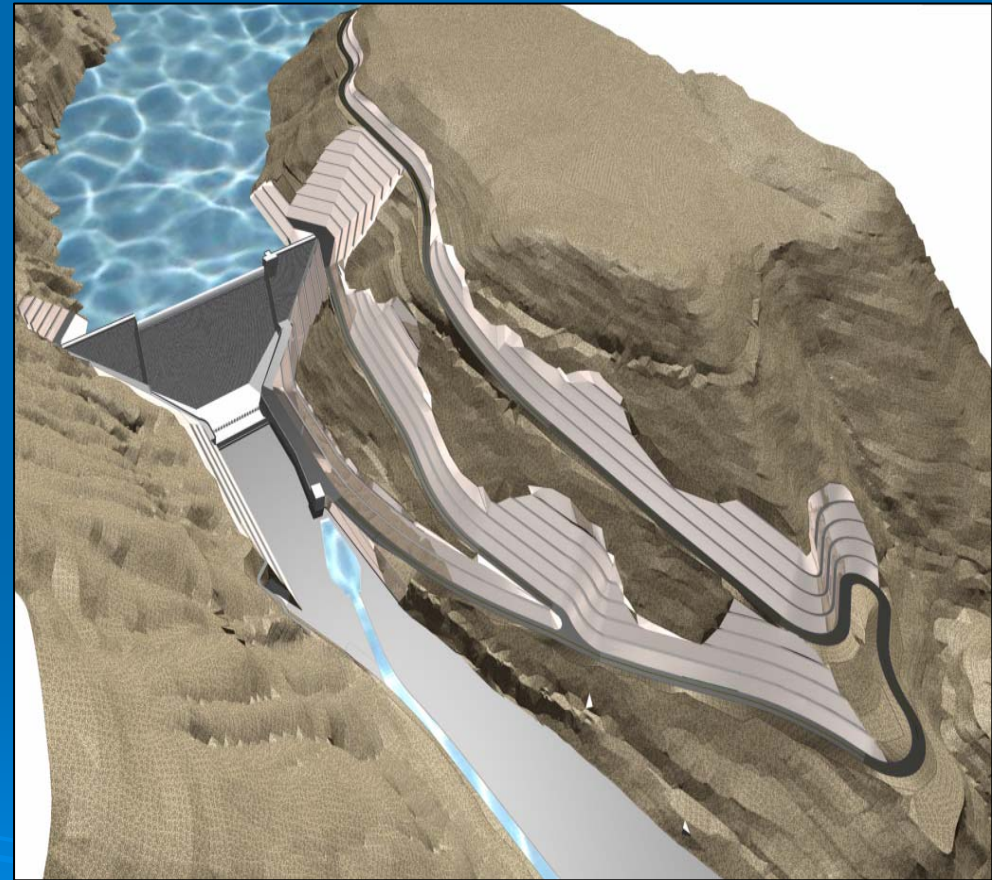


- Private sector participation projects include:
 - Amman Water Company
 - Aqaba Desalination Plant (BOT/BOO)
 - O&M Contracts for Desalination and Wastewater Treatment Plants
 - As-Samra Wastewater Treatment Plant (BOT)



➤ Consulting and construction opportunities include:

- Al-Wehda Dam Water Supply / Irbid
- Rehabilitation and Expansion of Various Water Supply Systems (Irbid, Jarash, Zarqa, etc..)
- Kufranjah Dam and Water Harvesting projects



Al-Wehda Dam

- Consulting and construction opportunities include:
 - Upgrading of Various Wastewater Treatment Plants (Mafrag, Kufranja, Karak, Tafilah, Ma'an, Aqaba, etc..)
 - South Amman Wastewater Project



Aqaba WWTP



ACWLIA

Thank for your Attention