

Corporatization and Management Contract for the Northern Governorates of Jordan

Questions and Answers Sheet January 2010

Contents

1- Purpose	1
2. Background	1
3. The current situation	2
4. The corporatization of NGWA	3
5. Private sector participation in water supply and sanitation: Lessons from experience ..	4
6. The basics of the management contract	6
7. The management contract: Benefits, costs, financing and risk.....	8
8. Tariffs and billing	12
9. Addressing potential concerns about the management contract.....	12
10. The time after the management contract.....	13

1- Purpose

The purpose of the Questions and Answers (Q&A) sheet is to provide relevant information to concerned parties such as prospective bidders, decision-makers in Jordan and possibly the media. The Q&A sheet is intended to be customized for different audiences, so that each audience will be informed about the issues that are of concern to them. The Q&A sheet is intended to be updated regularly as the corporatization and transaction process moves on. The sheet is written in non-technical language, as far as possible. It will be translated to Arabic to reach a broader audience.

2. Background

The Northern Governorates Water Administration (NGWA) is currently in a process of reforming. This includes two processes. First, the institution will be corporatized through the establishment of a Private shareholding company. Second, a management contract will be implemented with an experienced international operator. The main objective of the reforms is to improve service delivery for the population in the Northern governorates.

3. The current situation

What is NGWA? The Northern Governorates Water Administration currently is a Department of the Water Authority of Jordan (WAJ) that is responsible for water supply, sewerage and wastewater treatment in the Northern Governorates of Ajloun, Irbid, Jerash and Mafraq Governorates. It is currently being headed by an Assistant Secretary General of WAJ. NGWA has four Regional Operation Units, one in each governorate. The autonomy of the department in terms of staffing and procurement has been increased through a Cabinet Decision (No. 141) in December 2007. NGWA still relies on WAJ for some specific services that remain to be transferred.

NGWA serves more than 1.5 million people. It had 1,699 employees in 2008. In the same year its physical assets included 217 wells and springs, 11 water treatment plants, 83 water pumping stations, 6,210 km of water pipes, 225,207 water connections, 74,127 sewer connections, 966 km of sewer pipes, 4 major sewage pumping stations and 7 wastewater treatment plants. Almost all water connections are metered, although many meters are in poor working condition. Almost all NGWA water sources are located inside its geographical area and does not import significant amounts of water from other service areas.

What are the major challenges related to water supply and sanitation in the Northern Governorates? First, intermittent supply is a major problem. Most households in the Northern Governorates receive water only one day per week. Some localities receive water less frequently, especially during the summer. Households store water in tanks, which are not always cleaned regularly. This may impact bacteriological water quality. The level of physical and administrative losses is high. There are no accepted and reliable figures about the actual level of losses, which is estimated to be between 40% and 45%. About half of these losses are estimated to be physical losses, the remainder being administrative losses. Some parts of the network extend over substantial differences in altitude with no pressure zones, so that system pressures can reach up to 30 bars or more than ten times the normal operating pressure.

Second, operating costs are high due to high energy costs, high percentage of non-revenue water (NRW) and other reasons concerning the management efficiency. The staff ratio of NGWA is 7.5 employees per 1,000 water connections, compared to international good practice of less than 4 employees/1,000 connections.

A third problem is that not everyone pays their water bill. Billing efficiency - the share of bills paid compared to bills issued - was estimated at 96% in 2008, up from an estimated 91% in 2006. Estimates of billing efficiency vary. While billing efficiency appears to be high, it requires continued attention. There is also a backlog of unpaid bills that requires attention.

What are major achievements related to water supply and sanitation in the Northern Governorates? Water coverage is almost universal and is not considered a major problem. The quality of water at the delivery point to customers is in general acceptable, although there has been an incident of water contamination in 2007.

