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# AMMAN WATER MANAGEMENT/ COMMERCIALIZATION ASSESSMENT

PHASE TWO REPORT: FEASIBILITY ANALYSIS OF NEW  
COMPANY

Volume 2\* - Annexes

JULY 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by SEGURA/IP3 Partners LLC under the SEGIR Privatization II Indefinite Quantity Contract No. AFP-I-00-03-00035-00, Task Order No. 539.

\* The Main Text is in Volume 1.

## Acknowledgments

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## DISCLAIMER

In preparing this report, the authors relied on information and data supplied by officials of the Government of Jordan and LEMA; the authors have not independently verified this information and data.

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## Acronyms

AIC	Average incremental cost
ASEZ	Aqaba Special Economic Zone
ASEZA	Aqaba Special Economic Zone Authority
AWC	Aqaba Water Company
BOT	Build Operate and Transfer
CAPEX	Capital Expenditure Program (also referred to as CIP)
CIP	Capital Investment Program
DBO	Design Build and Operate
DZ	District zones
FAS	Financial Accounting System
GAM	Greater Amman Municipality
GIS	Geographic Information Systems
HR	Human Resources
IT	Information technology
JD	Jordanian Dinar
JVA	Jordan Valley Authority
LEMA	Suez Lyonnaise, Montgomery Watson Arabtech. Private Consortium in charge of management contract in Amman
MCC	Mixed Capital Company
MIS	Management Information Systems
MOL	Ministry of Labor
MWI	Ministry of Water and Irrigation
NEWCO	New Company
NRW	Non revenue water
O&M	Operations and maintenance
OPEX	Operation and Maintenance Expenditure Program
PDT	Project Development Team
PSP	Private Sector Participation
QIZ	Qualified Industrial Zone (industrial parks)
UFW	Unaccounted for water
SCADA	Supervisory Control and Data Acquisition
USAID	United States Agency for International Development
WAJ	Water Authority of Jordan

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## Units

km <sup>2</sup>	Square kilometer
Kw-h	Kilowatt-hour
lcd	Liters/capita per day
Mm <sup>3</sup>	Million cubic meters
mm <sup>3</sup> /year	Million cubic meters per year
24/7	24 hours/seven days per week

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## Currency equivalents (2006)

1 JD	= 1.43 US\$ dollars
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## **ANNEX 1A**

### **MEMORANDUM OF UNDERSTANDING**

**Among:**

**The Ministry of Water and Irrigation,**

**The Water Authority of Jordan**

**and**

**The United States Agency for International Development**

#### **Preamble**

**WHEREAS** the Ministry of Water and Irrigation (“MWI”) and the Water Authority of Jordan (“WAJ”) are responsible for the water supply and wastewater services in the Hashemite Kingdom of Jordan (“Kingdom”) pursuant to the Water Authority of Jordan Law (“WAJ Law”) and the regulations and instructions issued pursuant thereto; and

**WHEREAS** the current contract with LEMA for the management of water and wastewater services in the Amman Service Area (“the Management Contract”) is by its terms set to expire on December 31, 2006; and

**WHEREAS** the United States Agency for International Development (“USAID”), through its Water Resources and Environment Office, is supporting MWI and WAJ in forming a new company (“the Company”) to manage the water supply and wastewater services in the Service Area as defined below; and

**WHEREAS** MWI, WAJ, and USAID (collectively, “the Parties”) express their willingness to work together to achieve the Jordanian Government’s objectives for improving the living conditions of Jordanian citizens by increasing the volume, quality, and reliability of water supply and expanding the coverage and quality of wastewater services; and

**WHEREAS** the Parties express their interest in increasing water conservation efforts in the Kingdom; and

**WHEREAS** MWI and WAJ intend to establish the Company to provide water supply and wastewater services in the Service Area as defined below, with the intent that the Company shall be operated as a financially viable, self-sustaining entity, under modern commercial principles; and

**WHEREAS** the Parties intend to exert their best efforts to establish the Company according to the schedule set out in Annex 1, attached hereto;

**NOW, THEREFORE, the Parties hereby agree as follows:**

**Article (1) – Title**

This memorandum shall be known as the Memorandum of Understanding (“MOU”) among MWI, WAJ, and USAID. Upon the execution of this MOU, MWI and WAJ shall inform the Council of Ministers, in writing, of their intention of concluding an assignment agreement and other agreements, as may be necessary or convenient in order to establish the Company described below.

**Article (2) – Definitions**

Unless the context indicates otherwise, wherever used herein the following words and phrases shall have the meanings set forth below.

Assignment Agreement	The agreement to be signed by WAJ and the Company and approved by the Council of Ministers in accordance with Article (28) of the WAJ Law to assign rights and responsibilities for the provision of water and wastewater services.
Bulk Water	The water purchased by the Company from WAJ at different delivery points including wells, transmission lines, canals, and other aqueducts.
Bulk Water Charge	The amounts charged by WAJ representing all costs incurred in the provision of Bulk Water including, but not limited to, water prices, extraction costs, pumping costs, transmission costs, and all other operating, maintenance, and capital costs.
Consultants	SEGURA/IP3 Partners LLC executing the Task Order No. 539: Amman Water Management and Commercialization Assessment. The Task Order is executed under a contract between the Consultants and USAID under the Privatization Indefinite Quantity Contract II.
Feasibility Study	Study to be carried out by the Consultant for MWI and WAJ to determine the details of the Company formation and its implementation.
Jordan Valley Authority or JVA	An agency of the Government of Jordan incorporated into the MWI to develop the Jordan Valley and the area south of the Dead Sea.
LEMA	The Private Consortium of Suez Lyonnaise des Eaux and Montgomery Watson Arabtech Jardaneh, currently in charge of the Management Contract in Amman.

Program Management Unit or PMU	Established within WAJ to monitor the LEMA Management Contract, the As-Samra BOT Project, the Northern Governorates Management Contract, the Madaba Micro PSP billing and collection system, the Aqaba Water Company, and oversee the capital investment program for the Amman area.
Ministry or MWI	The Ministry of Water and Irrigation.
Service Area	The geographical area of the Amman Governorate and the current LEMA service area that extends beyond the Amman Governorate and other areas that may be included and provided by the Company with water and wastewater services as delineated in the Assignment Agreement and as it may from time to time be amended.
Start-Up Project	A project to be implemented by the Company to further support the achievement of significant service improvements in the Service Area during the initial years of the Company's operations, as more fully described in Article (20) herein.
The Company	A limited liability company to be formed to provide water and wastewater services in the Service Area in accordance with the Assignment Agreement and the WAJ Law.
WAJ Law	The Water Authority of Jordan Law currently in force and effect.
Water Authority of Jordan or WAJ	The Authority established under the WAJ Law.

### **Article (3) - Applicability**

This MOU shall apply to all matters related to the operation, maintenance, and expansion of the water supply and wastewater collection, treatment, and re-use in the Service Area.

### **Article (4) - Formation of the Company**

The Management Board of WAJ has approved the formation of a limited liability company ("the Company") and WAJ's contribution to the Company's capital in the form of in-kind contributions of certain movable assets (i.e., vehicles, furniture and equipment). Movable assets transferred to the Company will be valued as indicated in the asset inventory transferred from LEMA to WAJ prior to the conclusion of the Management Contract and designated as part of the Company's capital. WAJ shall remain the owner of all currently existing fixed assets of the water and wastewater infrastructure and real estate property.

## **Article (5) - Working Capital**

WAJ shall provide the Company with the initial working capital required for the Company to commence operations. The amount and conditions of payment of said working capital and its repayment shall be determined by the parties to the Assignment Agreement taking into account the recommendations of the Feasibility Study.

