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# Governance of the Amman water utility

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*In 1993 the World Bank assisted the Ministry of Water and Irrigation of Jordan in updating a review of the water sector, and thus began the process of Private Sector Participation (PSP) in service provision to improve the efficiency of the water sector and wastewater services. In this article, the privatisation of water and wastewater services is examined from the perspectives of stakeholders (input) and consumers (output). The goal is to assess the changes that have been taking place to date in relation to the principles of good governance. The results from interviews with stakeholders and from consumer questionnaires show that the privatisation process has to date shown only a few signs of 'good' governance. Despite the range of stakeholders involved, the state remains responsible for designing a good-governance approach that is responsive to the concerns and interests of all stakeholders.*

KEY WORDS: Governance and Public Policy; Social Sector; Middle East

## Background

Jordan lies in the Mediterranean region, where the climate is arid to semi-arid, with short rainy winters and long dry summers. Water resources are therefore limited. Much of the country's supply comes from the surface water of the River Jordan, which also constitutes the country's western border. Groundwater is another main source, but due to high population and relaxed policies for economic and social development during the 1960s and 1970s, the aquifers have been exploited to almost double their sustainable yield. The Middle East conflict has also created difficulties for Jordan's access to its fair share of river water in accordance with regional agreements. The long-standing political conflict in the region, which has resulted in waves of involuntary migration, has exerted further pressure on the limited water supply. To alleviate the gap between supply and demand, Jordan has been rationing water during the peak season, providing water to households in designated areas once or twice a week for a period of 24 hours. The water is then stored in tanks situated on the roofs.

The water deficit in Jordan has been accompanied by user conflict, inefficiency in the economic, administrative, financial, and management aspects of the water sector, decaying water-supply networks, and other factors, emphasising the need for institutional changes and reform of the water sector.

This article evaluates and assesses the privatisation of the Water Authority of Jordan during 1999–2002 from a ‘good’ governance perspective. It does not seek to make a definitive statement about the success or failure of the privatisation on the basis of a three-year period, but rather to evaluate the changes to date from the perspectives of stakeholder (or process input) and consumer (or process output). Is the process of privatising the water and sanitation services in Jordan leading the way to ‘better’ governance?

## The reform policy of the water sector

The Ministry of Water and Irrigation (MWI) was established in 1992 with responsibility for the overall planning and management of water supply, and the formulation of national water strategies and policies. The Water Authority of Jordan (WAJ) operates under the direct authority of the MWI, but is an autonomous body with financial and administrative independence. The WAJ carries full responsibility for water and sewage systems and related projects in all of Jordan’s Governorates.

Since 1993, Jordan has made substantial efforts to remedy the problems of water resources, including the initiation of a bold water-policy reform. The process included co-operation with donor agencies in major efforts to restructure institutional frameworks, strengthen capacities, rationalise strategies, and increase public awareness and participation. As part of this process, the concept of separating national infrastructure from service delivery has become an acceptable ideology. As a result, water-resource management functions were separated from the utility services. The policy places more emphasis on increasing the commercial focus of operations and stresses financial feasibility in water-sector planning and operations.

The MWI invited the World Bank (WB) to assist it in updating the 1997 Water Sector Review as an input into the formulation of a five-year plan for the sector. The review clearly emphasises private-sector participation (PSP) for service provision. In the same year, the MWI also adopted a new strategy supplemented by four main policies on the management of groundwater, wastewater, irrigation water, and water utilities, aiming to reduce the deficit between demand and supply. All of these policies emphasise the need for increased private-sector participation, which is expected to improve performance and the level of the services, and increase the financial viability and the efficiency of the water sector.

## The process of privatisation

The WAJ, on behalf of the MWI, embarked on the first privatisation programme when entering into a four-year management contract with Suez Lyonnaise des Eaux, the international French water-management company, represented by the Lema Consortium for water and wastewater-related services in the Amman Governorate. Following the award of the management contract, the World Bank approved a loan of US\$ 55 million to the MWI to support the management and the operations of the utility operated thereafter by Lema.

