

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 27 October 2021¹

JORDAN

MR3 AL GHABAWI SEPTIC TANK FACILITY

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

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ABBREVIATIONS / CURRENCY CONVERSIONS

BIAP	Business Integrity Action Plan
BOT	Build Operate Transfer
CRW	Community Resilience Sub-Account
DSCR	Debt Service Cover Ratio
E&S	Environmental and Social
EBITDA	Earnings Before Interests, Tax, Depreciation and Amortisation
ESAP	Environmental and Social Action Plan
ESIA	Environmental and Social Impact Assessment
ESDD	Environmental and Social Due Diligence
EUD	European Union Delegation
FY	Financial Year
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Green House Gas
GoJ	Government of Jordan
IFI	International Financial Institution
MR3	Municipal Resilience Refugee Response Framework
MWC	Miyahuna Water Company
MWI	Ministry of Water and Irrigation
MOPIC	Ministry of Planning and International Cooperation
NIP	Neighbourhood Investment Platform
NTS	Non-Technical Summary
PP&R	EBRD's Procurement Policies and Rules
PSP	Private Sector Participation
SEP	Stakeholder Engagement Plan
SSF	Shareholders Special Fund
TC	Technical Co-operation
TI	Transition Impact
WAJ	Water Authority Jordan
WWTP	Wastewater Treatment Plant

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Hashemite Kingdom of Jordan (the Government of Jordan), are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to the Government of Jordan in the amount of up to EUR 30.0 million. The operation will be co-financed by up to EUR 30.0 million grant from the European Union's Neighbourhood Investment Platform.

The operation will enable the Government of Jordan to provide the proceeds to the Ministry of Water and Irrigation to build a new modern wastewater treatment plant to service households not connected to the mains network in Amman and Zarqa in Jordan. The expected transition qualities of the project is the increased *Resilience* of Jordan to the refugee crisis by providing additional infrastructure capacity to mitigate environmental risk, increase access to and capacity of services, and increase treated wastewater. The Project is also supporting the client in its endeavour to be *Well-Governed* through the provision of structured and enhanced operational training of WAJ to manage the facility in perpetuity and according to the required regulations, ensuring that the benefit of the investment is realised long term. In addition, a business integrity action plan will be implemented for the benefit of WAJ [REDACTED].

TC support for this operation has been provided [REDACTED].

I am satisfied that the operation is consistent with the Bank's Strategy for Jordan, the Municipal and Environmental Infrastructure Sector Strategy, the Green Economy Transition Approach 2021-2025, the Strategy for the Promotion of Gender Equality 2016-2020 and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

JORDAN - MR3: Al Ghabawi Septic Tank Facility – DTM 49875 Framework: REGIONAL - Municipal Resilience Refugee Response Framework - DTM 48536	
Transaction / Board Decision	<p>Board approval² is sought for a sovereign loan of up to EUR 30.0 million in favour of the Government of Jordan (“GoJ”). The project will be co-financed by a EUR 30.0 million grant from the European Union’s Neighbourhood Investment Platform.</p> <p>The loan and the co-financing grant will finance the construction of a new wastewater treatment facility to replace and relocate an existing facility currently co-located at Ain Ghazal Treatment plant (the “Project”). The new facility will be located at Al Ghabawi, have a capacity of 22,500 m³ per day, and will serve Amman and the surrounding area.</p>
Client	The borrower is the Hashemite Kingdom of Jordan (“Borrower”). The Water Authority Jordan (“WAJ” or the “Beneficiary”) is the ultimate beneficiary of the financing. The Bank has existing exposure in the amount of EUR 267.0 million (operating assets) and EUR 366.0 million (portfolio).
Main Elements of the Proposal	<p><i>Transition impact:</i></p> <ul style="list-style-type: none"> – Resilient - will support the resilience of Jordan to the refugee crisis by providing additional infrastructure capacity to mitigate environmental harm, increase access to and capacity of wastewater services and increase treated wastewater. – Well-governed - supporting WAJ to continue its utilisation of the private sector in the provision of water and wastewater services. The private sector will provide structured and enhanced operational training of WAJ to manage the facility in perpetuity and according to the required regulations, ensuring that the benefit of the investment is realised long term. In addition, a business integrity action plan will be implemented for the benefit of WAJ [REDACTED]. <p><i>Additionality:</i></p> <ul style="list-style-type: none"> – Long-term loans are not currently available from commercial banks for such investments in Jordan. – EBRD provides quality and efficiency assurance by applying EBRD PP&R, ESAP, which will allow for best practice implementation of the Project. <p><i>Sound banking:</i></p> <ul style="list-style-type: none"> – The Sovereign is the Borrower. – Implementation risk will be mitigated by engaging an experienced Project Implementation Support and Engineering Supervision consultant.
Key Risks	<p>Implementation risk: [REDACTED] procurement will follow EBRD PP&R and WAJ will be supported by experienced consultants at both project preparation and implementation stages to minimise implementation risks, with funds disbursed directly to contactors. There is also a contingency built into the construction costs.</p> <p>Credit risk: Jordan’s sovereign capacity currently remains satisfactory (B+/stable by S&P and B1/stable by Moody’s).</p>
Strategic Fit Summary	The project responds to the strategic direction of the Bank’s Municipal and Environmental Infrastructure Sector Strategy through the provision of basic municipal services to accommodate rapid urban growth and by increasing resource efficiency. The project also fits with the EBRD’s Jordan Strategy by increasing the resilience of Jordan to the long-term refugee crisis, is gender additional and 100 per cent GET.