## **Article (6) - Binding Effect of Future Agreements**

a) The Parties acknowledge that this MOU reflects the intentions of the Parties as regards the drafting of binding documents, including the Assignment Agreement, and other documents as may be required to form, register, and empower the Company to discharge its responsibilities. The Parties shall exert their best efforts to accomplish the establishment of the Company, pursuant to the principles set forth herein.

b) It is understood that this MOU does not constitute an obligation on the part of any Party to provide funding for the activities described herein and that such funding will be, or has been, obligated under separate agreements subject to the availability of funds.

## **Article (7) - Formation and Ownership of the Company**

a) Shares. The Company's ownership structure shall be agreed upon by WAJ and other potential public and private partners, if any, based on the recommendations of the Feasibility Study.

b) Management Committee. The number and allocation of seats on the Company's Management Committee (the "Management Committee") shall be determined by WAJ and other potential partners pursuant to the provisions of the Companies Law.

c) Articles and Memorandum of Association. The Consultants shall prepare an initial draft of the Company's Articles and Memorandum of Association. MWI and WAJ and other parties associated with the development of the Company shall review and comment on the drafts.

## **Article (8) – Identification and Transfer of Assets**

a) Assets Inventory. MWI and WAJ, with the assistance of the Consultants, will implement the following steps to identify the assets to be entrusted by WAJ to the Company to enable the Company to provide the services described herein.

1. Register. As part of the handover process at the conclusion of the present LEMA Management Contract, MWI/WAJ shall prepare a register of existing fixed and movable assets to be relinquished by LEMA.

2. Development Rights. Within the provisions of Article (4), above, WAJ shall convey to the Company the right to manage the water and wastewater network and the water and wastewater treatment facilities in the Service Area. WAJ shall commission the Company to plan,

develop, and execute future water transmission and distribution networks and wastewater collection networks. It is understood that the Assignment Agreement shall require the Company to (a) provide the water and wastewater treatment services within the Service Area, and (b) undertake future developments within the Service Area to meet the needs of natural growth of the population, subject to the WAJ Law and the Assignment Agreement, as it may be amended from time to time. The Assignment Agreement shall also provide that the Company may contract with WAJ to provide water and wastewater treatment services outside the Service Area so long as doing so is financially feasible for the Company and follows relevant competitive bidding procedures.

b) Mechanisms of Transfer. WAJ will entrust all fixed assets mentioned in Article (8) (a) (1), above, to the Company to operate and maintain them as defined in the Assignment Agreement and as required by the WAJ Law, Article (28) (A).

### **Article (9) – Revenue-Collection Rights**

In accordance with Article (28) (B) of the WAJ Law, the Company's employees shall be vested with all powers currently possessed by WAJ employees, including, but not limited to, all powers necessary to issue bills for the provision of all services, including the sale and distribution of water; collect and treat wastewater; connect new customers; disconnect customers from the Company's network; and collect all revenues due and owing for such services. The Company shall retain the sole right to use such funds as it may collect in the ordinary course of business to perform and improve the services that it is authorized to perform. The Feasibility Study will analyze all official charges that have an impact on the finances of the Company, including, but not limited to, connection fees, dues for services, and three percent (3%) contribution for sewerage services on properties' rental value that is currently assigned to WAJ, and present recommendations relating thereto.

### **Article (10) – Operational Responsibilities**

Subject to exceptions specified in the Feasibility Study, the Company shall be responsible to operate all assets and cover operating costs of all the systems under its responsibility including water production, water treatment, water distribution, wastewater collection, wastewater treatment, and all other associated operating costs. In addition, the Company shall be responsible for payment to WAJ for the Bulk Water Charges and fees associated with wastewater treatment.

### **Article (11) – Maintenance Responsibilities**

The Company shall be responsible for all preventive and routine maintenance of all assets under its management, including those assets entrusted to the Company by WAJ. The Company shall implement an Asset Management Plan that shall include a detailed registry of fixed and movable assets including date of purchase, condition, current depreciated value, economic life, maintenance schedule, and date of replacement. The Feasibility Study shall include recommendations for the development and implementation of the Asset Management Plan.

## **Article (12) – Capital Investment Responsibilities**

a) Capital Investment Program. The Company shall develop a five (5) – to - ten (10)-year Capital Investment Program (“CIP”) for the provision of services in the Service Area. The Company’s Management Committee shall review and update the CIP every year and, as part of the budget discussion, discuss the CIP’s major capital expenses with WAJ.

b) Capital Investment Execution. The Company shall be in charge of the execution of capital investment programs related to the water and wastewater networks with asset renewal programs, rehabilitating and upgrading these systems, and expanding services to cover anticipated growth of the population. In addition, it is intended that the costs of investments performed by the Company for development in new areas within the Service Area should be borne by any future real-estate construction or urban developer through fees established by the Company. Alternatively, a developer may perform such development activities through classified contractors; provided, however, that design and installation are approved by the Company. The Feasibility Study will make recommendations on the fees to be charged by the Company.

## **Article (13) – Major Capital Expenses**

WAJ shall be responsible for major capital expenses in the Service Area, to be defined in the Assignment Agreement, and shall include, but not be limited to, the following tasks:

- a) Comprehensive restructuring of the water and wastewater networks as needed.
- b) Provision of water and wastewater treatment facilities necessary for the long-term development of the Service Area.
- c) Construction of major facilities for water and wastewater projects within the Service Area.
- d) Transport of Bulk Water supply to areas outside the Service Area.

The Feasibility Study shall recommend criteria to more explicitly determine what constitutes major capital expenses. The Assignment Agreement and other agreements shall establish a mechanism to ensure that funds are available for major capital investment requirements when needed, as determined in the approved business plan; such agreements shall bind MWI and WAJ.

## **Article (14) – Capitalization of Fixed and Movable Assets**

Fixed assets transferred to the Company for management shall not form part of its capital. All new assets (fixed and movable) purchased by the Company shall remain part of the Company’s capital with the corresponding depreciation provisions.

### **Article (15) – Business Plan**

The Company shall approve an annual business plan with a comprehensive and systematic approach to achieve objectives such as improved water services, extended hours of service, and reduced unaccounted-for water. The Company will also improve overall performance and monitor the levels of service and organizational performance. In the business plan, the Company will prepare and periodically update a long-range development plan.

### **Article (16) – Project Development Team**

The formation process of the Company is guided by the Project Development Team (“PDT”), comprised of representatives from MWI, WAJ, the Program Management Unit, the Jordan Valley Authority, USAID, and the Consultants. The PDT shall continue to operate as per its original mandate until it has fulfilled its mission. MWI, WAJ, and USAID shall periodically review the composition of the PDT and agree on adjustments, as necessary.

### **Article (17) – Surplus Cash Flow**

Any cash surplus generated by the Company’s operations shall be retained by the Company to be used to finance system improvements, including capital improvement projects and all CIP expenses. Any surpluses generated by the Company in excess of funds necessary to finance system improvements, capital improvement project requirements, and CIP expenses will be distributed based on the decision of the Management Committee. The portion of such cash surplus that may be distributed to WAJ shall be given the priority for reinvestment in the Company’s current and future major CIP projects as needed.

### **Article (18) – Personnel System**

It is intended that the Company’s new management structure shall operate under internal procedures governing personnel issues. The Feasibility Study shall include analysis and recommendations on how to unify and improve the Company’s personnel system.

### **Article (19) – Bulk Water Supply and Wastewater Treatment**

In the Assignment Agreement, terms will be specified for the delivery of Bulk Water and for the treatment and final disposition of wastewater. This will include the As-Samra and other wastewater treatment plants being built or those to be built by WAJ outside the Service Area to serve the Service Area.