Sewerage coverage is 33 % and is increasing as part of projects funded by the German Government through KfW development bank. Wastewater treatment plants operate largely satisfactorily. Most of the water systems have been mapped into a Geographical Information System (GIS), a commercial and billing system (Coboss 2+) has been installed and a customer call center has been established under a contract with a managing consultant between 2006 and 2009. Previously, under an Operations and Management Support (OMS) project financed by the German Government - through the technical cooperation agency GTZ - meter reading and billing have been improved substantially in a pilot area in Al-Koura.

How much subsidies are currently paid to NGWA? The operation and maintenance cost recovery ratio is on the range 70-85%, cash deficit of NGWA is currently estimated at JD 4 million in 2007 and JD 6 million in 2008. Total losses, including depreciation are even higher.

Where can more detailed information be found? A data room with all the available reports on NGWA will be established as part of the bidding process and bidders will be given an opportunity to review the information in the data room with sufficient time prior to the deadline to submit bids. This includes data from the Geographical Information System established between 2006 and 2009 and data from a preliminary hydraulic model that was established shortly before that period.

How reliable are the baseline data and how will they be verified? As in the case of other management contracts, baseline data for NGWA are not always reliable. Therefore baseline data will be reviewed during the first year of the contract with the help of an independent technical and financial auditor to be hired and paid for by a donor agency.

4. The corporatization of NGWA

What does the corporatization of NGWA mean? Corporatization means that NGWA would be created as an independent legal entity with its own separate finances and management. Its Board would be chaired by the Water Authority of Jordan (WAJ) and its General Manager would be appointed by its Board. Other board members will be nominated by from both the private and public sectors. (envisaged to be 60% private and 40% public).

Why has the government decided to corporatize NGWA? The Water Sector Strategy calls for commercializing the water utilities. Moreover it adopts the principle of separation of bulk water supply (wholesale) from water distribution (retail). The government pursues a policy of creating regional water and sanitation companies throughout Jordan. NGWA would be the third company, to be followed by two more companies in the Middle and Southern Governorates. Corporatization is expected to increase the transparency of financial flows and allow decisions about water and sewer service provision to be made in closer proximity to citizens. The Assignment Agreement

and Articles of Association to create NGWA could serve as a model for other regional companies.

What will be the transition period until NGWA will be functionally established?

There will be a transition period until NGWA will be functionally established. During this period staff, assets and liabilities need to be effectively transferred. The exact duration of this period cannot be determined in advance.

What are other examples of corporatization of water companies in Jordan?

There are two commercial water companies in Jordan: The *Aqaba Water Company* (AWC) is a public company established in 2004. It is owned by WAJ (85%) and the Aqaba Special Economic Zone Authority (ASEZA) which owns 15%. The company *Miyahuna* serving the Amman governorate was created in 2007 after the end of the management contract. All of its shares are owned by WAJ.

What has been the experience so far with the existing water companies?

The performance of the *Aqaba Water Company* is perceived as very positive. One year after the creation of the company, water supply was increased from six to seven days per week. Response time for breakdowns and consumer complaints were reduced and water quality improved. Aqaba benefits from relatively low water production costs and a unique customer base with a high share of large customers. (NRWs in the range of 20-35% in 2008). Concerning *Miyahuna*, it is still too early to assess performance. So far, there have been improvements concerning customer services. *Miyahuna* started a public water awareness campaign in 2007.

5. Private sector participation in water supply and sanitation: Lessons from experience

Are there cases of private operators in water and sanitation in Jordan?

Yes. Outside the Northern Governorates there have been three experiences with private sector participation (PSP) in water in sanitation in so far. The earliest experience is the management contract for Amman from 1999-2006. It was followed by a 25-year Build-Operate Transfer (BOT) contract for the As Samra wastewater treatment plant awarded in 2002. Finally, in 2006 a Jordanian firm was recruited to improve meter reading, billing and collection in a pilot area in Madaba, that will be followed soon by a second contract in Balqa (Micro-PSP advertised in 2009).

What were the results so far?