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A sovereign loan of up to EUR 30.0 million to the Hashemite Kingdom of Jordan (“ Borrower ”) for the benefit of the Ministry of Water and Irrigation. The EBRD loan will be co-financed by a EUR 30.0 million co-investment grant from the EU’s Neighbourhood Investment Platform. The loan and grant will finance the construction of a new state-of-the-art wastewater treatment facility. The co-investment grant will mitigate affordability concerns.
Existing Exposure	The EBRD’s sovereign portfolio for Jordan at 24 June 2021 stands at EUR 366.0 million [REDACTED]. It consists of three wastewater infrastructure projects with WAJ, one sovereign-guaranteed solid waste project with Greater Amman Municipality (GAM), and two sovereign-guaranteed energy projects with National Electric Power Company (NEPCO). In addition, the Bank is considering two additional projects. [REDACTED].
Maturity / Exit / Repayment	18-year tenor [REDACTED].
Potential AMI eligible financing	EUR 30.0 million from the EU, approved by Neighbourhood Investment Platform (NIP) Board on 9 February 2021.
Use of Proceeds	The proceeds of the loan and the grant will finance the construction of a new 22,500m ³ per day wastewater treatment facility, to replace and relocate an existing collection facility currently co-located at the Ain Ghazal Pre-Treatment Plant, as well as a two-year phased-out operational period to ensure sustainability of the investment. The new facility will be located at Al Ghabawi, which is considered a suitable site for the proposed WWTP as opposed to the existing facility at Ain Ghazal which is causing environmental and social harm to surrounding communities. The financing will co-finance all components of the Project on a pro-rata basis with the exception of the 2 year phased training Operations and Maintenance (O&M) period which will be loan funded only. Loan and grant proceeds will be made available to the GoJ [REDACTED].
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	Borrower: Government of Jordan (through the Ministry of Planning and International Cooperation). Beneficiary: Water Authority of Jordan
Conditions to effectiveness	Financing agreements executed by all parties and all conditions precedent satisfied. [REDACTED]
Conditions to disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign loan.
Other material agreements	<ul style="list-style-type: none"> • Loan agreement with the GoJ (represented by MOPIC). • Project Agreement with MOPIC and MWI. • Delegation Agreement with the EU. • Grant Agreement with GoJ.
Associated Donor Funded TC and co-investment grants/concessional finance	<p>A. Technical Cooperation (TC)</p> <p><u>Pre-Signing TCs:</u></p> <ul style="list-style-type: none"> • TC 1: Private Sector Participation Assessment [REDACTED]. • TC 2: Feasibility Study and Technical Specifications [REDACTED]. • TC 3: Advanced Procurement Support [REDACTED]. <p><u>Post-Signing TCs:</u></p>

	<ul style="list-style-type: none"> • TC 4: Supervision and Implementation, Environmental and Social and Health and Safety Support to assist WAJ in the supervision, and health and safety and ESAP implementation. The consultants will also support the project's construction and O&M phase to ensure timely (and cost appropriate) implementation [REDACTED]. • TC 5: Sludge Treatment Options Alignment: alignment to national strategy [REDACTED] • TC 6: Comprehensive Business Integrity Action Plan [REDACTED]. • TC 7: Lenders Monitor [REDACTED]. <p><u>Reimbursement/Cost sharing:</u></p> <ul style="list-style-type: none"> • The above assignments are non-reimbursable transactional TCs, which are required to evaluate the investment and assist WAJ in Project implementation. [REDACTED] • WAJ will be responsible for paying all VAT and other indirect taxes that are applied to the post-signing TC assignments [REDACTED]. Additionally, WAJ will provide in-kind contributions in the form of office space, communication connections, etc., for the consultants to work, presumed to amount to 3 per cent of the total TC budget. <p>B. Co-investment grants / Concessional Finance (Non-TC) The EU Neighbourhood Investment Platform approved a co-investment grant participation of EUR 30.0 million by written procedure on 9 February 2021.</p>
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[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Jordan is one of the poorest countries worldwide in water resources with available water at 76 m³/capita/year (in 2014), which is far below the internationally recognised poverty line of 1,300 m³/capita/year. The increasing population and the climatic conditions of the country have combined to create severe water shortages, increasing the need to utilise all possible alternative sources, including treated wastewater³. The inflation of the population in the northern municipalities, as well as the influx of 1.3 million Syrians living outside of refugee camps, has placed unprecedented stress on infrastructure assets and municipal services, already lacking in capacity and quality, which are failing to meet basic standards of operation.

In sanitation, one key challenge is the capacity of the wastewater infrastructure relative to demand. Centralised wastewater collection and treatment services were provided to approximately 63 per cent of the population in 2014. The remaining population in Amman and surrounding areas use septic tanks and cesspits as a cost-efficient alternative with the wastewater collected by tankers and disposed at the Ain Ghazal Pre-Treatment Plant; serving around 1 million people, including 10 per cent Syrians.