### **Article (20) – Start-Up Project**

Not later than October 31, 2006, MWI and WAJ, with the assistance of the Consultants, shall formulate a plan to improve operational conditions which ensure continued service and reduce water losses. This plan, which will be described in the Feasibility Study, will constitute the basis of the Start-Up Project. While it is understood that the financial viability of the Company will not depend on the Start-Up Project, it will nonetheless help to rapidly increase the quality of

services during the Company's early years. Together with WAJ, the Company shall present to the Cabinet and the donor community a request for funding the Start-Up Project.

#### **Article (21) – Technical Assistance Program**

USAID intends to provide initial support to the Company in the form of technical assistance on organizational, institutional, financial, and technical matters, for a period of one (1) year following official commencement of full operation of the Company. The full operation commencement date shall be mutually agreed upon by USAID, WAJ, and MWI.

#### **Article (22) - Regulatory Matters**

a) Performance Standards. Performance standards for quality, quantity, and timeliness of services shall be prescribed in the Assignment Agreement and, at a minimum, be in compliance with the law and current practice. The PMU shall be responsible for monitoring and enforcing this compliance. The Company's Management Committee shall retain an auditor to audit the Company's finances.

b) Bulk Water Charges and Water and Wastewater Tariff Rates. The Parties agree that the standards of service (quality and coverage) shall not be lowered from their current levels. Therefore, the Company's business plans and budgets shall include a discussion of, and agreement on, the adjustment methods of Bulk Water Charges which are required to meet the performance standards. Based on recommendations provided by Consultants, MWI and WAJ shall recommend to the Cabinet ways to improve tariff-setting so as to promote better targets for subsidies and water conservation.

#### **Article (23) - Environmental Standards**

MWI, WAJ, the Ministry of Health, and other public bodies have each established environmental standards. The Company shall adhere to all national water-related environmental laws and regulations. MWI and WAJ shall ensure that the Company's revenue levels are sufficient to finance the costs related to meeting environmental standards. The Company shall submit to WAJ suggestions that the Company may have regarding tariffs. WAJ, in turn, shall submit to the Council of Ministers WAJ's suggestions on tariffs, taking into account the Company's suggestions. If the tariff levels required to meet such standards are not approved by the Council of Ministers, MWI and WAJ shall consider alternatives which will allow the Company to meet such standards.

#### **Article (24) – Income Tax Exemption**

MWI and WAJ collectively agree that the Company shall apply to the appropriate authorities for exemption from income taxes. If necessary, MWI and WAJ shall supply appropriate documentation to facilitate this application process.

**Article (25) – Effective Date of MOU**

This Memorandum of Understanding shall become effective when signed by the Parties.

Dated: \_\_\_\_\_

\_\_\_\_\_  
The Ministry of Water and Irrigation  
By the Minister of Water and Irrigation

Dated: \_\_\_\_\_

\_\_\_\_\_  
The Water Authority of Jordan  
By the Secretary General

Dated: \_\_\_\_\_

\_\_\_\_\_  
The United States Agency for International  
Development  
By USAID/Jordan Mission Director

**Amman Water and Wastewater Operations  
and Maintenance Company LLC**

**Project Implementation  
January 2006-January 2007\***

**Implementation Phases 2 and 3**

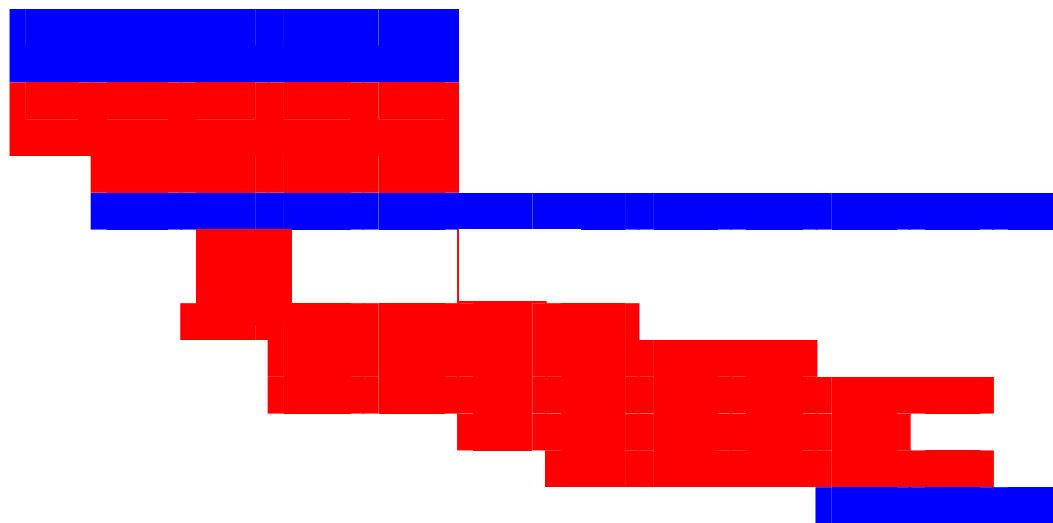
**Calendar year 2006**

**07**

**Main activity**

Jan Feb Mar Apr May June July Aug Sept Oct Nov Dec Jan

- 1. Preparatory process. Feasibility**  
Legal, technical, HR, etc  
Start-up project
- 2. Implementation**  
Memorandum of understanding  
Legal  
Organization and HR  
Financial  
Technical  
Creation of NEWCO
- 3. Transition**
- 4. Start date for NEWCO**



\* Phase One Report: Comparative Evaluation and Recommended Organizational Model, January 2006.

## ANNEX 1B

### NEWCO DRAFT ARTICLES OF ASSOCIATION

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<b>Article 10</b>	<b>Date of Operations</b>

The signatories hereto wish to establish a Limited Liability Company under the Companies Law, Number 22 of 1997 of the Hashemite Kingdom of Jordan, as issued, in force and effect and amended from time to time (“Companies Law”), in pursuance of these Articles of Association.

### **Article 1      Name of Company**

The name of the Company is the NEWCO WLL (“Company”).

### **Article 2      Main Objectives and Powers of Company**

Subject at all times to the laws of the Hashemite Kingdom of Jordan (“Kingdom”) and the Company’s Memorandum of Association, the main objectives and powers of the Company are to:

- ***Article 2.1 Provision of Water***
- ***Article 2.1.1      Obtaining Water Resources***

Obtain a sufficient quantity and quality of water on the most cost effective basis to satisfy demands of consumers in the Greater Amman area in a timely, transparent, cost-effective, consistently reliable, and readily accessible manner.

- ***Article 2.1.2      Storage and Distribution of Water Resources***

Own (or have authority to use), design, develop, construct, maintain, operate, and manage those assets and that infrastructure to such standards of international best practices necessary to efficiently and effectively extract, store, preserve, protect, pump, transmit, and otherwise distribute water of sufficient quality and quantity to satisfy the demands of consumers in the Greater Amman area in a timely, transparent, cost effective, consistently reliable, and readily accessible manner.

- **Article 2.1.3**      **Disposition of Water**

Sell, deliver, and otherwise dispose of water in the Greater Amman area and other areas as may be assigned to the Company from time to time in pursuit of Article 2.1.1 and Article 2.1.2 herein.

- **Article 2.2 Provision of Wastewater Services**

- **Article 2.2.1**      **Dealing with Wastewater**

Own (or have authority to use), design, develop, construct, maintain, operate, and manage those assets and that infrastructure to such standards of international best practices necessary to efficiently and effectively collect, store, process, treat, purify, pump, recycle, reclaim, transmit, distribute, discharge, dispose of and otherwise deal with wastewater generated by consumers in the Greater Amman area, including treated water, any sludge and other waste arising therefrom, in a timely, transparent, cost-effective, consistently reliable and readily accessible manner; and to have the same rights as to any similar activities elsewhere in Jordan that it may undertake from time to time .