The management contract in Amman gave mixed results. 12 of 15 performance indicators were achieved after an extension of the initial contract duration (4 years) by another 3 years. The targets which were not achieved included increased continuity of supply, reduction of power consumption and reduction of accounts receivable. Evidence shows that the contractor did not have influence on a part of the necessary processes. Some of the target values, such as an increase of the accounted for water by 25%, had been set at levels that proved to be too ambitious in retrospect which is why they were adapted during the contract period. The contract led to

significant improvements in several aspects. Water losses were reduced from 54% to 42%. Staff productivity increased from 5.6 employees per 1,000 connections to 4. Service improvements also took place concerning metering, network mapping, leak detection and repair and public information, among others.

Performance issue	Performance Indicator	1999	2006	Trend
Service Coverage	HH with piped water connections (%)	90	100	+
	HH with piped sewerage connections (%)	69	90*	+
Quality of Service	Per cap consumption (lcd)	70	65 (90 in 2005)	-
	Hours of supply (hrs/day)	4	4.4	+
	Customers with continuous supply	0	13	+
	Negative for pathogens (%)	98.8	99.9*	=/+
Efficiency of Service	NRW (%)	49	43	+
	Accounts with operating meters (%)	55	100*	+
	Staff/1000 subscribers	6	3	+
Sustainability of service	Collection ratio %	90	98.4	+
	Working ratio %	110	87	+

The BOT contract for As Samra is generally considered successful. The micro-PSP contract for the Middle Governorates is also considered to be successful, reaching a billing efficiency of 108% in 2007 through the recovery of arrears from previous years. In Madaba, water losses decreased from 48% to 38%.

Have other countries in the Middle East and North Africa used private operators in water and sanitation? Yes. The Palestinian Water Authority signed management contracts for the Gaza Strip in 1996 and for Bethlehem in 1998. The Lebanese government signed a management contract for Tripoli in 2004. The Gaza contract achieved a significant reduction in non-revenue water from about 50% to 30%. It was extended twice before it collapsed in 2002 due to the general conditions prevailing in Gaza. The management contract in Tripoli was not renewed, despite having achieved many of its objectives. The Algerian government signed management contracts for Algiers in 2006 and for two other cities, Oran and Annaba, in 2007.

The Moroccan government has signed 30-year concessions for water supply, sewerage and electricity distribution in four large cities (Casablanca, Rabat, Tangiers and Tetouan) beginning in 1997. The Moroccan concessions are different from management contracts. One of their main objectives is to increase coverage, not necessarily to improve service quality which is already good in Morocco.

What are some lessons from this experience? It is difficult to distil general lessons from diverse settings in different countries. However, establishing clear responsibilities

from the start and ensuring transparency are important determinants of the success of public-private partnerships. Achieving early successes during the first year or two years of the contract is essential to build credibility. Also, establishing trust between the operator on the one hand and employees and contractual partners on the other hand in the initial phase is very important, so that disagreements can be resolved amicably. Another lesson is that baseline data are often not reliable, so that contract renegotiations may become necessary once better data become available.

A private managing consultant has been recruited previously for the Northern Governorates. What were the results? An international tender to recruit an operator for the Northern Governorates was carried out in 2004. Only a single proposal was received and the government decided not to award the contract. Subsequently a managing consultant (MaCo) was recruited in April 2006. For three years to provide technical assistance to NGWA. The contract was awarded to a joint venture of Severn Trent International and the Jordanian company Consulting Engineering Center. After the mid-term review it became clear that the original objectives were not achievable and the following five objectives were adopted:

- Disbursement of KfW funds of 20m Euros
- A 5% reduction in the number of staff of NGWA
- A 4% reduction in the use of energy per cubic meter of water supplied
- Achievement of a collection ratio of 96%
- Achievement of non-revenue water of 37.5%

Three indicators were achieved: Staff reduction, NRW and billing of accounts receivable. However, the operator did create a system map in a Geographical Information System, a Customer Call Centre and a computerized commercial system for customer billing. It also carried out staff training in technical, finance and commercial areas. The operator also paid incentives to staff, which were not differentiated based on performance, but only based on staff grades. The contract expired in April 2009 without being renewed.