The Ain Ghazal Pre-Treatment Plant itself receives a combination of non-sewered septic waste via tankers and raw sewage from the sewer (connected) catchment, passing all flows onwards to the wastewater treatment facility at As-Samra for further processing. Whilst the sewer catchment component receives full pre-treatment the septic wastewater receives virtually none which causes treatment process difficulties downstream at the As-Samra site including reduced performance of the inlet turbines used for generating electricity. In spite of measures to abate odours, the high volume of tanker movements and rudimentary discharge of septic waste at Ain Ghazal cause considerable nuisance to the local communities.

The Project will finance a new dedicated 22,500 m³/day capacity reception centre and state-of-the-art wastewater treatment facility designed solely to treat septic waste, providing access to wastewater services for Amman, Zarqa, Salt, Fuheis, and Baqa'a, service area up to the year 2045. Additionally the treated effluent will be to a quality suitable for its safe re-use in agriculture or irrigate parks, reducing reliance on constrained natural resources.

Diverting all the septic tank-related wastewater to a new, dedicated facility will also alleviate pressure on the existing As-Samra WWTP. [REDACTED]. The As-Samra WWTP is built under a BOT contract, with grant funding from USAID, and the As-Samra project company is owned by Suez and Morganti. Suez is also the operator of the plant.

The objectives of the Project are to: improve and increase the capacity of wastewater treatment services; increase the amount of treated wastewater available for reuse; eliminate odour and noise pollution and traffic problems (due to septic tank truck movements) in the existing area; capitalise on the private sectors' expertise; and, provide opportunities for training and employment for vulnerable persons.

³ Water Sector Strategy 2016-2025.

The Project is a part of the EBRD's wider engagement in the wastewater sector in Jordan, which includes a EUR 143.5 million portfolio [REDACTED] of critical wastewater investments. The TC structure of this Project is designed to achieve a more efficient timeline between signing, effectiveness and disbursement than previous projects. In addition, in responding to the need to ensure sustainability (in a context where there have been a number of infrastructure assets deteriorate too quickly due to a lack of appropriate O&M), the Project includes an extended strategic operations and training period requirement from the contractor to ensure the full expertise from the private sector is capitalised upon.[REDACTED].

The Project aligns with the Bank's strategy for responding to the Syrian refugee crisis, as a sub-project under the EBRD's Regional: Municipal Resilience Refugee Response (MR3) Framework, as it directly addresses bottlenecks in infrastructure in areas affected by the Syrian refugee crisis (see Annex 4 for more information on the MR3 framework). The Project is also in line with the EBRD Sector Strategy for Municipal and Environmental Infrastructure and the EBRD Jordan Country Strategy, which encourages investment in urban sanitation infrastructure with a focus on the financing, upgrade and expansion of sustainable infrastructure, as well as improving operational performance with private sector participation, respectively. The Project is fully in line with the Bank's Green Economy Transition approach and EBRD's Strategy for the Promotion of Gender Equality which seeks to increase access to skills for women. Finally, the new facility itself will utilise the latest digital technologies for the effective and efficient operation of the plant including tanker logistics/billing management. The project is also gender additional through the introduction of inclusive procurement practices to support classroom-based and on-site training opportunities for unemployed young men and women.

The provision of wastewater treatment is fully aligned with the Paris Agreement; whilst these facilities are inevitably large consumers of electricity to process wastewater such that the treated final effluent can be safely returned to the environment, the benefits far outweigh the harm from the emissions produced. Irrespective, the new facility shall deploy the best and latest technologies to maximise energy savings whilst maintaining effective treatment performance to minimise its carbon footprint; future options for sludge disposal - and the potentially more harmful methane gas - will be developed later to assure a more sustainable outlet. Anyhow wastewater sludge will be stabilised and of minimal volume, the latter through the use of greenhouse (solar) drying beds. The Project is also consistent with the United Nation's ambitions of better public health provision, universal access to clean water and sanitation and facilitating a more responsible consumption and production under SDGs 3, 6 and 12.

As everywhere, the COVID-19 pandemic has affected Jordan, despite the GoJ's strong response to protect the health and safety of citizens. According to IMF's estimates, Jordan's economy has contracted by around 1.6 per cent due to the impact of COVID-19 on the economy in 2020. As at YE2020, Jordan's budget deficit is estimated to have widened to a record of USD 4.37 billion, up from USD 2.28 billion during 2019. [REDACTED] The full impact of the COVID-19 on WAJ's financial situation cannot be fully assessed until the 2020 financials are released in Q4 2021 however, despite the relaxation of lockdown restrictions, the impact on WAJ is likely to be significant for 2020. WAJ's response to the impact of the COVID-19 has mainly been focused on temporarily decreasing its operational costs which includes: i) downsizing maintenance work to focus only on critical and pressing operational issues, thus decreasing their overall maintenance expenses; and, ii) adopting a 'no-overtime' work policy, which has decreased salaries and wages. [REDACTED].

1.2 TRANSITION IMPACT

The Bank’s MR3 Framework is designed to support the resilience of municipal infrastructure services by financing critical investments in host communities accompanied by targeted sector reform elements focusing on improving funding sustainably post-investment, improving accountability through formalised performance indicators or service contracts and increasing private sector participation where feasible. Transition impact is primarily based on enhanced resilience through asset expansion or rehabilitation and specific cost reduction / revenue increase measures to contribute to the financial sustainability of operations. Additionally, the Framework supports the well-governed quality through the introduction of higher standards of service quality monitoring.