Jordan’s capital, Amman, is the country’s most intensely populated urban area, and home to about 40 per cent of the population. The Amman Government Service Area (AGSA) has the largest domestic market for water services in Jordan, catering to approximately 260,000 subscribers. All the households in the area are connected to the water-supply network (Griffin 2002; Hall *et al.* 2002). Sanitation services are provided to only 75 per cent of the population through network connections. The remaining 25 per cent rely on septic tanks (Griffin 2002).

The shift from public to private operator – as conservatively and carefully stated by the interviewees (Al-Naouri 2002; Kefaya 2002) – was a condition or at least a preferred option in order

to access the WB loan. The WB's role included a dialogue with the government during the preparatory stage, monitoring the implementation of the privatisation programme, and arranging with the government the means of developing the role of the private sector.

In preparation for private management, in 1997 a special Programme Management Unit (PMU) was set up by the MWI within the WAJ to act as a contract administrator, eventually with responsibility for implementing the management contract. The PMU was supported and co-financed by the European Commission to manage the Greater Amman Water Sector Improvement Programme (GAWSIP) and possibly at later stages similar projects in other Governorates in Jordan.

The preparation process for privatisation also involved commissioning a consultancy company, Arthur Anderson (AA), to prepare the statement of operation for the AGSA and to advise on a formula for calculating the operator variable fees. The financial consultation report was used as terms of reference (TOR) for the management contract and was enclosed in the bidding documents.

### The contract: terms of reference

The TOR defined the main responsibilities of the private company as to operate the facilities and maintain them to improved standards; to carry out all billings and collections; and to improve customer services. The operator should also co-operate with WAJ in recommending and implementing the capital investment programme. A programme to rehabilitate and expand the water networks in the AGSA, at an investment cost of an estimated US\$ 200 million, was financed by a range of donors, including the WB, the European Investment Bank, and USAID. In addition to the fixed annual management fees, the operator has the right to charge variable fees that are conditional on operational efficiency in the achievement of specific targets and net incremental cash-flow over the four-year contract period. External auditors assess the operator's performance and calculate either compensation incentives or penalties.

The most important terms of the contract are associated with standards of unaccounted-for water (UFW) accounts due, and constancy or regularity of water supply. The term UFW refers to the difference between net water production and consumption, whether measured or not. This difference represents water lost due to pipe leakages, illegal use, improper billing, and deficiency or lack of water-measuring devices. The accounts receivable represent the total revenues collected from the billing of water and sanitation services. In other words, the accounts non-receivable represent due and unpaid invoices. The invoices for water and sanitation services are calculated according to the respective tariffs, based on the volume of consumed water that is measured by water metering. The regularity of water supply is defined as the responsibility of the private operator to supply water to each subscriber, at least once a week and for 24-hour periods. Water accessibility should not be compromised by the fact that water is distributed according to area (Al-Naouri 2002).

### Paving the road to privatisation: changes in the tariff system

Tariff setting lies within the mandate of the Prime Minister's Cabinet. Prior to the involvement of the private sector, a major change in the entire tariffs mechanism began on 1 October 1997. Before that time, water and sewerage tariffs were insufficient to cover the operational and maintenance costs (Griffin 2002; Hall *et al.* 2002).

The new mechanism differentiates between residential and non-domestic commercial users. It changed from a progressive block tariff structure of six water-consumption blocks, at a fixed

charge for both residential and commercial consumers, to a four-part tariff for domestic users and a proportionally higher rate for commercial users. In addition, 0.3 Jordanian Dinars (US\$ 0.43) is added to each invoice for the meter-reading service. The new mechanism was developed to generate more revenues and offset the budget deficit of the water facility (Figure 1).

The mechanism implies a cross-subsidy tariff system. The high-volume consumers, assumed to be the rich, pay more than the real cost of the delivered services; and the low-volume consumers, presumably the poor, pay less than the real cost of the delivered services.