What will be different under the new contract? The new contract is designed to attract operators rather than consultants. As such, the management contractor will have the final decision power concerning the operation and maintenance; learning from the experience that the inefficient parallel structures between NGWA management and managing consultant.. The new contract will also include a higher element of performance-based remuneration, including the threat of penalties if minimum levels for key indicators are not achieved. The objectives have also been modified. One of the reasons is that some indicators, such as water losses, were difficult to measure reliably. Others, such as the reduction of staff, have proven to be difficult to achieve due to factors outside of the control of the management contractor. Another difference is that the contract will not be signed with WAJ, but with the newly created public company NGWA.

6. The basics of the management contract

Why has the government decided to recruit a private operator for the Northern Governorates? The Jordanian Water Strategy 2008-2022 provides for increased private sector involvement. Specifically the government intends to recruit a private operator in the Northern governorates in order to improve continuity of supply and increase the efficiency of operations. The contract is also expected to generate sufficient income for NGWA to undertake more routine and preventive maintenance. This is expected to reduce the risk of breakdowns in the future. It will thus also reduce the need for the government to mobilize emergency funding in the future to fix breakdowns of key infrastructure.

What will the management contract do to address these problems? The operator will have four specific targets:

- To increase the amount of water supplied to customers from 35 million cubic meters (MCM) per year in the base year to 50 million cubic meters per year after five years (water production was 69 MCM in 2008)
- To double the number of hours of water supply per week (the operator will have to collect baseline data for continuity by installing pressure gauges throughout the distribution network)
- To reduce specific power consumption from 3 kilowatt-hours/cubic meter in the base year to 2.5 kilowatt-hours/cubic meter after five years
- To decrease the cost (indicator to be determined)

What are the management contractor's responsibilities related to wastewater? The management contractor will have the responsibility to operate and maintain the sewer and wastewater system in the Northern Governorates. In doing so, he will have to abide by Jordanian regulations, including regulations for the quality of discharged wastewater and the disposal of sludge. A wastewater treatment plant in Wadi Shallala is currently under construction and is expected to be completed during the contract period. The contractor in charge of the construction of the plant will operate and maintain it for a period of two years, while training NGWA staff in its operation and maintenance. After this 2-year period the management contractor will bear the responsibility for the operation and maintenance of the plant.

What is the duration of the contract? 5 years, with an option to extend twice for two years each, up to a total of 9 years.

Who will select the private operator? The private operator will be selected by a selection committee nominated by WAJ. The selection committee will include a transaction advisor paid by a grant from the German government.

How will the operator be selected? The operator will be selected based on an international tender. Firms have to meet stringent criteria in terms of previous operating experience. Only technical and financial proposals from firms that meet these criteria will be opened. The operator will be selected based on both technical and financial criteria.

How will the operator be supervised? The Board of NGWA will select a Chief Supervising Officer (CSO) who will supervise the operator on a regular basis without interfering into the day-to-day management activities. In particular the CSO will have no role in making staff or operational decisions. However, it will serve as a liaison between the operator and the Board. He will report directly to the Board about all issues of importance to NGWA. The CSO shall have access to all relevant information and data. The CSO has, however, no operational powers.

How will disputes be settled? In the case of disputes, first an attempt at an amicable settlement has to be made. Disputes about the achievement of contractual indicators will be settled through an independent technical and financial auditor, which will be a firm with international reputation. Furthermore, although this is not foreseen specifically in the contract, the Minister of Water and Irrigation can use his convening power to informally assist parties in coming to an amicable agreement. If this should fail, disputes can be brought to binding arbitration, which can be done through a single arbitrator or a three-person arbitration panel. The sole arbitrator or the third arbitrator shall not be a national of the operator's home country or of Jordan.

Who will pay for the independent technical and financial auditor and who will recruit him? The auditor is expected to be paid through a grant from a donor agency which will also be responsible to recruit the auditor.