The Project will support the resilience of Jordan to the refugee crisis by providing additional infrastructure capacity to mitigate environmental risk, increase access to and capacity of services and increase treated wastewater. This is needed due to the concentration of refugees and the increased pressure on the existing wastewater infrastructure in the area. It is consistent with the United Nation’s ambitions of better public health provision, universal access to clean water and sanitation and facilitating a more responsible consumption and production under Sustainable Development Goals (“SDGs”) 3, 6 and 12. The Project is also supporting WAJ to continue its utilisation of the private sector in the provision of water and wastewater services through the 2-year phased outsourcing of the O&M of the pre-treatment facility to the private sector. The private sector will provide structured and enhanced operational training of WAJ to manage the facility in perpetuity and according to the required regulations, ensuring that the benefit of the investment is realised long term. The contractor will be required to manage the facility in year one, with the presence of key staff from WAJ in attendance. The second year is a phased approach to facilitate WAJ management of the facility with on the ground oversight from the contractor. The Project is part of a wider strategic intent by the MWI/WAJ to expand wastewater service provision within the City of Amman and engage with the private sector.

The tables below set out the specific TI attributes of this Project.

Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	Improve Jordan’s resilience to the refugee crisis by increasing the capacity of critical infrastructure.	Increase capacity of wastewater treatment from 16,000m ³ /day to 22,500m ³ /day in a more appropriate location via a dedicated specialised facility.

Secondary Quality: Well-Governed

Obj. No.	Objective	Details
2.1	Improve the sustainability of the asset through improved operational performance.	The Project is supporting the sector to improve governance by developing the engagement with the private sector in the provision services: specifically, through a period of extended knowledge transfer and training provided by the private sector contractor, focusing on the sustained O&M of the facility.

Beyond the MR3 qualities, the Project is also promoting Inclusion through the intended use of inclusive procurement practices (as are currently being piloted in two ongoing EBRD projects). Through class-based and on-site training/internship opportunities it is expected that [REDACTED]

young men and women will be provided with relevant background skills and hands-on experience to access future employment opportunities in the water, energy, transport and other asset intensive sectors in Jordan. In particular, the Project will aim to increase the female talent pipeline in sectors where women represent less than 20 percent of workers. In addition, the Project responds to the Green TI quality through the improvement of living and environmental conditions at the existing septic tank facility (removing the primary source of nuisance), in addition to increasing the capacity of the sector's wastewater treatment capacity, thus mitigating environmental risks (such as groundwater pollution and health-related hazards through uncontrolled practices), and protecting natural resources. The Project will also increase water reuse for agriculture or for irrigation in a country that is very water scarce equivalent to 22,500 m³ of usable water every day.

[REDACTED] The Bank will mobilise experienced, best-practice consultants to support WAJ and MWI throughout the Project's construction and initial O&M phase to ensure timely (and cost appropriate) implementation. [REDACTED].

1.3 ADDITIONALITY

Identified triggers	Description
No triggers identified.	n/a

Additionality sources	Description of additionality sources
Financing Structure - EBRD offers a tenor , which is above the market average and is necessary to structure the project.	EBRD is providing financing to the GoJ with a tenor that is not available in the market to facilitate the financing of a long-term asset.
Standard-setting: helping projects and clients achieve higher standards <u>Gender SMART:</u> Client seeks/makes use of EBRD expertise on gender standards and/or equal opportunities action plans	With EBRD's support, the project will pilot the introduction of inclusive procurement practices. Suitable classroom-based and on-site training/internship opportunities will be provided for [REDACTED] unemployed young people during the construction phase of the project, including young women. These trainings are expected to provide young men and women with relevant hands-on experience to enable them to access future employment opportunities in asset intensive sectors in Jordan, where women are particularly underrepresented.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Borrowers creditworthiness	Low / Medium	Although Jordan's real GDP was estimated to contract [REDACTED] in 2020, the main three ratings agencies have maintained their ratings at B+ (S&P), B1 (Moody's) and BB- (FitchRatings). According to Fitch, Jordan was able to maintain its rating during the pandemic, due to its strong track record of gradual fiscal and economic reforms, a liquid banking sector and sufficient foreign reserves. The pandemic's economic ramifications on the Jordanian economy is expected to continue in 2021. However, with the rollout of COVID-19 vaccines in Jordan and globally, Jordan's GDP is projected to grow [REDACTED]. This Project involves the financing of a critical asset that is a priority for the GoJ and consequently, a sovereign loan is proposed for this project.
Implementation risk	Medium / Medium	The [REDACTED] Bank will mobilise experienced, best-practice consultants to support WAJ and MWI throughout the Project's construction and initial O&M phase to ensure timely (and cost appropriate) implementation.

Delivery risk	Medium / Medium	[REDACTED] The Project will include an extended period of knowledge transfer and training provided by the private sector, focusing on the O&M of the facility.
Political risk	Low / Medium	With regional conflicts around Jordan dying out, lacklustre economic growth will be the major political risk Jordan will face in upcoming few years. [REDACTED].
FX risk	Medium / Medium	The loan's currency is euros, while the Jordanian Dinar is pegged to the USD. As such, the GoJ will assume the exchange rate risk between the euro and the JOD in relation to the USD. [REDACTED].