The new system imposes high tariffs services on commercial users and has had critical environmental consequences. Commercial users are charged at a fixed rate and on the basis of the quantity of water consumed, paying 1.50 JD per cubic metre; according to Griffin (2002), ‘the charging ratio of the commercial to domestic users is the highest ratio I’ve ever known’. This encourages big hotels and commercial enterprises to purchase water from tankers, rather than relying on the water-supply network. The water for the tankers is drawn from unregulated private groundwater wells and then sold to commercial users at relatively low prices. The fact that they consumed little or no water from the network meant that they could avoid paying wastewater charges (Al-Naouri 2002; Hall *et al.* 2002). This exacerbates the problem of over-abstraction of the groundwater aquifer, which critically threatens the stock of renewable water resources, stimulating the Ministry to issue the By-law 85 of 2002, to control the abstraction limits of groundwater from private wells.

From privatisation until August 2002, there were no substantial increases in the tariff except for the sewage charges that were increased by 12 per cent to recover the cost of investment of a newly constructed and privately managed wastewater treatment, based on a Build–Operate–Transfer (BOT) contract. However, a policy based on the World Bank guidance (World Bank 2001) was approved to increase the tariff by 5 per cent annually for five years from 2002 onwards, in order to recover partially or totally the capital cost of the new investments in the network (Alqam 2002; Griffin 2002). In its 2001 Water Sector Review Update, the World Bank wrote:

*In view of the significant size of investment needs (up to 5 percent of GDP in some years), and the pace of mobilization of donors and investments, Jordan will have to redouble its efforts at generating significant additional operating income from drinking water supply*

Tariff mechanism before 1997			Tariff mechanism after 1997		
Block in cubic metres	Water Charging Rate (JD)	Wastewater Charging Rate (JD)	Block in cubic metres	Water Charging Rate (JD)	Wastewater Charging Rate (JD)
For residential and commercial consumers			For residential consumers		
0-20	0.100	0.030	0 - 20	2.000	0.600
21-40	0.190	0.040	21 - 40	$(0.14q)-0.8$	$(0.04 q) - 0.2$
41-70	0.450	0.110	41 - 130	$0.006556(q)^2 - 0.12224(q)$	$0.002889(q)^2 - 0.07556(q)$
71-100	0.550	0.220	131 or more	$0.85(q)$	$0.35(q)$
101-250	0.700	0.280	For commercial consumers		
251 or more	0.730	0.300	6 or more	$1(q)$	$0.5 (q)$
			q is the water consumed, in cubic metres		

(Source: Lema Water Company and Water Authority of Jordan)

**Figure 1:** Water tariff mechanism, before and after 1997

*and irrigation services. Urban water and irrigation tariffs have not increased since 1997. Urgent action is needed on tariffs to ensure full recovery of operating costs and periodic adjustment for inflation. (World Bank 2001: 2)*

## Methodology

The data used to examine the governance aspects in this article were gathered from qualitative research, including interviews with stakeholder representatives to determine how effective, coherent, and inclusive the policy process had been, and responses from questionnaires administered to consumers to determine how open, effective, and accountable the output of the privatisation is perceived to be.

Although literature treats consumers as stakeholders, this article deals with them separately. Consumers have only been recipients of the outputs of the process, with little or no influence over the way in which decisions were made. Within this context, the consumers' perceptions belong more to the assessment of the outputs: the improvement of the service provision. Stakeholders include those that are actively involved in the decision-making aspects of water governance.

The interviews were based on pre-structured but not necessarily standardised questions, most of which were open-ended. The interviews were carried out with the staff of the WAJ and the PMU and the private service provider. It was difficult to interview any representative from the World Bank. The Bank's role, however, was assessed from the interviews with both private and public sectors. The informants were later asked to review the draft reports of the interviews.