7. The management contract: Benefits, costs, financing and risk

What are the benefits of the management contract for the people in the Northern Governorates? The main benefit will be improved continuity of supply by at least doubling the hours of supply per week. Other benefits include a more reliable water quality through professional management and improved customer service. The likelihood of system breakdowns will also be reduced due to better maintenance. Tariffs will also be more stable, because more efficient operations reduce the deficit of the company and thus the pressure to increase tariffs in the long.

Who will pay for the management contract? The fees will partially be paid for by the German government through a grant administered by the German Development Bank KfW and partially by the Jordanian government through the budget of WAJ.

What will be the financial benefits for the public sector from the contract? If the operator achieves all his contractual targets, it is estimated that the publicly owned company NGWA would reap substantial financial benefits from increased water sales and lower operating costs. These benefits are estimated to far exceed the costs of the management contract, leaving a net financial benefit that is expected to be used to improve maintenance or to reduce the level of subsidies received from the government.

How will the private operator be paid? The private operator will receive a fixed fee and a variable fee (also called incentive compensation). The fixed fee will decline from

90% of remuneration in the first year to 50% of remuneration in the third and subsequent years.

What are the criteria that will determine the variable fee paid to the operator? The variable fee will depend on whether the operator will achieve the four targets listed above under item 5. If the targets are fully achieved, the operator will receive the full variable fee. If the targets are overachieved, the operator will receive an even higher variable fee. If they are partially achieved, the fee will be reduced proportionally. If a certain minimum performance is not achieved (which can be higher than the value in the first year), the operator will have to pay a penalty called liquidated damages.

What is the Repair and Rehabilitation Fund? The Repair and Rehabilitation Fund (RRF) is a fund that is financed by the German government through KfW and the Jordanian government. This fund is part of the comprehensive ongoing investment programme focused in the Northern Governorates to reduce non-revenue water (see below).

What investments are ongoing in the service area of NGWA?

Ongoing projects in the framework of the German-Jordanian financial cooperation are:

- The Repair and Rehabilitation Fund up to total costs of 32.4 million EUR, some of which has already been spent. Most remaining measures have already been selected. The management contractor might influence to a limited extent the targeting of final investments. Implementation is scheduled to be completed until mid 2012.
- The project “Water loss reduction Irbid/Jerash” includes investments for water loss reduction measures in all Northern Governorates up to total costs of 28.4 million EUR. Construction contracts under this project are signed and should be finalized by mid 2011
- Wastewater project “Irbid II” comprising the construction of the wastewater treatment plant Wadi Shallala and various networks. All construction contracts are signed. Implementation is scheduled to take place until mid 2012.
- The construction of a conveyance system from Mafraq to Irbid expected to be completed in first quarter 2012.
-

What investment funds will be at the disposal of the management contractor?

- The Water Resources Management Programme (WRMP), partially financed by German-Jordanian Financial Cooperation provided by the German Government through KfW), includes water loss reduction throughout Jordan including NGWA and re-use investment measures for NGWA, as well as consulting services for preparation, design, tendering and construction supervision . For the component “water loss reduction in the NGWA service area” funds of about 12 million EURO are foreseen. For preparation of detailed activities, the tendering process for Engineering Consultants is ongoing. It is intended that his general design concept of priority measures in the Northern Governorates is available at the

- commencement date of the management contractor. The management contractor should have the opportunity to review the concept and influence the final design. The final decision on what measures will be implemented under this WRMP component in the Northern Governorates will be taken by NGWA (Management Contractor) in consultation with WAJ and KfW.
- Energy Efficiency Programme: This programme shall provide funds for partial financing of investment and consulting measures for energy efficiency measures at pumping stations, well fields and Wastewater treatment plants or from the redesign of networks. The funding is still subject to approval by the German Government. Upon such approval, it is intended to dedicate a certain portion of this programme exclusively for the NGWA service area, leaving it to the management contractor upon consultation with KfW and formal approval of the NGWA Board to decide on priority measures to be implemented under this programme. At the time of tendering the management contract, the programme's amount and the NGWA portion thereof should be available to be announced to the bidders.
 - Pending the result of intergovernmental discussions between Germany and the Hashemite Kingdom of Jordan, it is probable that funding for a second phase of the WRMP could be committed, from which again one component could be focused in the Northern Governorates.
 - 10 million Euros as a competitive fund from the Spanish funding which should be dedicated for the NGWA SCADA Systems if approved.
 - Mafraq and North Shuna waste water treatment plants (USAID Funded)
 - Um-Lulu, Jarash, and Hofa Ajloun Conveyors.
 - Kufrankeh WWTP