2. MEASURING / MONITORING SUCCESS

<i>Overall objectives of project</i>	<i>Monitoring benchmarks</i>	<i>Implementation timing</i>
<ul style="list-style-type: none"> - Good financial and operational performance - On time project implementation 	<ul style="list-style-type: none"> - Profitability and cash flows in line with projections - Efficient procurement process - On time delivery of the investments 	<ul style="list-style-type: none"> - During implementation - As per each underlying sub-project's timeline

Transition Impact Monitoring Indicators and Benchmarks (FW)

Primary quality: Resilient						
Obj. No.	FW Monitoring Indicator	Corresponding Sub-project Monitoring Indicator	Details	Baseline (sub operation)	Target (sub operation)	Due date (sub operation)
1.1	EUR 375 million of EBRD and EUR 460 million of total infrastructure investment implemented in asset expansion or rehabilitation / upgrading of existing local infrastructure in the water and wastewater, solid waste, district heating and cooling and urban transport sectors.	Construction of a new wastewater treatment facility.	The Project will construct a new wastewater treatment facility for the benefit of residents of Amman, Zarqa, Salt, Fuheis, and Baqa'a who are not connected to the mains but have household cesspits and septic tanks.	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Sustainable funding ratio of utility service revenues (user charges and municipal or state subsidies) divided by cost of service (operating and maintenance costs) to exceed 1 (one) across all municipal infrastructure services financed by the Bank. Monitored in the year of commissioning and at least the following two years. [REDACTED].	Annual verification of the cost recovery percentage of the sector as a whole.	EBRD monitors the annual sector reporting against the sector Action Plan, including confirmation of adequate funding and cost recovery.	[REDACTED]	[REDACTED]	[REDACTED]

1.3	Aggregate additional infrastructure capacity is adequate for providing services in the refugee affected areas as established at each sub-project level.	Physical capacity of the client extended: wastewater treatment.	Increase capacity from 16,500 to 22,500 m ³ per day.	[REDACTED]	[REDACTED]	[REDACTED]
Secondary quality: Well-governed						
2.1	Introduction of private sector to infrastructure asset operations or outsourcing of support services for one in five municipal infrastructure projects financed by the Bank.	Infrastructure services transferred to private sector through performance-based arrangement.	Introduction of a two year phased O&M with the private sector and monitoring of related KPIs.	[REDACTED]	[REDACTED]	[REDACTED]
Additional Indicator						
3.1	Number of young women receiving classroom-based and on-site training/internship opportunities.	Suitable classroom-based and on-site training/internship opportunities will be provided for [REDACTED] unemployed young people during the construction phase of the project, out of which [REDACTED] will be young women.	Part of inclusive procurement contract.	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

The borrower is the GoJ. The loan agreement will be signed by MOPIC on behalf of the GoJ. The proceeds will be provided to WAJ, the Bank's implementation counterpart for the purpose of the Project.

Jordan's sovereign rating is four notches below the investment grade: S&P B+ (Outlook Stable) and Moody's B1 (Outlook Stable). These ratings reflect the country's relatively low wealth, high debt levels and the political and policy risks from regional turmoil.

The Kingdom faces immense challenges in maintaining and improving basic municipal infrastructure amidst the Syrian refugee and now the COVID-19 crises. In response to mounting fiscal pressures over the past few years, the authorities have embarked on an IMF-supported fiscal consolidation plan that was last extended in mid-2020. The Extended Fund Facility is focusing on gradual fiscal consolidation and structural reforms to promote inclusive growth, employment, reduce public debt and enhance the resilience of the Jordanian economy amid a very challenging external environment. Structural reforms focus on issues including increasing labour force participation (particularly for women and youth); reducing informality; energy and water sector sustainability and increasing public accountability.

3.2 BENEFICIARY

MWI was established in 1992, in response to the need for an integrated approach to national water management. MWI is the official body responsible for the formulation of national water strategies and policies, the monitoring of the water sector, planning and management, and procurement of financial resources. Its role also includes the provision of centralised water-related data, standardisation and consolidation of data. MWI are responsible for all investments in the water sector and have therefore overseen the implementation of numerous donor and IFI funded projects.

WAJ is a state-owned corporation under the jurisdiction of MWI. WAJ has direct responsibility for the planning, construction, operation and maintenance of water and wastewater services in Jordan and is therefore involved at the management and technical level for investments in the water sector. WAJ provides water and wastewater services directly and indirectly through its subsidiaries: 1, MWC provides services mainly in the Governorate of Amman; 2, Yarmouk Water Company provides services in the northern governorates of Jordan; and 3, Aqaba Water Company provides services in the south of Jordan.

The As Samra BOT 'Special Projects Unit' was established within WAJ in 2018 and is responsible for the management of the As Samra Wastewater Concession and all related infrastructure projects, including this Project, as well as other projects being structured on a BOT basis. The Unit reports directly to the Secretary General of WAJ⁴.

⁴ **Clarificatory note:** The unit, first established in 2003, has been known by a number of names including the Programme Management Directorate 'PMD' and the PMU, to support water sector reform measures and to provide a professional support to WAJ. Comprised of a team of qualified national and international experts, and with a focus on utility companies, this unit acts as a kind of think tank and incubator for driving and introducing technological and managerial development.