The questionnaire was self-administered and included standardised closed questions and pre-coded answers. The questionnaire was addressed to a sample of 360 residential subscribers, selected to be representative of the subscribers in all the administrations of the Amman area. Informants were asked to respond orally, and their responses were transcribed. In addition to some general information about each household, such as the location, household monthly income, number of individuals in the household, and whether the head of this household was a man or woman, there were the following additional questions:

- Who manages the water supply? Private company, public authority, or don't know?
- How much does the household pay for the quarterly invoice? Is it relatively high? If so, why?
- Has the respondent experienced an increased tariff in the past three years? If so, is it acceptable?
- Does s/he perceive any significant improvements and, if so, are these related to the prompt response to consumers' complaints or to the regularity of water supply according to the quota?

Both the interviews and the questionnaire were administered and completed in Jordan in August 2002 by the first-named author of this article.

## Theoretical perspectives

During the past 10–15 years, many developing countries have made policy reforms to restructure the water sector to improve efficiency. In doing so, they have to fulfil the conditions imposed for borrowing from international creditors and embark on privatisation programmes.

In general, the recent experiences of privately managed water services were deemed unsatisfactory and were widely contested. The envisaged benefits were not realised (Gleick *et al.* 2002). The introduction of private utility companies to provide domestic water services

has also raised considerable concern among some NGOs, public-sector unions, and others. The policy has been viewed with scepticism by the wider civil society and is the subject of growing public dissatisfaction. The views of this stakeholder group rest on the belief that under public control, governments can play a role in resolving conflicts between social and private interests, prevent foreign exploitation of the country's resources, and provide optimal social and environmental direction for welfare and development.

In parallel to the negative experiences and problems occurring in the wake of privatisation, the literature also provides examples which show that, when properly designed and implemented, public-private partnerships (PPP) could lead to improvements in service delivery (Hukka and Katko 2003). Neither the traditional public sector nor the 'market' can resolve all challenges in water management (Global Water Partnership 2003). They are mutually dependent. The water crisis has recently been defined as a crisis of governance. The challenge is how to design and facilitate mutually beneficial partnerships which include government and private initiatives, as well as society interests (United Nations 2003).

The governance concept emerged as a result of the ideological shift towards market economies during the 1980s and 1990s. 'Governance' refers to relationships that can be manifested in various types of partnership and network (United Nations 2003). As a broad conceptual term, governance has been used to describe societal processes for achieving collective action in the realm of public affairs. It has been regarded as a tool to allocate, implement, and regulate social and political actions. As a concept, governance extends beyond government, in that it encompasses laws and regulations, as well as values and norms to mediate behaviour. In doing this, the concept of governance widens the circle of influential actors to include not only government officials but also civil society and the private sector. The World Bank (1992) conceptualises governance as '*the manner in which power is exercised in the management of a country's economic and social resources for development*'.

With regard to water, the Global Water Partnership in 2003 defined water governance as '*... the range of political, social, economic and administrative systems that are in place to develop and manage water resources, and the delivery of water services, at different levels of society*' (Rogers and Hall 2003). In this article we conceptualise governance with regard to water-utility services provision as the process of designing (input) and implementing (output) effective and socially acceptable public policies and institutional frameworks by a mixture of public, private, and civic actors.

In order to further specify the process of water governance, the article examines governance of the water sector in Jordan from a dual perspective. First, from an 'input' or process perspective, we discuss the process of initial privatisation with a focus on the key stakeholders. Then we examine the 'output' of the privatisation process in terms of service provision to consumers. Both of these stages are assessed in terms of several well-known parameters of 'good governance'.

Six principles for 'good' water governance, whether of the public sphere, private sector, or a mixture of approaches, have been conceptualised (Rogers and Hall 2003) as openness and transparency; inclusiveness and communicativeness; coherent and integrated policy; equitability; accountability; and efficiency. These principles are echoed in the White Paper on European Governance (CEC 2001) and function both as the operationalisation of 'good' governance and as a yardstick against which to evaluate the governance process in the real world.