- **Article 2.2.2**      **Disposition of Wastewater**

Charge a fee or such other applicable charges to deal with wastewater as contemplated by Article 2.2.1 herein and the right to sell, deliver, or otherwise dispose of treated wastewater; and to have the same rights as to any similar activities elsewhere in Jordan that it may undertake from time to time.

- **Article 2.3 Promotion of Water and Wastewater Practices**

Promote efficient and effective use of water resources, disposal of wastewater, and use of treated wastewater by consumers in the Greater Amman area and other areas assigned to the Company from time to time, through means which may include, *inter alia*, public education and appropriate cost-recovery mechanisms as authorized by applicable law and any other relevant legal documents.

- **Article 2.4 Returns**

Earn a market-related return on equity customary to the water and wastewater industries, as benchmarked against international best practices, for the Company's shareholders.

### **Article 3**      **Additional Objectives and Powers of Company**

Subject at all times to:

Applicable law;

The Company's Memorandum of Association; and

Any other relevant documents,

the Company may, in the reasonable pursuit of those main objectives contemplated by Articles 2.1 through 2.4 herein, undertake the following additional objectives and powers:

- ***Article 3.1 Tangible Property***

- ***Article 3.1.1 Object and Powers***

Buy, own, manage, lease, sublease, use, possess, keep, maintain, assume or otherwise control in any manner or form whatsoever or sell, lease out, sublease out, assign, exchange, allocate, encumber, deal, demise, dispose of or otherwise alienate in any manner or form whatsoever any works, names, goodwill, stocks, shares, assets, moveable property or immoveable property, including but not limited to land, buildings, chattels, fixtures, plant, machinery and equipment, or any other property of any nature whatsoever.

- ***Article 3.1.2 Limitations***

Any acquisition of any land contemplated by Article 3.1.1 herein shall be conducted to advance the main objectives of the Company and shall not be conducted at any time whatsoever for the purpose of trading therein.

- ***Article 3.2 Intangible Property***

Buy, own, manage, lease, sublease, use, possess, keep, maintain, assume, or otherwise control in any manner or form whatsoever or sell, lease out, sublease out, assign, exchange, allocate, encumber, deal, demise, dispose of or otherwise dispose of in any manner or form whatsoever any intellectual property, whether inside or outside of the Kingdom, including but not limited to patents, licenses, copyrights, trade marks and industrial licenses, as well as extend any terms or rights or invest in or make improvements to the same.

- ***Article 3.3 Third Party Associations***

Enter into any scheme, arrangement, association, strategic alliance, partnership, transaction, or any other relationship with any third party which advances the main objectives of the Company.

- ***Article 3.4 Import or Export of Goods and Services***

Import or export those goods and services reasonably required to advance the objectives of the Company.

- ***Article 3.5 Financial Matters***

- ***Article 3.5.1 Proceeds***

Dispose of any money not immediately required by the Company by investing such money in interest-bearing saving accounts with reputable financial institutions in the Kingdom or by purchasing bonds or other investment instruments underwritten by a sovereign guarantee of the Kingdom.

- **Article 3.5.2**      ***Borrowing Powers***

Borrow any money as reasonably required to advance the main objectives of the Company, subject to those terms of the Company's Memorandum of Association related to the same.

- **Article 3.5.3**      ***Financial Management***

Open, manage, and close any bank accounts at reputable financial institutions and otherwise engage in such transactions customary to such accounts, such as the deposit and withdraw of money, to facilitate realization of the Company's objectives.

- **Article 3.6** ***Contracting Powers***

Enter into any contract or other agreement with any party which advances the main objectives of the Company.

- **Article 3.7** ***General Powers***

Perform those activities that advance the Company's main and secondary objectives as enumerated herein.

#### **Article 4**      **Headquarters of the Company**

The headquarters of the Company shall be, at all times, and located in the Greater Amman area, in the Kingdom.

#### **Article 5**      **Capital of Company**

- **Article 5.1** ***Authorized Capital***

The capital of the Company consists of thirty thousand (30,000) shares with a par value of One Jordanian Dinar (JOD 1.000) each.

- **Article 5.2** ***Conditions of Capital***

The capital of the Company is subject to those terms and conditions related to the same as set out in the Company's Memorandum of Association.

## **Article 6 Subscription for Capital of Company**

### **• Article 6.1 Subscription**

The signatories hereto agree to take the number of shares in the Company set opposite their respective names. Payment of capital shall be in accordance with the Companies Law:

<b>Name</b>	<b>Address</b>	<b>Nationality</b>	<b>No. of Shares</b>	<b>% of Capital</b>
Water Authority of Jordan	Post Office Box 2412 Amman 11183 Jordan	Jordanian	27,000	90%
Greater Amman Municipality	Amman, Jordan	Jordanian	3,000	10%
<b>TOTAL SHARES TAKEN</b>			<b>30,000</b>	<b>100%</b>

### **• Article 6.2 Capital Contributions**

In consideration of their receipt of those shares in the Company contemplated by Article 6.1 herein, the signatories hereto agree to contribute to the Company the following:

(a) WAJ

The amount of twenty seven thousand Jordanian Dinars (JOD 27,000.000) representing a par value of One Jordanian Dinar (JOD 1.000) per share; and

(b) Partner (to be defined)

The amount of three thousand Jordanian Dinars (JOD 3,000.000) representing a par value of One Jordanian Dinar (JOD 1.000) per share.

## **Article 7 Liability of Shareholders in Company**

Pursuant to Article 53 of the Companies Law, the responsibility of each party hereto concerning the Company's debts, obligations, and losses is limited to the value of its shareholding in the Company's capital.

## **Article 8 Duration of Company**

Subject at all times to any applicable law and any applicable contract, the Company shall exist for an unlimited period of time commencing on its Date of Commencement.

## **Article 9 Date of Commencement of Company**

For the purposes of complying with the Companies Law, the Company shall commence its operations ("Date of Commencement") on the date on which the last of the following conditions precedent are satisfied:

The date of its registration;

Obtaining of its Certificate of Registration; and

Submission to the Controller of a certificate showing the person or persons authorized to sign on its behalf.

**Article 10 Date of Operations**

Notwithstanding realization of any Date of Commencement, the Company shall not commence any operations other than internal structuring until realization of the Effective Date of Assignment Agreement between the Water Authority of Jordan and the Company.

**DATED** at Amman, Hashemite Kingdom of Jordan, this \_\_\_ day of December, 2006.

ON BEHALF OF  
THE WATER AUTHORITY  
OF JORDAN:

ON BEHALF OF  
PARTNER XXX:

\_\_\_\_\_  
Duly Authorized Signatory

Name:  
Title:

\_\_\_\_\_  
Duly Authorized Signatory

Name:  
Title:

WITNESS:

\_\_\_\_\_  
Signature

Name:  
Title:

\_\_\_\_\_  
Signature

Name:  
Title:

# ANNEX 1C

## NEWCO DRAFT MEMORANDUM OF ASSOCIATION

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**MEMORANDUM OF ASSOCIATION OF**  
**COMPANY**  
**(With Limited Liability)**

**PART 1 – DEFINITIONS AND INTERPRETATION**

**1. DEFINITIONS**

• ***1.1 Companies Law Definitions***

Unless otherwise defined without conflict herein, definitions in the Companies Law apply to this Memorandum.