Miyahuna Water Company (MWC) is a national limited liability company wholly owned by WAJ. MWC was established in 2007 to be responsible for the provision of water and sewage services in Amman. In October 2013, the company's services were expanded to Madaba and then Zarqa in early 2015⁵. MWC is responsible for the operations of the existing septic tank facility at Ain Ghazal and will be responsible for O&M for the new facility to be constructed by this Project. The period of knowledge transfer and training provided by the private sector, focusing on the O&M of the facility, over the first two years of operations, will be for the direct benefit of WAJ and Miyahuna.

⁵ Clarificatory note: Services were also extended to Balqa in 2021.

4. MARKET CONTEXT

WAJ provides water directly and indirectly through its subsidiaries utility companies: MWC, Aqaba Water Company and Yarmouk Water Company. There is no independent regulatory authority and tariffs are set by the Cabinet of Ministers upon proposals from MWI.

Residential water and wastewater tariffs use an increasing-block system, under which users pay a higher tariff per m³ if they consume more water. The first block, corresponding to a consumption of 18m³ per quarter, is a minimum charge independent of the amount of water consumed. Water and wastewater tariffs for non-residential use (commercial and industrial users) are approximately ten to twenty times higher respectively than residential water and wastewater tariffs in the lowest consumption block.

The sector is governed primarily according to the MWI Action Plan, including the MWI Structural Benchmark Action Plan (together the “Action Plan”), which was originally endorsed in 2013 and updated in 2016 and most recently in 2020.

Historically, WAJ’s investment programmes have been financed through a combination of mainly concessional loans, domestic bonds and grants. The major external providers of grants and loans for Jordan's water and wastewater sector are Kreditanstalt für Wiederaufbau (KfW), European Investment Bank (EIB), Agence Française de Développement (AFD), United States Agency for International Development (USAID), the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development, the Abu Dhabi Fund, and the Arab Fund for Economic and Social Development. Other donors and financial institutions active in the sector include Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the United Nations (UN), the World Bank Group (WBG), and the Islamic Development Bank (IsDB). In 2018, KfW and AFD co-financed a policy support loan to the sector. [REDACTED] There is a strong cooperation between the donor agencies/IFIs and the EBRD in relation to supporting the water/wastewater in Jordan and tackling the long standing issues, including water scarcity, non-revenue water, and policy reform.

EBRD and a number of other donors have ongoing programmes with WAJ to support their capacity to respond to the Syrian refugee crisis, manage investments and involve the private sector where possible. More specifically, EBRD has mobilised a number of technical assistance initiatives to assist WAJ to build their capacity to manage private sector participation in the water sector. EBRD is working closely with WAJ and other stakeholders to ensure the complementarity of initiatives that support WAJ and the water sector’s resilience.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised A (2014 ESP). The Project involves the development of a greenfield WWTP on the outskirts of Amman for the treatment of septage collected from those parts of Amman that are not connected to the sewage network. The Project was initially categorised as B under the 2014 ESP. During a feasibility study for the Project it was determined that the WWTP would exceed the threshold for Category A wastewater treatment facilities (capacity exceeding 150,000 population equivalent). As a result, the Project was re-categorised as A and was subject to a comprehensive ESIA, which was disclosed on 19 November 2020. This ESIA has also supported the permitting process and an environmental permit has now been issued.

Septage is collected from individual septic tanks in the unsewered areas of Amman and the surrounding areas by tankers and is currently transported to a tanker drop off facility at the Ain Ghazal pre-treatment plant (“AGTP”). This facility is associated with various nuisance impacts including noise, odour and traffic, which negatively affects nearby communities. Following a feasibility study, a decision was taken to close the existing facility and establish a new WWTP designated for septage away from residential areas and adjacent to the Al Ghabawi solid waste landfill site. This closure will also alleviate pressure (reduce the very high organic load) on the existing As Samra WWTP, which treats wastewater from the AGTP.

While the Project is associated with various benefits, particularly at the AGTP site, the development and operation thereof can result in E&S impacts. These have been considered in the ESIA developed for the Project as part of a wider feasibility study and appropriate mitigation has been defined, including an E&S action plan to structure the Project in line with the EBRD’s E&S standards. A Project implementation consultant will support the Project to ensure that high E&S and technical standards are maintained and to support ESAP implementation.

Routine construction impacts, including health and safety risks, will be managed through standard mitigation measures. The Project is located in a remote area and impacts to local communities are not expected. This has been informed by a social survey, which included engagement with stakeholders. There is limited biodiversity on site and no sensitivities have been identified. The Project site is state land and there are no land users. While located next to a large operational landfill (an EBRD project), no significant cumulative impacts are expected. The Project will adopt a formal E&S management system for both construction and operation including routine testing of influent and treated effluent. The Project will be required to comply with EBRD’s labour requirements during all phases of the Project.

The WWTP will adopt a conventional activated sludge process adapted for the very high organic load with sludge treatment using aerobic digestion; it will treat wastewater to EU Urban Wastewater standards as well as Jordanian standards utilizing the latest digital systems to control and manage the site effectively and efficiently. The Project has considered various options for the disposal and/or reuse of treated wastewater. The preferred option is its reuse for landscape irrigation and agriculture in support of local farmers. The process therefore, and infrastructure requirements, is still to be determined and so the current default option is discharge to a nearby wadi which eventually flows to the Zarqa River and King Talal Dam. Treated effluent will further meet Jordanian standards for irrigation as well as emerging EU requirements for water reuse.