In terms of these 'good' governance approaches, institutions for managing water should work in an open manner that can be understood by consumers and the public at large. Decision-making processes and outcomes should be transparent both to those inside and outside the organisation. The inclusive and communicative approach aims to secure broad stakeholder participation in real terms. With the inclusion of a wide variety of stakeholders, policy will

inherently be more integrated, but this runs the risk of wielding 'dysfunctional' or incoherent policies, so efforts must be made to ensure that integrated policies or management retain sufficient bite, largely through strong leadership and responsibility, as well as efficient political bargaining. This entails a fine balance between essential 'bottom-up' and 'top-down' governance processes, which, while desirable, are not always easy to achieve. Equity concerns are vital aspects of good governance: both inter-generational equity for future generations and intra-generational equity among socio-economic groups, and equity in relation to gender and ethnicity. The more operational approaches to good governance include accountability to the public and private sectors, citizens, and consumers at large and to the wider legal and political systems in which the governance system is nested. Efficiency is usually conceived in terms of effective economic performance, but also includes overcoming bureaucratic stagnation and lethargy.

### Is 'good' water governance being achieved?

Our question is how the privatisation process of the water sector in Amman corresponds to the global call for 'good' water governance in terms of the six principles described above. This section presents preliminary findings and analysis for three years of operation from the stakeholder (input) and consumer (output) perspectives.

#### *The stakeholder outlook*

*Inclusiveness and communicativeness* The consultation process for the Greater Amman privatisation primarily involved 'selected' stakeholders, such as the government-commissioned consultants and institutions, the donors, and the private sector. There was no representation of any NGO, unions, associations, or communities (Carton 2002). The World Bank as the funder of the project obviously played a vital catalytic role. Governance in water provision is no longer a regional or local question, but one that includes international organisations such as the World Bank, as well as private and public interests. Although it is said that privatisation was not imposed but was rather a condition to access the WB loan, there may be little difference between imposing a loan condition and imposing an option, if the borrower has a dire need. The World Bank's inclusion approach in the privatisation process significantly influenced policies, questioning the balance of power needed to achieve viable partnership.

*Efficiency and accountability* In our interview with him, the Lema Executive Director said that Lema management has been efficient and the responsibilities clear for the contractual parties. The efficiency of the operation and the management of the water system are often measured in terms of the achievement of particular performance standards. The integrated international experiences, combined with local knowledge, enabled Lema to offset the losses of the former public utility and achieve a positive cash flow (Carton 2002). The involvement of the private company as well as the investment fund has been important to improve the overall service provision. Lema has achieved improvements in technical efficiency, water quality, and customer relations. For example, it has responded promptly to consumers' complaints about leakage and failure to supply households in accordance with the rational water-supply schedule.

From the PMU staff perspective, the criteria for the performance of the private sector related more to accountability regarding specific performance targets. The principal accountability criteria for PMU were therefore constancy of supply, unaccounted-for water (UFW), and the



accounts receivable. The contractual obligations set out the target that water supply should meet or exceed, 24 hours a week *per subscriber*. However, Lema maintains that it is rather 24 hours a week *per zone*. Lema was unable to make much progress in the first three years of operation in terms of water-leakage management and thus could not improve the UFW, as specified in the contract. In its own defence, a PMU representative commented:

*Frankly speaking, it is not possible for Lema or any other company to achieve the stipulated targets before the restructuring and the rehabilitation of the whole network, the capital investment program. However, this company had accepted and approved the contractual conditions of the bid and they should comply. Many companies quitted the bid because they knew how it would be hard to accomplish the targets. (Al-Naouri 2002)*

Accounts receivable is another important issue and a complicating factor in relation to accountability. As of 2002, the private operator had not yet met the stipulated target of invoices paid. Ironically, some of the government agencies and the armed forces are among those that still have accumulated due bills of about 4 million Jordanian Dinars, equivalent to US\$ 5.7 million. This constitutes about 25 per cent of the total revenues of water and sanitation services for 2001. Lema put forward many reasons for the non-compliance: for instance that the customer information system (CIS) is old and has not been updated, and it is therefore not easy to trace information. Some of the subscribers had died, and others had cancelled their subscription. According to international standards, debits and thus legal rights to enforce payment lapse after a certain number of years since the issuing of an invoice (Al-Naouri 2002).