• ***1.2 Definitions of this Agreement***

Unless context or the Companies Law otherwise require, the following capitalized words and expressions have the meanings assigned hereunder wherever used in this Memorandum:

“Annual Meeting”	Any annual meeting of the General Assembly of the Company as contemplated by the Companies Law or herein.
“Applicable Laws”	The laws, regulations, rules, and any other instruments having the force of law in the Kingdom, as issued, in force and effect and amended from time to time.
“Articles”	The Company’s Articles of Association, or any part thereof, including, but not limited to, any and all schedules, appendices and attachments thereto, as any may be replaced, extended, restated, or otherwise amended from time to time pursuant to the terms and conditions therein.
“Authenticated Certificate”	Any authenticated certificate of the Controller as provided for by the Companies Law.
“Chair”	The chair of the Management Committee.
“Controller”	The Companies Controller as defined in the Companies Law

“Companies Law”	The Companies Law, Number 22 of 1997, of the Kingdom, as issued, in force and effect and amended from time to time.
“Company”	Company WLL.
“Deputy Chair”	The deputy chair of the Management Committee.
“Extraordinary Meeting”	Any extraordinary meeting of the General Assembly as contemplated by the Companies Law or herein.
“Extraordinary Resolution”	Any resolution of the General Assembly passed by any vote held at any Extraordinary Meeting as contemplated herein.
“General Assembly”	All the Shareholders.
“Kingdom”	The Hashemite Kingdom of Jordan.
“Management Committee”	The management committee of the Company as contemplated by the Companies Law and herein.
“Member”	Any member of the Management Committee of the Company appointed pursuant to this Memorandum.
“Memorandum”	This Memorandum of Association, or any part thereof, including, but not limited to, any and all schedules, appendices, and attachments hereto, as any may be replaced, extended, restated, or otherwise amended from time to time pursuant to the terms and conditions herein.
“MWI”	The Ministry of Water and Irrigation of the Kingdom as duly constituted by the Government of the Kingdom.
“Officer”	Any person exercising any significant senior management responsibility on behalf of the Company and appointed as an officer of the Company as contemplated herein.
“Partner XXX”	[Partner to be selected]
“Qualified Investment	

Instrument”	Any investment fully underwritten by the Government of the Kingdom which guarantees the preservation of such investment as well as a specified return thereon without any risk to the investment or return other than that arising from any default by the Government of the Kingdom.
“Register of Members”	The register of Members of the Company.
“Register of Shareholders”	The register of Shareholders of the Company as contemplated by Article 71 of the Companies Law and herein.
“Registered Address”	The address of any Member as recorded in the Register of Members or the address of any Shareholder as recorded in the Register of Shareholders, as applicable.
“Secretary”	The Secretary of the Company.
“Share” or “Share Capital”	Respectively, a share in the capital of the Company or the capital of the Company, individually or collectively, as applicable, having attached thereto the rights and privileges specified in the Articles or this Memorandum or, in the event of any increase or decrease or analogous event related to the same, any share or capital derived therefrom.
“Shareholder”	Any party which owns any Share in the Company.
“Voluntary Reserve Account”	That account described herein as such.
“WAJ”	The Water Authority of Jordan as duly constituted by the Water Law.
“Water Law”	The Water Authority Law, Number 18 of 1988, as issued, in force and effect and amended from time to time.

- **1.3 Correlative**

All definitions and documents forming part of this Memorandum and all parts thereof are intended to be correlative, complementary, and mutually explanatory. This Memorandum shall be read as a whole.

## **1.4 Interpretation of Words**

The following rules govern interpretation of words and phrases in this Memorandum:

- (a) Words importing the singular include the plural, and vice-versa;
- (b) Words importing the past tense include the present tense, and vice-versa;
- (c) Words importing persons include juridical persons, and vice-versa; and
- (d) Words importing the masculine include the feminine, and vice-versa.

- **1.5 Expressions**

Unless otherwise specified, expressions defined in this Memorandum bear the same meaning in any appendix, schedule, or annex to this Memorandum.

- **1.6 Captions**

Captions in this Memorandum are inserted only as a matter of reference and in no way define, limit, or extend the scope or intent of these Articles or any provision therein.

- **1.7 Time Periods**

When any number of days is prescribed in this Memorandum, the same shall be reckoned exclusively of the first and last day unless the last day falls on a Friday, Saturday, or statutory holiday in the Kingdom, in which case the last day shall be the next succeeding day which is not a Friday, Saturday, or statutory holiday in the Kingdom.

References to day(s), month(s), or year(s) shall be construed as Gregorian calendar day(s), month(s), or year(s).

- **1.8 Substantive Provisions**

If any provision in a definition is a substantive provision conferring rights or imposing obligations on any party, notwithstanding that it is only in the definition Paragraph of this Memorandum, effect shall be given to it as if it were a substantive provision in the body of this Memorandum.

## **PART 2 – CORPORATE PARTICULARS AND APPLICABLE LAW**

### **2. INFORMATION OF RECORD**

- ***2.1 Applicable Laws***

This Memorandum is subject at all times to Applicable Laws, including, but not limited to, the Companies Law, as issued, in force and effect and as amended from time to time.

Unless the Articles or this Memorandum specifically contemplate any circumstance, as permitted by Applicable Laws, the provisions of the Companies Law apply to the conduct of the Company's affairs hereunder.

- ***2.2 Information of Record***

This Memorandum incorporates and is subject to the Articles, and the following information found in the Articles is further incorporated by reference into this Memorandum as required by Article 57 of the Companies Law:

Article 1	Name of Company
Article 2	Main Objectives and Powers of Company
Article 3	Additional Objectives and Powers of Company
Article 4	Headquarters of Company
Article 5	Amount of Capital
Article 6	Names, Nationalities, and Addresses of Company Shareholders; Shares held by each Shareholder therein

## **PART 3 – SHARES**

### **3. ALTERATIONS TO SHARE CAPITAL**

- ***3.1 Authority***

Subject to the Articles and this Memorandum and pursuant to those permissions available under the Companies Law, the Company may from time to time increase or decrease its Share Capital and determine the Share premium or discount appropriate thereto provided that any such alteration is completed within twenty-four (24) months following the date of approval of such alteration by the Controller.

- **3.2 Terms**

Every Share issued by the Company, including, but not limited to, every Share arising as a result of any increase or decrease in the Share Capital, shall be subject to the Articles and this Memorandum.

#### **4. RATIFICATIONS TO ALTERATIONS TO SHARE CAPITAL**

Within sixty (60) days following any increase or decrease to the Share Capital, the Secretary shall forward to the Controller:

- (a) A copy of the requisite approvals and other required resolutions giving full effect to such increase or decrease;
- (b) Minutes of the Extraordinary Meeting at which such requisite approvals and required resolutions were adopted; and
- (c) A copy of the amended Articles and amended Memorandum,

and request the same be approved by the Controller and registered and published in the Official Gazette of the Kingdom and appropriate daily newspapers.

#### **5. PRE-EMPTIVE RIGHTS TO NEW OR REPURCHASED SHARES**

- **5.1 New Issues**

With respect to any increase or decrease in Share Capital, the Company shall first place such Shares derived therefrom, if any, with existing Shareholders on a pro rata basis before placing or otherwise allotting the same to any other third party as permitted by Applicable Laws.

- **5.2 Pre-Emptive rights**

With respect to any event contemplated by Paragraph 5.1 herein, the Company shall follow those procedures contemplated by Paragraph 7 herein, with the Company assuming all obligations related to the transferring Shareholder in addition to its own obligations thereunder.

#### **6. REGISTER OF MEMBERS**

- **6.1 Form of Shares**

Every Share issued by the Company shall be registered and no bearer shares shall be issued by the Company.

- **6.2 Register Requirement**

The Company shall maintain its Register of Shareholders in accordance with the requirements of Article 71 of the Companies Law.

## **7. PRE-EMPTIVE RIGHTS TO TRANSFER AND DISPOSAL OF SHARES BY SHAREHOLDERS**

Any sale of any Share by any Shareholder, other than transfer of such Share as part of the administration of a deceased Shareholder's estate,, shall be governed by Articles 73 and 74 of the Companies Law, and every Shareholder shall be entitled to the benefit of, and be bound by provisions of, the same.