The Project will generate the by-product wastewater sludge, which will be dried and stored on site (capacity for 7 years). There is, at this stage, no national strategy for sludge disposal and reuse in Jordan, and sludge disposal is an issue faced by all WWTPs. A sludge management study and strategy development are, however, in progress with support from various agencies and the Project will align with any such strategy as required. Current options include disposal to landfill (the Project is located next to a landfill), reuse in agriculture/soil conditioner or thermal destruction (used as a feed stock in cement manufacture for example). Sludge will be dried and stabilised and is expected to be suitable for agricultural purposes, with associated quality testing as required by Jordanian and EU standards.

The Project has been subject to a greenhouse gas assessment. The Project results in an increase (42k t CO₂e/year) in overall GHG emissions following the closure of the existing facility. This is mainly due to the establishment of a greenfield WWTP rather than current treatment at AGTP and at the large As-Samra WWTP. The Project will establish a GHG inventory and seek improvements to reduce emissions by utilising the most efficient (energy saving) technologies. Most emissions are associated with the treatment process which is unavoidable in the conversion of a highly organic influent into a treated wastewater effluent safe for disposal.

The ESIA includes a Stakeholder Engagement Plan (SEP) and grievance mechanism. Physical stakeholder consultation meetings were conducted during the ESIA and permitting process and informed the ESIA. These meetings were also complemented with a social survey and other stakeholder interviews. A key issue raised was the cumulative effects of multiple existing and potentially future projects in the area. The Project has recognised these concerns and will be implementing measures to integrate and benefit the communities include the provision of treated wastewater for irrigation purposes. The ESIA was disclosed in late 2020. Due to Covid-19, alternative approaches to consultation were adopted including a virtual public meeting, which was attended by members of the local communities and ESD specialists. The outcome of the ESIA disclosure process was general support for the Project as long as high E&S performance is maintained.

6.2 INTEGRITY

In conjunction with OCCO, updated internal integrity due diligence was undertaken on WAJ, its senior management and other relevant parties. [REDACTED] No major concerns have been identified at WAJ itself, which has been a client of the Bank since 2016. [REDACTED].

It is further noted that the Bank's PP&Rs will apply to this Project.

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

6.3 OTHER ISSUES

Concessional Finance – the Project is benefitting from a co-investment grant of EUR 30 million from the EU NIP South, in line with the provisions made in the MR3 framework to ensure affordability of public services in the wake of the Syrian crisis.

Affordability Analysis:

The Project revenue is not sufficient to cover the operational costs [REDCATED], therefore, ensuring that the project remains affordable for the end users requires the provision of a capex grant [REDACTED].

ANNEXES TO OPERATION REPORT

ANNEX 1	Procurement Assessment and Plan
ANNEX 2	Implementation Progress of MR3 (including TQs)
ANNEX 3	WAJ Financial Analysis

ANNEX 1 – PROJECT IMPLEMENTATION

Procurement classification – *Public sovereign*

[REDACTED] The Beneficiary has previous experience in implementation of the EBRD and international donor’s financed project. So, to facilitate the implementation process WAJ will be supported by experienced procurement consultants who will assist with tendering procedures. WAJ will be also supported with reputable supervision engineer, who will assist with construction supervision under FIDIC contract terms.

Contracts risk assessment – High

The Project will include contract for Design, and build *Construction of a new wastewater facility at Al Ghabawi (including phased O&M)*, and the contract type is FIDIC for Design & Build “yellow Book” version 1999. The contract risk is high.

Project implementation arrangements:

The WAJ’s PIU will be responsible for overall project implementation, including procurement of goods, works and services and monitoring of contracts performance and supervision. The PIU is staffed by experienced professional staff allocated for day-to-day work together with the consultants. To procure works contract, implementation consultant, and Sludge analysis study, WAJ will be assisted by Procurement Support, and Tender Preparation consultant, who has been already hired by the Bank. During implementation phase PIU will be supported by Supervision Engineer and Implementation, Environmental and Social and Health and Safety Support consultant.

Procurement arrangements:

The Project is classified as a public sector operation for procurement purposes. The Works contract financed from the Bank's loan and grants will be procured using Two- stage open tendering procedure in accordance with Section 3 of the PP&R for the Public Sector and will use the Bank's Standard Tender Documents.

All contracts procured under PP&R will be subject to prior review by the Bank. All consultancy contracts financed by donors will be procured in accordance with PP&R Section 5 or donor’s procurement procedures.

Both loan and grant funds are disbursed directly to contractors from EBRD.

Additional information:

The construction of the facility contract will include additional 2 years for O&M. WAJ asked to benefit from “Advance Contracting” and start the tendering process. [REDACTED].

ANNEX 2 – IMPLEMENTATION PROGRESS OF MUNICIPAL RESILIENCE REFUGEE RESPONSE FRAMEWORK (“MR3”)

The Board initially approved MR3 on 20 July 2016 and a time extension was later approved in late 2018. The MR3 framework is primarily a crisis response instrument designed to relieve the local infrastructure pressures in the regions most affected by the Syrian refugees in Turkey and Jordan. By improving the quantity and quality of infrastructure services, it is expected that both the host communities and the refugees will benefit from improved access to infrastructure. The sub-projects have suffered from delays, primarily due to the procurement capacity within EBRD clients and also linked to the availability of capex grants.