Who carries out the designs for works? For new works, Engineering Consultants will carry out preliminary designs. Under the WRMP and under the intended Energy Efficiency Programme, these concept designs will be discussed between the Consultant, NGWA, management contractor and KfW. Upon the outcome of this review, the consultant will then prepare the final design. The consultant for the ongoing WRMP is currently under tender. A second tender will be launched for engineering consultancy for the energy Efficiency Programme. Here, WAJ shall be responsible for the tendering process, but NGWA should be represented in the steering committee for the contract. Subsidiaries of the management contractor will not be eligible to bid.

What will be the respective roles of the consultants. The management contractor, WAJ and NGWA concerning the assignment and supervision of consultancy and works contracts in the Northern Governorates?

The tasks of the Engineering Consultants comprise preliminary concept design, final design, specification, support of NGWA and management contractor in tendering of construction works and services, implementation supervision.

NGWA/the management contractor will be responsible for the selection and the monitoring of the engineering consultants, for overall budget control of the investment programme funding, and for final take-over of the implemented investments. WAJ shall delegate the implementation responsibility for investment programmes in the Northern

Governorates, or of relevant components of nation-wide programmes, to NGWA. Hence, all decisions to be taken in the context of implementation shall be taken by NGWA/ management contractor in consultation with KfW and after approval by the NGWA Board.

What risk does the private operator take? The private operator risks losing its variable fee and to pay penalties if it fails to achieve the minimum targets set in the contract. It also risks losing its reputation in Jordan and in the international market if the management contract should fail.

Will a performance bond be required? The management contract will foresee the posting of a performance bond at contract signature. The amount of the performance bond is expected to be in the order of 10% of the contract price over the duration of the contract.

Will penalties or liquidated damages be foreseen? the liquidated damages are embedded in the performance incentive formula, this only apply in if the performance fallen below the minimum service standards (performance indicators)

What are the risks for the government? The main risk for the government is the payment of its share of the costs of the contract if no improvements at all should be achieved. This is balanced by the expected benefit of improved service quality and increased efficiency if the contract succeeds.

What if the creation of NGWA as a company should be delayed until after the award of the management contract? In this case WAJ would be the only party signing the management contract with the operator. Once NGWA would be created as a company, it is expected to co-sign the contract. It is expected that NGWA will be created before the management contract will be awarded. In that case NGWA would sign the contract with the management operator. The target date to create NGWA is January 2010.

The Jordanian government envisages passing a new Water Law. What would be the impacts on the management contract? The water law currently exists only as an early draft. It is therefore difficult to assess potential impacts of the law on a future management contract. It is expected that an autonomous water regulatory agency would be created under the law. Among other things, the agency would most likely review requests for tariff adjustments. It would also establish a performance benchmarking system.. All these elements are expected to improve the transparency in the sector and the availability of reliable data. The law may also strengthen the autonomy of regional public companies such as NGWA. WAJ may become a bulk water supplier, which could imply that NGWA would have to pay for any bulk water it may import from outside of its service area. If the law, once passed, should materially affect the management contract, a renegotiation may be necessary. However, this is not expected to be the case.

8. Tariffs and billing

Who will send out the water bills and who will they be paid to? Bills will be sent out by NGWA and will have to be paid to NGWA, under the operational control of the operator.

How high are water and sewer tariffs now? Water tariffs in Jordan are structured in increasing blocks, meaning that the tariff per cubic meter increases with consumption.. A family with a consumption of 73 liter per capita per day pays about JD 0.21 per cubic meter. This corresponds to a tri-monthly water bill of JD 8.28 for a family of six or less than 2% of the income of a poor family.