## **8. INSTRUMENTS FOR TRANSFER OF SHARES**

- **8.1 Recognition of Transfers**

The Management Committee may decline to recognize any transfer unless an original copy of an Authenticated Certificate applicable to such Shares is presented to the Company after which the Company shall duly amend its Register of Shareholders as required by the Companies Law.

- **8.2 Copy of Authenticated Certificate**

The Company shall keep a copy of every Authenticated Certificate presented to it pursuant to Paragraph 8.1 herein as part of its records.

- **8.3 Indemnification**

Neither the Company nor any Member, Officer, employee, agent, advisor, consultant, or representative is bound to inquire into the title of the transferee of those Shares to be transferred or is liable to the registered or any intermediate owner of those Shares for registering the transfer.

- **8.4 Form of Transfers**

Subject to Article 72(a) of the Companies Law, the instrument of transfer of any Share shall be in writing in the following form (English or Arabic) or in any usual or common form or any other form that the Management Committee may approve or Controller require:

**Assignment Deed (Sale of Shares)**

I/WE, \_\_\_\_\_ the \_\_\_\_\_ undersigned, \_\_\_\_\_ of \_\_\_\_\_ (the "transferor"), in consideration of \_\_\_\_\_ Jordanian Dinars (JD \_\_\_\_\_), paid to me/us by \_\_\_\_\_ of \_\_\_\_\_ (the "transferee"), hereby sell/assign to the transferee (number of) Shares in Company WLL to own as the transferee, transferee's executors, administrators, and assigns, subject to the several conditions on which I/we held the same at the time of the execution of this assignment; and the transferee, by acceptance of this assignment, agrees to take those Shares subject to those conditions.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_

Signature of transferor(s)      Signature of transferee(s)

Witnesses to the signatures:

**PART 4 – GENERAL ASSEMBLY MEETINGS**

**9. COMPANIES LAW**

The convening and conduct of every meeting of the General Assembly, whether any Annual Meeting or any Extraordinary Meeting, shall be governed by the provisions of the Companies Law related to the same except as otherwise provided for, as permitted by Applicable Laws, by the Articles or this Memorandum.

**10. FORM OF GENERAL ASSEMBLY MEETINGS**

Every meeting of the General Assembly other than any Annual Meeting shall constitute an Extraordinary Meeting and be governed by the provisions herein related to the same.

## **11. LOCATION OF GENERAL ASSEMBLY MEETINGS**

Absent the unanimous consent of every Shareholder otherwise, every meeting of the General Assembly, whether an Annual Meeting or Extraordinary Meeting, shall occur in Amman.

## **12. QUORUM FOR ANNUAL MEETINGS**

The quorum for any Annual General Meeting and the consequences thereof shall be governed by Article 65(a) of the Companies Law.

## **13. QUORUM FOR EXTRAORDINARY MEETINGS**

As permitted by Article 65(b) of the Companies Law, the quorum for any Extraordinary Meeting in its first instance and the consequences thereof shall be that number of Shareholders representing at least seventy-five percent (75%) of Shares which form the Share Capital, whether in person or by proxy.

This provision shall remain in effect until such time as any additional Shareholder shall be considered by existing Shareholders. At such time, the quorum requirement shall be reviewed for prospective adjustment in accordance with the Companies Law.

## **14. QUORUM FOR ADJOURNED EXTRAORDINARY MEETINGS**

### **• 14.1 *Quorum for Adjourned Extraordinary Meetings***

As permitted by Article 65(b) of the Companies Law, the quorum for any Extraordinary Meeting in the second instance (having failed to reach quorum and been postponed in the first instance) shall be that number of Shareholders representing more than fifty-one per cent (51%) of Shares which form the Share Capital, whether in person or by proxy.

### **• 14.2 *Notice Requirements for Adjourned Extraordinary Meetings***

Notice requirements required to convene any adjourned Extraordinary Meeting shall be those required by the Companies Law and the Articles and this Memorandum applicable thereto.

## **15. AGENDA OF MEETINGS**

### **• 15.1 *Annual Meetings***

Every Annual Meeting shall deal with and dispose of all matters prescribed by Article 66 of the Companies Law.

- **15.2**        *Extraordinary Meetings*

Every Extraordinary Meeting shall deal with and dispose of such matters as contained in the notice of every such meeting as permitted by the Companies Law, the Articles, and this Memorandum.

## **16. CHAIR OF MEETINGS**

- **16.1**        *Presumptive Chair*

Subject to Paragraph 16.2 herein, the Chair or, in Chair's absence, the Deputy Chair or, in the Deputy Chair's absence, one (1) of the Members present and elected by the Management Committee, shall preside as chair of every General Assembly meeting.

- **16.2**        *Alternate Chair*

If at any General Assembly meeting there is no Chair, Deputy Chair, or Member present within thirty (30) minutes after the time appointed for holding any such meeting, or if the Chair, Deputy Chair, and every Member present at such meeting are unwilling to act as chair, the Shareholders present shall choose one (1) of their number to be chair, with preference given to the holder of the most Shares among the Shareholders present, and to the oldest Shareholder, in that order.

- **16.3**        *No Casting Vote*

In case of any equality of votes at any General Assembly meeting, the chair shall not, either on any show of hands or on any poll, have any casting or second vote in addition to the vote or votes to which the chair may be entitled as a Shareholder.

## **17. ADJOURNMENT OF MEETINGS**

- **17.1**        *Adjournment*

The chair of any General Assembly meeting at which a quorum is present may, with the consent of the General Assembly, and shall, if so directed by the General Assembly, adjourn any such meeting from time to time and from place to place, but no business shall be transacted at any such reconvened adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

- **17.2**      *Notice Requirements*

No notice of any adjournment or nature of the business to be transacted at any reconvened General Assembly meeting shall be required except if any such meeting is adjourned for one (1) day or more, in which case notice of the adjourned meeting to be reconvened shall be given as in the case of the original meeting.

## **18. RESOLUTIONS**

Except as otherwise provided in Article 66(a)(5) of the Companies Law, no resolution proposed at any General Assembly meeting needs to be seconded, and the chair of any such meeting is entitled to move or propose any resolution if they so desire.

## **PART 5 – ELIGIBLE VOTERS AT GENERAL ASSEMBLY MEETINGS**

### **19. REGISTERED SHAREHOLDERS**

- **19.1**      *Entitlement to Vote*

Every Shareholder present in person or by proxy has one (1) vote for every Share registered in their name or under their control by proxy.

- **19.2**      *Voting Rights*

Any Shareholder entitled to more than one (1) vote need not use all votes or cast all votes in the same way.

### **20. JOINT SHAREHOLDERS**

Subject to the provisions of the Companies Law, any joint Shareholder may exercise their vote through their duly authorized representative.

### **21. CORPORATE SHAREHOLDERS**

Subject to the provisions of the Companies Law, every body corporate which is a Shareholder shall exercise its vote through its duly authorized representative.

### **22. CUSTODIANS**

Subject to any provisions of the Companies Law, every custodian lawfully appointed to act on behalf of any Shareholder who is mentally ill or a minor, shall exercise the vote of that Shareholder through its duly authorized representative.

## **23. PROHIBITIONS TO VOTING**

In relation to any conclusion, amendment, variation, enforcement, or cancellation of any agreement between the Company and any Shareholder or any party related to any Shareholder, any Shareholder so affected, directly or indirectly, however remotely, shall not have any right to vote in relation to any such matter or any matter arising therefrom at any General Assembly meeting and, if they do vote, their vote shall not be counted.

## **PART 6 – PROXIES**

### **24. PROXY HOLDERS**

- **24.1**      *Status*

A proxy holder need not be a Shareholder.

- **24.2**      *Powers*

The holder, whether a Shareholder or not, of any general or special power of attorney given by any Shareholder shall be entitled to attend General Assembly meetings and to vote if duly authorized under such power to attend and take part in such meetings.