1. List of sub-projects done (signed / Board approved) under the framework.

<u>no</u>	<u>Sub-Project name</u>	<u>Approval date</u> [*]	<u>CCY/amount Board approved (EUR m)</u>	<u>Signed amount (EUR m)</u>	<u>Amount cancelled (EUR m)</u>	<u>Disbursed (EUR m)</u>	<u>Progress of the sub -project</u>
<u>1</u>	47762 - MR3: Jordan Water Pumping Stations	20-Jul-16	€ 0.00	[REDACTED]	[REDACTED]	[REDACTED]	Implementation ongoing [REDACTED]
<u>2</u>	47767 - MR3: Ain Ghazal Wastewater Project	22-Nov-16	€ 22.50	[REDACTED]	[REDACTED]	[REDACTED]	Implementation delayed but [REDACTED] ongoing
<u>3</u>	48496 - MR3: West Irbid Wastewater Project	31-Oct-17	€ 25.00	[REDACTED]	[REDACTED]	[REDACTED]	Implementation ongoing [REDACTED]
<u>4</u>	48651 - MR3: Gaziantep CNG Buses Project II	20-Jul-16	€ 5.00	[REDACTED]	[REDACTED]	[REDACTED]	Implementation was completed in Q4 2019
<u>5</u>	49145 - MR3: Hatay Water Subproject	26-Apr-18	€ 27.00	[REDACTED]	[REDACTED]	[REDACTED]	Implementation to be completed in 2022
<u>6</u>	50488 - MR3: GAM Lagoon Remediation	12-Nov-19	€ 49.00	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]. First disbursement expected [REDACTED]
<u>7</u>	51773 - MR3: Amman Bus Project	15-Dec-20	€ 12.60	[REDACTED]	[REDACTED]	[REDACTED]	Implementation ongoing [REDACTED]
<u>8</u>	47981 - MR3: GAM Solid Waste Crisis Response	04-May-16	€ 48.80	[REDACTED]	[REDACTED]	[REDACTED]	Fully disbursed
<u>9</u>	49347 - MR3: GAM SW CR - Cell 5	04-May-16	€ 3.80	[REDACTED]	[REDACTED]	[REDACTED]	Fully disbursed [REDACTED]
<u>10</u>	49775 - MR3: GAM SW CR - Equipment	15-Dec-17	€ 12.10	[REDACTED]	[REDACTED]	[REDACTED]	Fully disbursed [REDACTED]

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<u>11</u>	50354 - MR3: GAM SW CR - LFG Expansion	28-Sep-18	€ 3.80	[REDACTED]	[REDACTED]	[REDACTED]	Project currently operational [REDACTED]
<u>12</u>	51044 - MR3: GAM Solid Waste Crisis Response - Al Shaer WTS	08-Nov-19	€ 3.10	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>13</u>	51456 - MR3: GAM Solid Waste Crisis Response - Sweepers	08-Nov-19	€ 2.90	[REDACTED]	[REDACTED]	[REDACTED]	Fully disbursed [REDACTED]

[REDACTED]

2. Performance of TI benchmarks:

<i>Transition Impact Monitoring Indicators and Benchmarks (FW)</i>						
	Obj. No.	Framework Monitoring Indicator	Details	Baseline (FW)	Target (FW)	Due date (FW)
Quality 1 Increase the quantity of infrastructure assets and the quality of infrastructure service provision (water and wastewater, solid waste and urban transport) in a sustainable manner; and financial sustainability	[REDACTED]	[REDACTED] Total infrastructure investment implemented in asset expansion or rehabilitation/ upgrading of existing local infrastructure in the water and wastewater, solid waste, district heating and cooling and urban transport sectors [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Quality 2 Framework for markets and improvement in governance	[REDACTED]	Sustainable funding - ratio of utility service revenues [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	Introduction of Public Service Contracts or formalised KPIs for the improvement of municipal services [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Quality 3 Private sector participation	[REDACTED]	Introduction of private sector to infrastructure asset operations or outsourcing of support services [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The framework is primarily a crisis response instrument designed to relieve the local infrastructure pressures in the regions most affected by the Syrian refugees in Turkey and Jordan. By improving the quantity and quality of infrastructure services, it is expected that both the host communities and the refugees will benefit from improved access to infrastructure.

Transition impact will derive from improvements in the financial sustainability of the utility services (through multi-year budget allocations for operations or tariff reforms when feasible), improvements in governance (PSCs or KPIs for utility services) and private sector participation in specific cases.

Four years after Board approval, seven projects have been signed - two wastewater projects and one solid waste project in Jordan and a bus project and a water project in Turkey. Under the GAM Solid Waste Crisis Response Programme, six projects under tranche II have been signed.

EPG notes that the FW implementation pipeline heavily depends on availability of capex grants from the EU and bilateral donors. FW funds utilisation remains dependant on donor support for the FW pipeline projects. The Teams in both countries are working to mobilise locally sourced donor funding as well as EU and SSF funds.

In terms of transition impact, there have been (i) improvements in the financial sustainability for the Hatay [REDACTED] and Gaziantep [REDACTED] projects, (ii) improvements in governance with three out of five projects having established Public Service Contracts or formalised KPIs, and (iii) private sector participation in Hatay and Gaziantep (several outsourcing contracts including cleaning, security, personnel transportation and catering).

ANNEX 3 – FINANCIAL ANALYSIS SUMMARY

[REDACTED]