



Outsourcing Models in the Jordanian Water Sector: Experiences and Lessons Learnt

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PSP Initiatives in the Jordanian Water Sector

- Amman Management Contract (LEMA)
- Management Consultancy - NGWA
- Yarmouk Water Company Management Contract

PSP Initiatives in the Jordanian Water Sector

- International Operators- Large Utilities
- YMC MC vs LEMA Experience
 - Corporatization before MC
 - A higher portion of performance based fee
- Capacity to learn and improve

Key Players in Concept Development

Project Management Unit
at Water Authority of Jordan



German Technical
Corporation



Operations and Management
Support Project



Water Authority
of Jordan

What is Micro PSP?

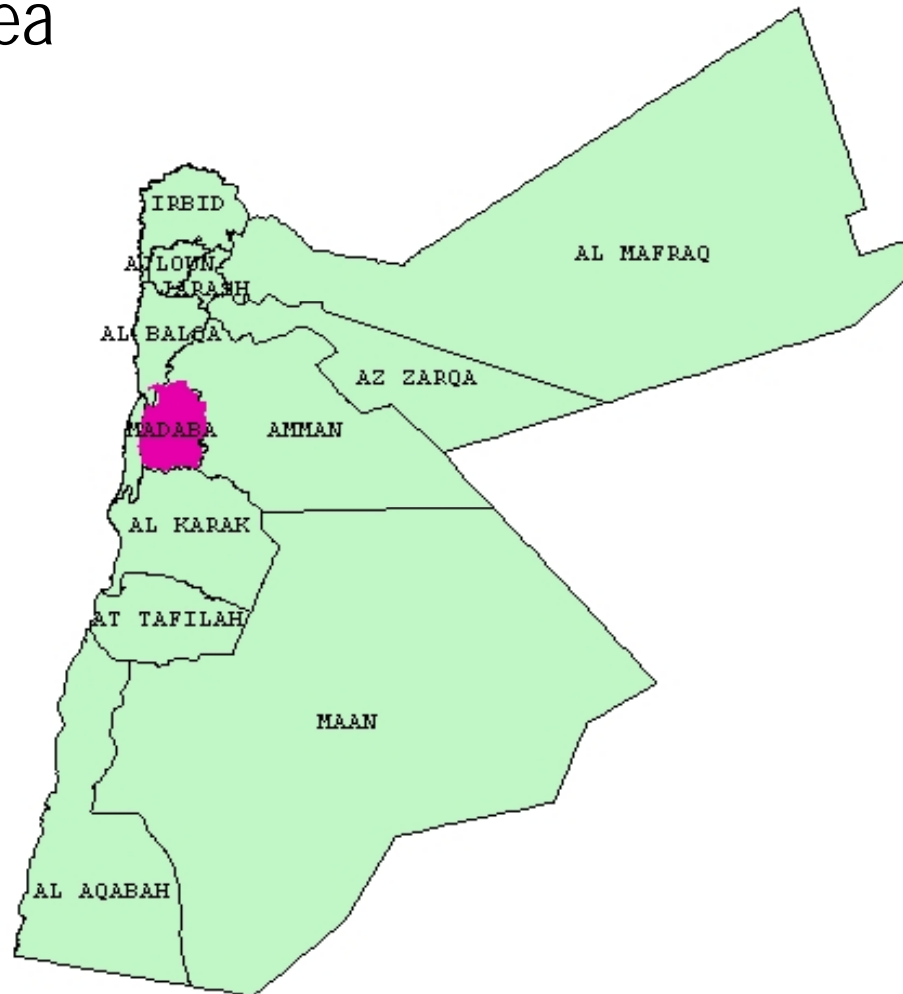
- Implies outsourcing of **clearly identified business processes** to small or medium sized local companies
- Performance-based **short term** contract

Advantages of Micro PSP

- Small scale approaches offer **lower risk at lower costs**
- **Fast track** – avoiding lengthy preparation
- **Sustainable long term solution** – resources within the country
- Support of **local enterprises**
- Maximum **use of existing workforce**
- **Target oriented** solution – revenue in short term
- **Highly flexible** approach

Madaba Micro PSP

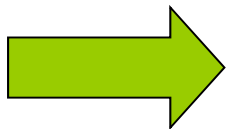
Project Area



Madaba Micro PSP

Background

- Data about Water Authority Jordan (WAJ) in Madaba:
 - 2000 km²
 - 150,000 inhabitants
 - Subscriber number:19.500
- Water Authority Jordan (WAJ) faced severe challenges in Madaba Governorate:
 - Incorrect billing due to estimations
 - Loss of customers due to faulty application process
 - Bills not distributed due to lack of information system

