

# AQABA WATER, JORDAN

## 1. LEGAL STRUCTURE & OWNERSHIP

Aqaba Water Company (AWC) was established as a government-owned, commercially run water company obligated to manage the water and sewerage system of Aqaba. Eighty-five percent of the limited liability company is owned by the Jordan Water Authority (WAJ), and the remaining 15 percent is owned by the Aqaba Special Economic Zone Authority (ASEZA). Aqaba Water Company began operation on August 1, 2004. The company is governed by the Water Law of Jordan, the ASEZ Law, and regulations applying to the Special Economic Zone.

## 2. CORPORATE GOVERNANCE

The corporate governance regime is set out in the registration documents, the Assignment Agreement and the Development Agreements. The Memorandum of Association spells out the policy on conflict of interest.

The Board of Directors is called a Management Committee and consists of four members from the Ministry of Water and Irrigation/WAJ including the Chairman, two members from ASEZA, and one member from the Ministry of Finance. The Management Committee is stated to have the power to manage the business and affairs of the company and can borrow funds for company purposes. The Management Committee appoints and terminates key officers of the company.

Limitations on the Management Committee are defined in the Companies Law and in any Extraordinary Resolutions that might be voted on by the General Assembly.

## 3. DOCUMENTED OBLIGATIONS AND RIGHTS

The respective obligations and responsibilities of the parties were extensively negotiated and are well documented in Aqaba. Key agreements are:

- An initial [Memorandum of Understanding](#) among the Ministry of Water and Irrigation, the Water Authority of Jordan and the ASEZA which set out fundamental provisions related to the establishment of AWC including a commitment that AWC would operate as a financially viable, self-sustaining entity run under commercial principles. It was also stated that AWC would support the competitive advantage of the Special Economic Zone by providing high-quality, efficient water and wastewater services; improved access for new customers; and cost-competitive pricing. Further, Aqaba water assets were transferred to AWC and the Ministry/WAJ provided initial working capital of Jordanian Dinar 0.5 million.
- The [Articles of Association](#) presents the basic corporate profile of the company, including its objectives and powers, capital and subscription; liability of shareholders; and date of commencement and date of operations.
- The [Memorandum of Association](#) is comparable to company by-laws. The memorandum includes the shares policy, general assembly procedures, voting procedures, rules for dividends, record-keeping, etc. It also contains the requirements for selection, appointment and tenure of the Management Committee as well as demarcating the committee's powers, duties and meeting procedures.
- The **Company Formation Agreement** delineates the legal rights of each party under the applicable laws. This agreement was attached to the Company Registration.

- The performance standards for quality and service were prescribed in the [Assignment Agreement](#) between WAJ and AWC, the [Development Rights Agreement](#) between ASEZA and WAJ, and in the **Operation Permit**.

#### **4. ACCOUNTING AND FINANCIAL MANAGEMENT**

Included in the agreements signed among ASEZA, WAJ and AWC were the following commitments:

- An initial three-year budget and business plan would be developed and updated on a regular basis, particularly as better data emerged through improved information collection and operations management.
- A bulk water rate was established and there was a commitment to develop a user tariff methodology that would be used by the Council of Ministers in reviewing and approving tariff requests.
- The Memorandum of Association and the Assignment Agreement both state that the Management Committee will keep accounting records according to generally accepted accounting practice or international accounting standards.
- A new finance and accounting system was to be implemented.
- The Company Law of Jordan requires appointment of an external auditor. AWC has also stated that auditors can only serve for 10 contiguous years.

#### **5. CUSTOMER ORIENTATION**

As a newly established company, AWC has only a limited track record in customer service, but it was established with the intention of focusing on customers. A Customer Service Center was strengthened and made more user friendly; customer service staff was trained; information was developed and disseminated to customers; the billing system was improved, and bills were made more understandable; customer forms were improved; and community leaders were briefed about the new role of AWC. Customer satisfaction data is tracked and reported. A customer charter was developed and implemented.

#### **6. TRANSPARENCY AND USE OF DATA (OTHER OVERSIGHT AND ACCOUNTABILITY)**

AWC has an obligation to develop an annual report, quarterly financial reports, and an annual audit and financial report. Reporting regimes are set out in the company agreements with WAJ to regulate the supply side of service through the Assignment Agreement, and with ASEZA to regulate the consumer side through the Development Agreement.

The AWC Business Plan includes physical indicators of the water and wastewater system and for the overall institutional performance, as well as performance requirements for AWC. All of these are to be tracked and reported. There is also a plan to link staff compensation to achievement of the company's performance benchmarks.

Annual reports are publicly available and the company has established a [Web site](#).

#### **7. PERFORMANCE RESULTS**

As a new company, AWC is still in the process of collecting data and refining indicators and data. The [2004 Annual Report](#) shows the following achievements for the first year of operation:

## Main Performance Indicators

Description	Standard	Notes
Supplying water	Ensure water supply 6 days/week, Targeted 7 days/week	Completed
Water and wastewater quality	According to Jordanian standards	Completed
Water lines and networks pressure	2 – 10 BAR in distribution network	Completed
Maintain proper pressures	Less than 50% variation	80%
Response time for complaints	Less than six hours	Completed
Response time for new connections	5 Working days	70%
Response time on billing complaints	5 days	90%

In addition:

- The water system now serves 99% of the population while the sewer system serves 73% of the population.
- Water connections were 28% above goal while sewer connections were over 700% above goal.
- Collection of uncollected accounts improved by 20% versus a goal of 6%. An enhanced collection program was scheduled to be initiated in the first quarter of 2005.