### **25. DELIVERY OF PROXY**

Every proxy shall be delivered to the chair or secretary of every General Assembly meeting prior to the exercise of any such proxy in any vote taken on any matter therein.

### **26. EFFECT AT ADJOURNED MEETINGS**

No proxy shall be used at any adjourned General Assembly meeting which could not be used at any original General Assembly meeting.

### **27. FORM OF PROXY**

- **27.1**      *Minimum Requirements*

Unless the Management Committee otherwise determines, the instrument appointing a proxy and the power of attorney under which it is signed, or a notarially certified copy thereof, shall be in writing under the hand of the appointer or their agent duly authorized in writing or, if the appointer is a body corporate, under the hand of an officer or agent duly authorized by such body corporate to sign the same.

- **27.2 Form**

Unless the Companies Law requires any other form of proxy, any instrument appointing any proxy holder, whether for a specified General Assembly meeting or otherwise, shall be in the form following or in any other form that the Members approve.

**Company WLL**

I, the undersigned, of \_\_\_\_\_, being a registered shareholder of the Company WLL, hereby appoint:

\_\_\_\_\_ of \_\_\_\_\_ or failing them,

\_\_\_\_\_ of \_\_\_\_\_ or failing them,

\_\_\_\_\_ of \_\_\_\_\_,

as proxy to attend at and vote for and on behalf of the undersigned at the General Assembly meeting to be held on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ and at any adjournment of that meeting as follows:

Voting Instructions		
Resolution	In Favor	Against

(indicate instruction to proxy by way of a cross in the space provided above)

and, absent such instructions, to vote as they think fit.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Signature of Shareholder

## **PART 7 – VOTING PROCEDURES FOR GENERAL ASSEMBLY MEETINGS**

### **28. VOTING OPTIONS**

- **28.1**      *Hand and Polling*

Any resolution put to any vote at any General Assembly meeting shall be decided on a show of hands unless, before or on the declaration of the results of any show of hands, a poll is demanded by the chair or any Shareholder present at any such meeting.

- **28.2**      *Discretion*

Any demand for a poll as contemplated by Paragraph 28.1 herein may be withdrawn.

### **29. POLLING**

- **29.1**      *Methodology*

If any poll is duly demanded as contemplated by Paragraph 28.1 herein, it shall be taken in such manner as the chair of the General Assembly meeting so directs, and the result of the poll shall be deemed to be the resolution of the General Assembly meeting at which the poll was demanded.

- **29.2**      *Monitors*

Upon the request of any Shareholder, monitors shall be nominated in sufficient numbers (in no event fewer than three (3)) as deemed by the chair or simple majority to adequately supervise the counting of the results of any poll held at any General Assembly meeting. Monitors may, but need not, be Shareholders.

- **29.3**      *Timing of Polling*

Any poll demanded on the election of any chair of any General Assembly Meeting or, on any question of adjournment of any General Assembly meeting, shall be taken forthwith at such meeting.

Any poll demanded on any other question of any General Assembly meeting shall be taken at such time as the chair of any such General Assembly meeting so directs.

- **29.4**      *Effect of Polling on Business*

Any demand for any poll as contemplated by Paragraph 28.1 herein shall not prevent the continuation of any General Assembly meeting for the transaction of any business other than the question upon which the poll has been demanded.

### **30. DECLARATION OF RESULTS**

- **30.1 Evidence**

Unless a poll is demanded, any declaration of the chair of any General Assembly meeting that, on any show of hands, any resolution has been:

- (a) Adopted;
- (b) Adopted unanimously;
- (c) Adopted by a particular majority; or
- (a) Failed,

shall, upon completion of any entry to that effect in the book containing the minutes of the Company's proceedings, be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution at any such meeting.

- **30.2 Disputes**

In the case of any dispute as to the admission or rejection of any vote of any General Assembly meeting, the chair of any such General Assembly meeting shall determine the same and such determination, made pursuant to Applicable Law, is final and conclusive.

## **PART 8 – MEMBERS OF THE MANAGEMENT COMMITTEE**

### **31. NUMBER AND QUALIFICATIONS OF MEMBERS**

- **31.1 Number of Members**

The number of Members shall be seven (7).

- **31.2 Officers Being Members**

The General Manager shall be a non-voting, ex officio Member. No other Officer shall at any time be a Member.

### **32. ELECTION OF MEMBERS**

Subject to Paragraph 34 herein, the election of Members shall be determined by the General Assembly at its Annual Meeting, provided that, pursuant to Article 135 of the Companies Law:

- (a) For so long as WAJ or its successors own at least \_\_\_\_\_ percent (XX%) of all Shares, WAJ or its successors shall be entitled to five (5) Members and Partner XXX shall vote for any party nominated by WAJ for the same; and
- (b) For so long as Partner XXX or its successors own at least \_\_\_\_\_ per cent (XX%) of all Shares, Partner XXX or its successors shall be entitled to elect two (2) Members and WAJ shall vote for any party nominated by Partner XXX for the same.

### **33. APPOINTMENT OF FIRST MEMBERS**

The first Members shall be appointed by the signatories to the Articles in accordance with Paragraph 32(a) and 32(b) herein.

### **34. TENURE OF MEMBERS**

- **34.1**        *Terms of Office*

The Members shall be elected to terms of office by the General Assembly in any Annual Meeting provided that any term of office shall be for four (4) years or less as determined by the same.

- **34.2**        *Vacancies on the Management Committee*

- **34.2.1**      *Vacancies at General Meetings*

If, at any General Assembly meeting at which any election of Members ought to take place, the places of the retiring Members are not filled, such General Assembly meeting shall stand adjourned and reconvene pursuant to the provisions of this Memorandum.

If, at any such reconvened adjourned General Assembly meeting, any such vacancy is not filled, the same shall be deemed a casual vacancy and the provisions of Paragraph 34.2.2 shall apply.

- **34.2.2**      *Casual Vacancies*

If any vacancy arises on the Management Committee due to the resignation or death of any Member, the Management Committee shall elect any person as a Member to fill any such vacancy provided that any Member so elected shall hold office only until the conclusion of the next following General Assembly meeting but is eligible for re-election at that meeting in so far as to fill the balance of any term remaining, if any, of any Member in whose stead they were earlier elected.

In the event that any provision of Paragraphs 32(a), 32(b), 34.2.1, or 34.2.2 herein applies, the Chair shall notify the vacating Member's electing party who shall

forthwith deliver notice in writing to the Chair of the identity of the person to stand in stead of such vacating Member and the Management Committee shall, notwithstanding any other provision herein or elsewhere, elect such person as a Member.

- **34.2.3**      *Vacancies for Cause*

Any Member who misses three (3) consecutive official meetings of the Management Committee without reasonable explanation or due to illness or injury shall be deemed to have vacated their office and, upon a majority vote of the Management Committee, be removed as a Member.

In any such circumstance, the provisions of Paragraph 34.2.2 herein apply.

- **34.4**      *Eligibility for Re-Election*

Every retiring Member shall be eligible for re-election provided that no Member shall serve for more than ten (10) consecutive years without an absence of at least three (3) years before being eligible for any further election as a Member.

### **35. REMOVAL OF MEMBERS**

Subject to this Memorandum, the General Assembly may by Extraordinary Resolution remove any Member before the expiration of that Member's term of office and may elect any other person in replacement of such Member so removed for the remainder of such Member's term, provided that:

- (a) The General Assembly states the reason(s) for any such Member's removal; and
- (b) The provisions of Paragraphs 32 and 34 herein apply.