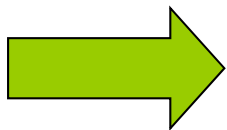


Resulted in very high Non Revenue Water ranging between 49% - 66%

Madaba Micro PSP

Objectives

- Improve water and wastewater revenue
- Reduce customer outstanding amounts
- Improve customer management efficiency
- Installation of IT-based customer management system
- Technical and administrative development of Madaba customer management organisation



Private Company to be in charge for billing and revenue collection process

Madaba Micro PSP

Contract Details

- After tendering process the Micro PSP was awarded to Engicon, a local engineering company, in November 2005
- Contract period: 3-year contract starting 2006
 - Preparatory period: 9 month
 - Performance management period: 27 month
- WAJ staff seconded to the private contractor (42 people)
- WAJ receives all revenues collected
- Engicon works under Supervision of PMU
- Payment for contractor included fixed and performance based incentive fee

Madaba Micro PSP

Activities (Continued)

- Bonus scheme for seconded staff was developed and remuneration procedures made transparent
- Rehabilitation works of the subscriber department offices and file storage rooms completed
- IT-based customer management system introduced
- Training of staff (computer skills, customer care, data entries, appraisal course for management)
- Sewerage database system installed

Madaba Micro PSP Office Rehabilitation



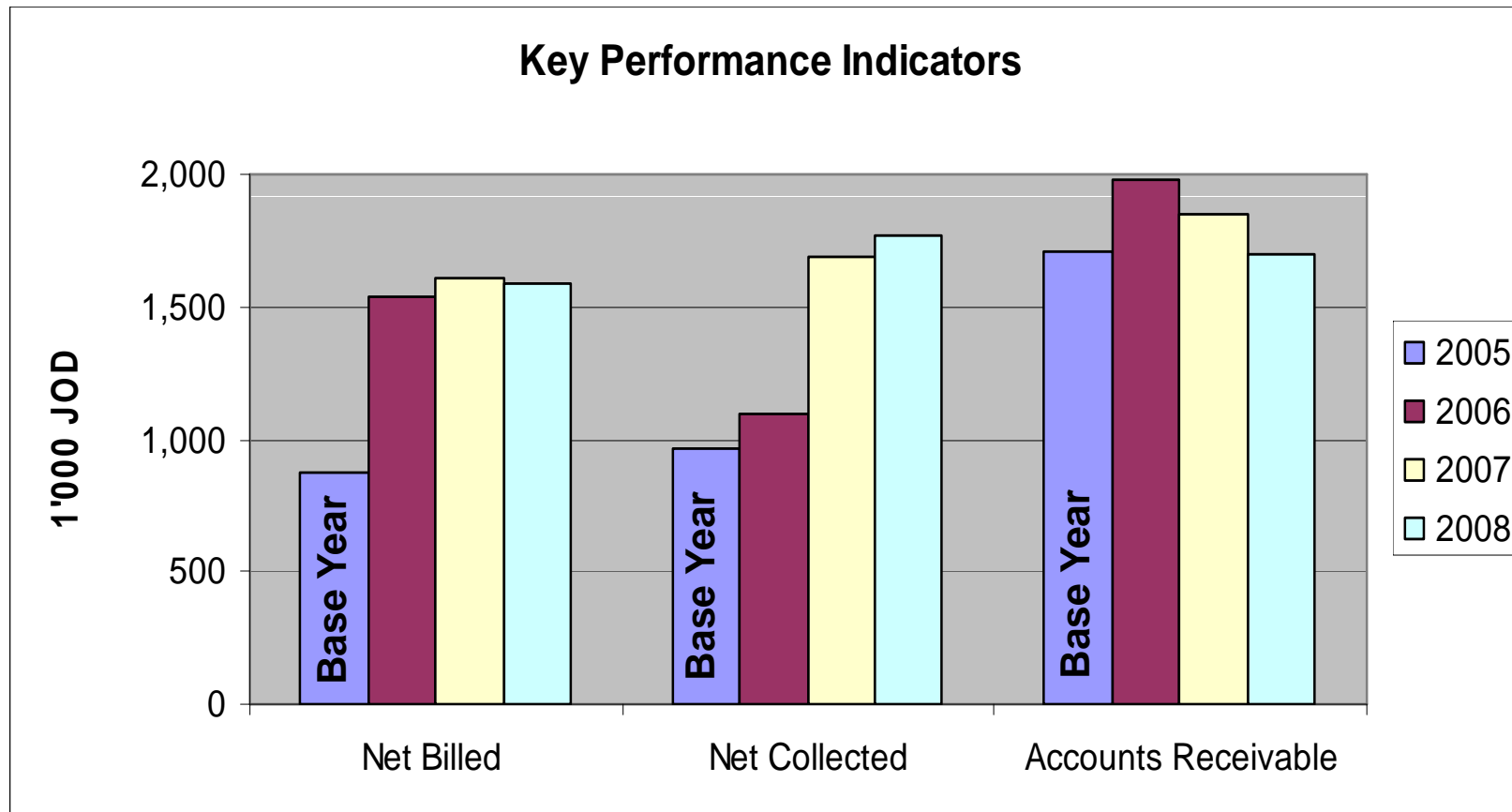
Before



After