Indeed, both parties were elusive on this question. On the one hand, it appears a rather ambitious target from the state's perspective. How can the private operator create the political will or the legislation needed to enforce governmental agencies to pay for water? Private-sector participation cannot compensate for institutional inefficiencies on the part of the public sector, or remove many of the barriers to efficiency which impede public-sector operation (Rivera 1996). On the other hand, why would an experienced international water-management company commit itself to such a performance target in the knowledge that it could not be reached? Was this due to the rush for the MWI to access the loan and for the investor to get the business deal? Is management inefficiency the responsibility of one side or both? Or that of others?

*Coherence and integration* Despite the existence of the PMU as a semi-regulatory body, the water sector still lacks the framework that constitutes the appropriate regulating strategies (Kefaya 2002). Furthermore, many obstacles have undermined effective progress. The Lema administration has articulated these obstacles as a combination of government delays regarding the capital investment programme; delays in the delivery of the customer information system (Carton 2002); the calibre of employees inherited from the public sector; and the legacy of long and bureaucratic procedures. Because of Lema's limited authority, it must refer to the PMU in every little matter (Griffin 2002). Other bottlenecks were the lack of standardised interpretation of and restriction imposed by by-laws, and the high level of bureaucracy (Workshop 2002). These obstacles were reiterated in principle by the PMU, which added others, such as the problem of consumers who do not pay their bills promptly, illegal users, and the poor state of the water and sanitation network. Nevertheless, the PMU asserted that despite being well compensated, Lema lacks the will to improve performance. The Customer Service Director of Lema pointed out that coherency could perhaps be further improved if there was a way to overcome these obstacles (Griffin 2002).

The relationship between Lema and the PMU appears to be somewhat tense, due to contention regarding the degree of the independence enjoyed by the contractor in relation to the contract administrator, progress towards achieving the stipulated performance standards, and contractual obligations and liability. Each party has a tendency to attribute slow progress to the other's failures. Lema blames the relatively slow pace of unaccounted-for water and receivables account standards on the PMU's reluctance to deliver the capital investment programme and the new CIS. The PMU, however, asserts that the performance targets agreed in the contract have nothing to do with the capital investment programme or the new CIS.

From the stakeholder perspective, coherence and accountability in terms of responsibility are perhaps two of the most crucial aspects of 'good' water governance. The tension between the PMU and Lema, as well as the tendency for each to blame the other for problems in the water supply, is indicative of but one of the drawbacks of a wider governance perspective. As the number of stakeholders increases, there may be confusion as to the role and responsibility of each in the process. Methods to achieve co-ordination, coherency, and complementarity are thus vital to create responsible, but dynamic, synergies among the various actors (Global Water Partnership 2003). The Global Water Partnerships Status Report to the third World Water Forum in 2003 suggests the concept of integrated water resource management (IWRM) as one such method, and the introduction of stakeholder dialogues to facilitate communication among the parties involved. Solving the tension between Lema and the PMU would entail engagement in a constructive dialogue.

### *The consumers' outlook*

*Openness and transparency* The consumers' outlook regarding Lema's services provision was investigated through a questionnaire in order to measure the impact of Lema's activities on the level of customer satisfaction. One question sought to assess the extent of public awareness and involvement in the privatisation process. Surprisingly, 30 per cent of the customers were still unaware that a private operator was managing water services. The results were convincingly comparable to the annual survey being undertaken by Lema. In the year before, only 54 per cent of the subscribers knew about the private operator (Lema Customer Satisfaction Study, 2001). Asked whether water prices had risen in the previous three years, 79 per cent of consumers had been aware of an increase, and 73 per cent felt that the increase was unacceptable (Figure 2).