Who decides about the level of water and sewer tariffs? NGWA can request tariff increases that have to be approved by the Cabinet. So far there is no specific tariff for the Northern governorates, but only a tariff for the governorates outside Amman governorate. Tariff reviews are typically requested, discussed and approved for all of Jordan, even if tariff levels are differentiated geographically.

Will tariffs increase because of the private operator? The general arrangement for tariff reviews in Jordan is not expected to be modified because of the corporatization of NGWA and the recruitment of an operator. No tariff increase is expected because of the private operator. However, tariffs could increase due to reasons unrelated to the management contract, at the discretion of the Jordanian government.

9. Addressing potential concerns about the management contract

Will the recruitment of a private operator mean that water will be privatized? No. Water resources will remain in public hands. Also, all infrastructure assets will remain in public hands. Decisions about changing tariffs also remain the prerogative of the government. The purpose of the public-private partnership is to help improve the quality of service, while maintaining public control, transparency and accountability.

Will NGWA control its water sources? NGWA will own all the wells that supply its service area. However, the water resources are publicly owned and their use is subject to permits issued by WAJ. Farmers use water from the same aquifer that also supplies the NGWA network. In general, the aquifers supplying the Northern governorates are overexploited and groundwater levels are declining, which can lead to supply bottlenecks especially during the summer. In emergency situations a small part of the water from wells in the NGWA service area could be diverted to supply Greater Amman and Zarqa. On the other hand, more water is expected to become available. The Agib well field North of Amman that currently supplies Greater Amman with about 2 million cubic meters per year is expected to be used exclusively for the Northern Governorates in 2010. A well field in Mafraq that currently provides water to Greater Amman is expected to provide water to Jerash and Ajloun once a transmission pipeline that is currently under construction with funding from the US and German governments will be completed. A

water treatment plant, pumping facilities and a transmission line are planned to be built from Wadi Arab reservoir to Irbid to supply about 10 million cubic meter per year through a Build-Operate-Transfer scheme. Finally, once the Disi-Amman water conveyor will be completed, the Northern governorates could become a water importer and the water situation would become less strained.

Will the employees remain employees of WAJ or will they be employees of the private operator? The employees of WAJ in the Northern Governorates will become employees of NGWA. However, the management contractor will be in charge of day to day supervision of staff, the evaluation of their performance and paying them. This arrangement has been commonly used throughout the world for management contracts.

Does the private operator have to be a foreign company? No, Jordanian companies can compete, either alone or in partnership with foreign companies. However, a minimum number of years of relevant experience is required. It is expected that international companies will provide substantial know-how from their experience in other countries to improve services in the Northern Governorates.

Will foreign companies be required to partner with Jordanian companies? While this is not specifically required, foreign companies are expected to partner with Jordanian companies in order to bring local expertise on board and to reduce the overall costs of the contract.

How many management staff will the private operator employ? The operator will be required to directly hire seven employees, including a managing director, five directors and a commercial and customer manager. These employees can be Foreign or Jordanian. In addition, foreign experts will come in for short assignments over the period of the contract to help solve specific problems that require their expertise.

How will tax issues be treated? The issue of tax exemptions concerning income tax for expatriate staff and sales tax exemptions for local sub-contractors will be clarified in the bidding documents. Sales tax exemptions for local sub-contractors will have to be confirmed by a letter from the Primer Minister citing the concerned company by name once the contract has been awarded.

10. The time after the management contract

Can the contract be terminated before the term ends, if it is not successful? Yes, NGWA can suspend and then terminate the contract if the operator fails to perform its obligations. It can also terminate the contract for convenience with a 180 days notice. The operator can also terminate the contract under certain conditions, such as non-payment of fees.

Can the contract be extended, if it is successful? Yes, the contract can be extended by up to four years (two plus two years). Moreover, if agreed between the parties the

contract may be extended further. If the government should desire a longer or a different partnership with a private operator after that date, a new contract would have to be bid out. In both cases, financing for a possible extension remains to be identified.