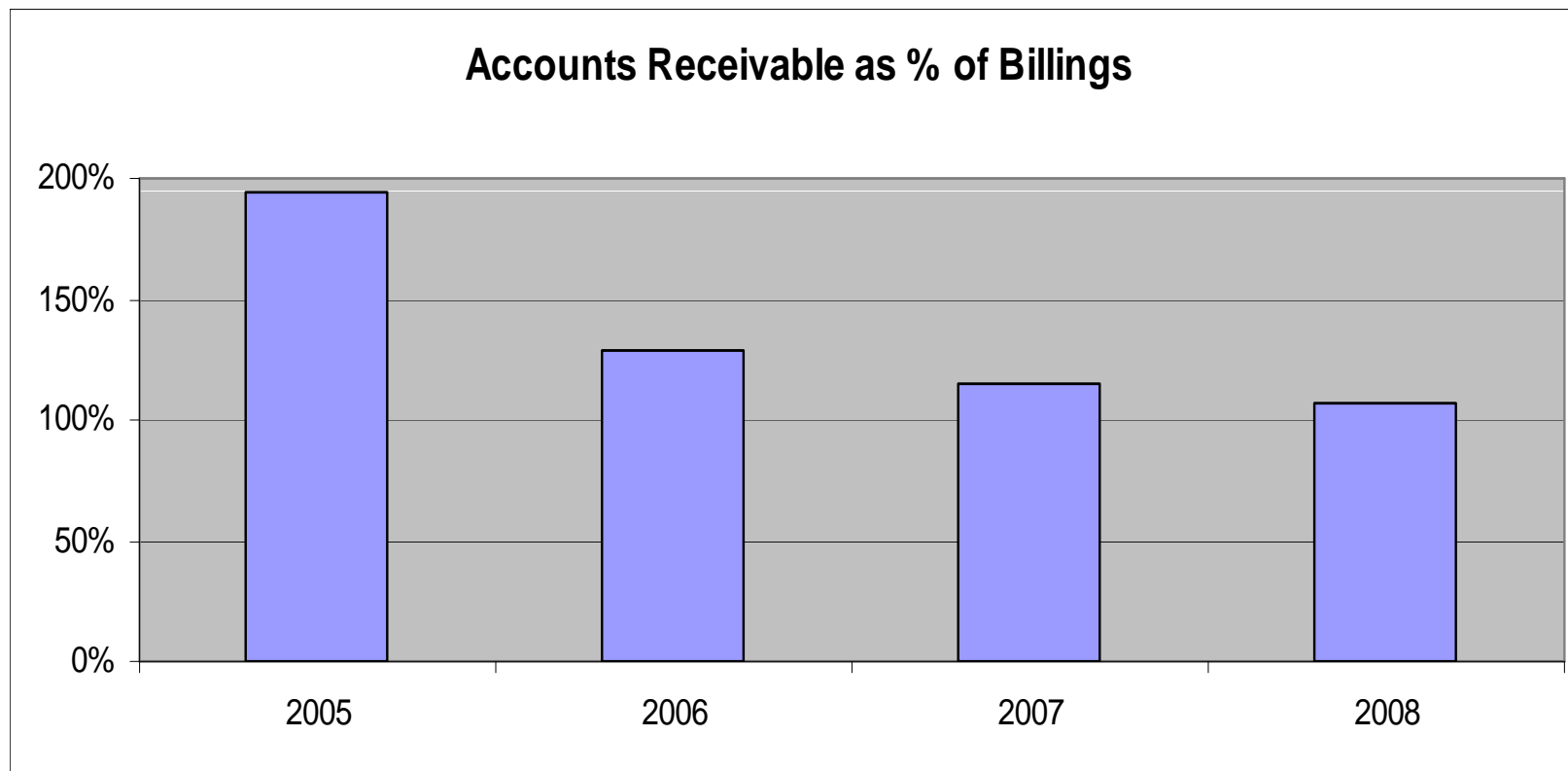


Madaba Micro PSP Results

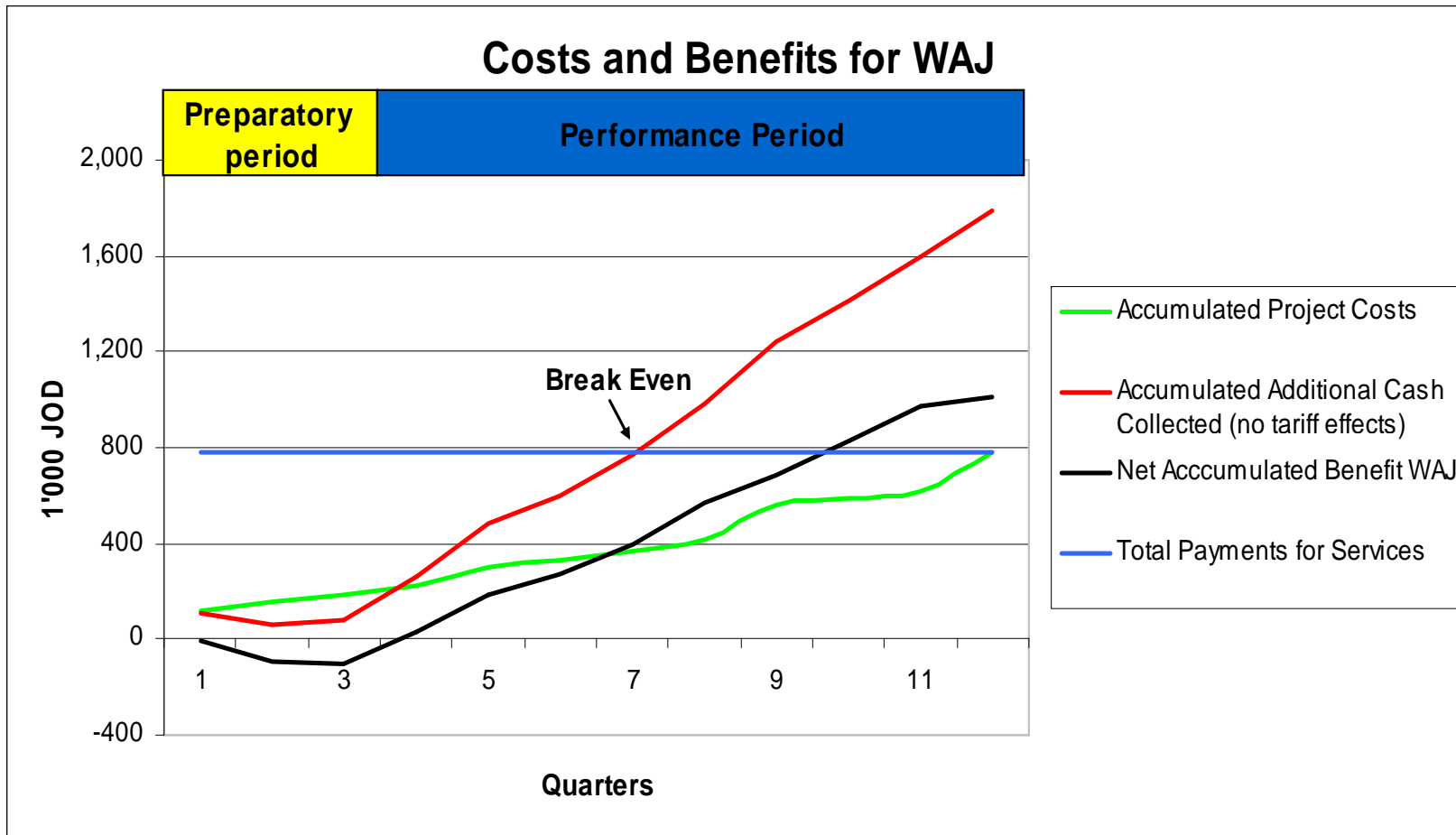


Madaba Micro PSP Results

Accounts receivable in more detail



Short Payback Period



Current Costs: Break even after 1 year: total costs: after 2 years

Madaba Micro PSP – Summary of Results

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



Success Factors

- Sustainability
- Politically acceptable
- Short payback period
- Performance based pay guarantees win-win
- Delivers results



What's Next

- Outsourcing Billing & Collection (Karak & Balqa)
 - Greater Scope
 - Higher risk by operator (minimum 30%)
- NRW Reduction
 - Miyahuna NRW Contracts
 - Madaba Experiment
- GTZ PPP Contracts
 - Energy Efficiency
 - Ein Basha Leak Detection