When the first 5 per cent incremental increase of the water tariff was introduced in October 2002, consumers were neither appropriately consulted on this issue by the government nor informed by the private company. Rather, customers learned through newspaper reports of the increase of water-projects investments and mentioned this as the reason for increased tariffs. Thus while being implicitly informed of the process of tariff increase, customers remained outside the participatory process. Roger Griffin of Lema alleged that the water contractor is not obliged to disseminate any specific information to the consumers, apart from issuing invoices and providing information about changes in the water-rationing programme. Transparency and public accessibility to information did not appear to be a major concern to the private company. Moreover, both Lema and the PMU claimed that consumers will not readily understand detailed information about the charging formula (Griffin 2002; Kefaya 2002). In interview, Griffin stated that the task remains within the public realm and is dependent on a political decision: *'Transparency needs to be a political decision. Personally I don't mind and I am transparent with customers when they come to ask about a certain issue or complain, but I do this not as an obligation.'*

Lack of transparency and access to information in the public domain appears to have impeded the participation of civil society. Thus with the lack of more informal actors in the process, important 'watch-dog' functions failed to materialise. For instance, no public awareness

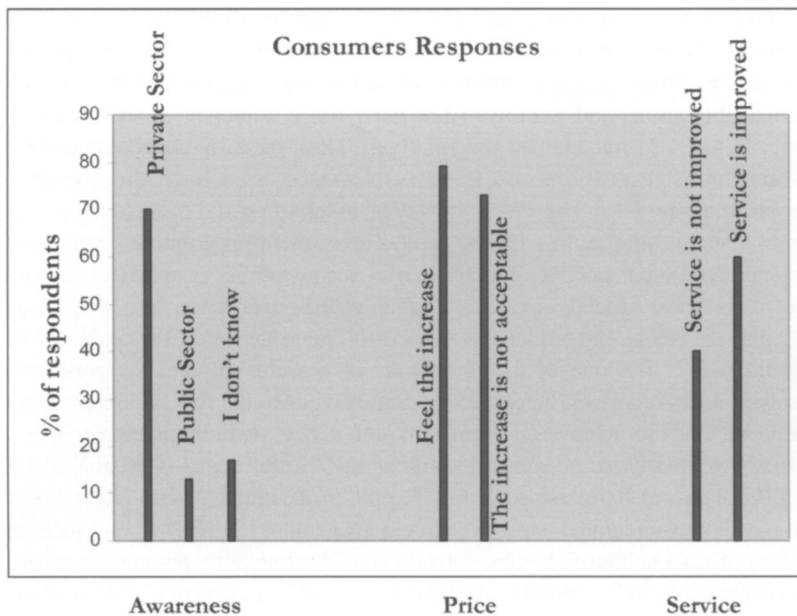


Figure 2: Consumers’ responsiveness to public water policies

programmes were conducted prior to the privatisation, to inform the public about the potential positive or negative effects of the process. But whose responsibility is it to ensure transparency of decision making and accessibility of information? It is beyond the scope of this article to discuss political issues and tasks, although they are inseparable from the governance process. Public participation, indeed, is not anticipated in those countries or regions where there is no enabling political environment for participation or opportunities to get involved in the process by which decisions are made. When the Executive Director of Lema was asked if the privatisation programme had encountered any particular opposition, he replied that it had not, and he went on to add: *‘This is because it is what the government wants and its will.’*

The Global Water Partnership (2003) has linked good governance with democracy, political system, and sovereignty. While it is not our focus in this article to go more deeply into this subject, we recognise that a functioning participatory democracy is a key to enabling people to participate.

Water is a human right, as recognised by international law. Thus each state constitution must guarantee this right and ensure that the process governing the provision of water is effective, equitable, accountable, and open and transparent. In doing so, the state should bear the responsibility for informing people and should design and implement socially appropriate methods for public participation. Public-awareness channels should not be used in a superficial fashion to give a cosmetic impression of public involvement in the governance process. Such an approach would have a very little and short-lived impact in terms of numbers of consumers and their appropriate representation. The state has to embark on wide-scale and open consultations with the public and allow eventually for a broad debate about the water-governance process, in order to promote democratic participation, transparency, and accountability, and to manage the scarce water resources wisely.

**Efficiency and accountability** The quality and the level of service provided are an important aspect in the evaluation process of the performance of the Water Company. About 40 per cent of

the respondents' base did not notice any particular improvements associated with services provision, while 60 per cent believed that efficiency had improved (Figure 2). Of those who deemed that an improvement in water services had been achieved, 80 per cent felt that this related to regularity of supply. It was stated repeatedly in the interviews with stakeholders that one of the main objectives of the privatisation project is to improve the customer services and relations. However, the questionnaire results show that the operator, despite making some progress in terms of the regular accessibility of water supply, has achieved fairly little in terms of the efficiency of billing operations and in responding to complaints.

*Equity issues* Access to basic water requirements has been described variously in international discourse as a basic *human need* – considering water as a commodity of economic value, or as a *human right* – considering water as indispensable to life and not to be subordinated to private interests. Thus the challenge is to strike a balance between these interpretations (Salman and McInerney-Lankford 2004; United Nations 2003). Nonetheless, whether water is seen as a social good, as an economic good, or as a human right, equity or fairness issues are intuitively important in the governance of its provision. While the questionnaires did not explicitly focus on equity issues, a few observations can be made in this respect, based on the data collected from the tariff section head and on the responses of consumers in relation to the invoices for water services.

From the first set of data, it was found that 13 per cent of subscribers consume less than 10 m<sup>3</sup> of water but pay the full fixed tariff of 20 m<sup>3</sup>. While the objective of the set price for this block is to subsidise the subscribers who use less water, such consumers are not benefiting from the subsidy. From the second set of data, the responses revealed that the water invoices vary significantly and constitute from 0.2 per cent to 15 per cent of total household income. Many low-income households pay extremely high water charges, as they are connected to a common water meter, to avoid paying the connection fees. Consequently, their total consumption easily exceeds 20 m<sup>3</sup>, and they are thus charged the higher tariff.

Fairness in the regulatory frameworks and enforcement is another important dimension of equity and ethical principles. Although complaints offices, authorised by the Ministry, are open to consumers, it is people of low social status, without influence, who usually go through the established procedures. The more powerful social sectors have the personal contacts and resources to resolve their issues individually, and thus normal regulations and penalties do not always apply to them. The private sector cannot in itself create an enabling social system within which it can efficiently operate, but rather adapts to the existing customs.

## Conclusion

This three-year study of the water-privatisation process in Jordan reveals that there is still a lack of 'good' governance within the Amman water utility. The lack of transparency, the exclusion of consumers and informal stakeholders in consultation stages, the absence of awareness programmes, complications in the regulatory tasks and cooperation between the two parties, and problems of accountability are all clear. On the other hand, there does not appear to have been a significant improvement in the efficiency of water provision, although accountability in terms of the regularity of supply was perceived to be better.

The World Bank as a development agency is assumed to be more concerned with achieving collective benefits to the stakeholders – as defined in literature – as a whole. The focus on privatisation programmes should include not only the economic aspects of the process but also a careful examination of the readiness of the institutions to integrate a public–private

partnership (PPP), in order to ensure that good governance will result. If such studies conclude that PPP is a feasible management structure, implementation should incorporate a genuine consultation process, involving all actors and representing all interests. The partnership could then benefit by being more responsive to the concerns and interests of all stakeholders.

Privatisation of public services and utilities does not absolve the public sector of responsibility for transparency, social equity, and accountability for coherent policy. Neither the private operator nor the donor can compensate for the role of the legislation authority to make people and government institutions pay their invoices in arrears, or relieve the institutions of their responsibility to protect natural resources.

The high water tariff imposed on commercial users and the subsidy tariff system that has been put in place suggest the need for further research about these charges, in order to adjust the tariff structure appropriately and to avoid discriminatory regimes that may lead to undesirable environmental, social, and economic inequity.

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