### **36. DISQUALIFICATION OF MEMBERS**

Any Member shall be obligated to resign if:

- (a) Such Member ceases to be a Member or becomes prohibited from being a Member by virtue of any provision of the Companies Law, including, but not limited, to Article 63 therein, or any provision of the Articles or this Memorandum;
- (b) Without the consent of an Extraordinary Resolution of the General Assembly, such Member holds any other office of profit under the Company;
- (c) Such Member resigns his or her office by notice in writing to the Company and the Controller;

- (d) Such Member is absent for more than six (6) months without permission of the Management Committee from Members' meetings held during that period; or
- (e) Such Member is directly or indirectly interested in any contract or proposed contract with the Company and fails to declare such interest and the nature thereof on the record to the Management Committee.

### **37. COMPENSATION OF MEMBERS**

- **37.1 *Customary Allowance***

The General Assembly shall by Extraordinary Resolution determine from time to time the compensation of the Members, if any.

- **37.2 *Special Remuneration***

If any Member is called upon to perform services or to make any special exertions beyond his or her normal duties to fulfill any of the Company's powers or objectives, including, but not limited to, traveling abroad, the General Assembly may remunerate such Member as may be determined by Extraordinary Resolution and such remuneration may be in addition to or in substitution of the allowance for Members determined by Paragraph 37.1 herein.

## **PART 9 – POWERS AND DUTIES OF MANAGEMENT COMMITTEE**

### **38. GENERAL AUTHORITY**

- **38.1 *Powers***

The business and affairs of the Company shall be managed by the Management Committee, which may exercise all such powers and do all such acts and things as the Company may exercise and do and which are not by the Articles, this Memorandum, Applicable Law, or otherwise lawfully directed or required to be exercised or done by the General Assembly but subject, nevertheless, to the provisions of all Applicable Laws, including the Companies Law, as well as the Articles, this Memorandum, and any rules that are consistent with this Memorandum which are made from time to time by the General Assembly as permitted by this Memorandum.

- **38.2 *Limitations of Powers***

As permitted by Article 60(b) of the Companies Law, the powers of the Management Committee and its Members shall be limited in so far as that no action shall be taken or resolution adopted by them in respect of any matter contemplated by Paragraph 82 herein without the prior sanction of an Extraordinary Resolution as provided for therein.

• **38.3**      *Prior Acts*

No rule made by the General Assembly in any General Assembly meeting shall invalidate any prior act of the Management Committee or any Member that would have been valid if that rule had not been made.

**39. BORROWINGS**

Subject at all times to the Articles and this Memorandum, but without limiting the generality of Paragraph 38 herein, the Management Committee may from time to time at their discretion authorize the Company to:

- (a) Borrow any sum of money for the purposes of the Company and may secure repayment of any such sum in any such manner and upon any such terms and conditions as it deems fit, including, but not limited to, any undertaking on the whole or any part of the Company's property, both present and future;
- (b) Issue any bonds, debentures, mortgage, charge, or other debt obligation or security, whether specific or floating, at a discount, premium, or otherwise, and with special or other rights or privileges as to redemption, surrender, drawings, allotment of or conversion into Shares, attending at General Assembly meetings or otherwise as the Members may determine and otherwise deem fit at or before the time of issue; or
- (c) Make any debt obligation issued by the Company, by their terms, assignable free from any equities between the Company and the party to whom they may be issued or any other party which lawfully acquires the same by assignment, purchase, or otherwise,

provided at all times that the amount of all money borrowed and all other debt obligations secured by the Management Committee as aforesaid that remain unpaid, whether directly or indirectly, however remotely, apart from any temporary loans obtained from the Company's bankers in the ordinary course of business, shall not at any time exceed one-half (1/2) of the amount of the Company's issued Share Capital plus the amount of any share premium account, if any, without the prior sanction of an Extraordinary Resolution.

**PART 10 – PROCEEDINGS OF THE MANAGEMENT COMMITTEE**

**40. MEETINGS OF THE MANAGEMENT COMMITTEE**

- **40.1**      ***Authority to Conduct Meetings***

Subject to the Articles and this Memorandum, Members may meet together at such times and in such places as they deem fit for the dispatch of business and may adjourn and otherwise regulate their meetings and proceedings, including time and other requirements for notice, as they see fit.

- **40.2**      ***Minimum Number of Meetings***

The Management Committee shall meet, at a minimum, at least six (6) times between every Annual General Meeting.

- **40.3**      ***Calling Meetings***

The Chair shall convene every meeting of the Management Committee, provided that in the event that any Member requests in writing that the Chair convene any such meeting and the Chair declines such request or does not act upon any such request for more than five (5) days after receipt of the same, notice may be given to the Secretary requesting the convening of any such meeting and, if such notice is signed by at least two (2) Members, the Secretary shall thereafter convene a meeting of the Management Committee within fifteen (15) days after receipt of such notice.

- **40.4**      ***Annual Strategic Retreat***

The first meeting of the Management Committee following every Annual General Meeting shall constitute a strategic retreat which addresses every major area of the Company's business on an in-depth basis.

Such strategic retreat shall include, at the minimum:

- (a) A comprehensive review of Company's key business units, financial and operational performance, and operations presented by the General Manager and other senior management members;
- (b) Analysis of major risks and opportunities confronting the Company, including industry developments, and existing strategies to mitigate such risks and pursue such opportunities;
- (c) Presentations by key Officers on the workings of the Company's business including, at a minimum, its accounting practices, compliance procedures, and remuneration programs;
- (d) Presentations by outside participants on topics which may be useful to the Management Committee such as, but not limited to, ethics, transparency,

compliance, capital adequacy, capital structure, liquidity, technology, succession planning, and risk management; and

- (e) A review of the roles and responsibilities of the Management Committee and Officers pursuant to Applicable Law, the Articles, this Memorandum, and best practices.

#### **41. LOCATION OF MANAGEMENT COMMITTEE MEETINGS**

Absent the majority decision of every Member otherwise, every Management Committee meeting and every meeting of every committee of the Management Committee shall occur in the Greater Amman area.

#### **42. NOTICE OF MANAGEMENT COMMITTEE MEETINGS**

- **42.1**      *Notice of Meetings*

Unless waived by all Members, at least five (5) days' notice of any Management Committee meeting, including any meeting of any committee of the Management Committee, shall be given to each Member thereof.

- **42.2**      *Waivers of Notice*

Any Member of the Company who may be absent from the Kingdom may file at the registered office of the Company by way of letter, telegram, fax, or equivalent, a waiver of notice of Management Committee meetings and may, at any time, withdraw such waiver.

Until such waiver is withdrawn, no notice of any Management Committee meeting shall be sent to such Member and any and all Management Committee meetings for which notice has not been given to such Member shall be valid and effective provided that a quorum of Members is present.

#### **43. QUORUM OF MEETINGS**

- **43.1**      *Requirement*

The quorum for any Management Committee meeting necessary for the transaction of business shall be a majority of Members then in office.

- **43.2**      *Form of Attendance*

The Management Committee may authorize that any Management Committee meeting may be held by telephone conference with telephone attendance by some or all of the Members, provided that, in every such circumstance, the minutes of

every such meeting so held are circulated and signed by every Member in attendance at the same.

#### **44. CHAIRS**

- **44.1** *Chair and Deputy Chair*

The Members shall elect a Chair and Deputy Chair from their number at their first meeting after every Annual General Meeting and determine the period for which such Chair and Deputy Chair shall hold office.

- **44.2** *Chair of Meetings*

Every Chair shall convene and chair every Management Committee Meeting, provided that, if no Chair has been elected or such Chair is not present within thirty (30) minutes after the time appointed for holding any such meeting, the Deputy Chair shall convene and chair such meeting or, if the Deputy Chair has not been elected or is not present at any such meeting, the Members present may choose one (1) of their number to chair such meeting.

#### **45. CONDUCT OF BUSINESS AT MANAGEMENT COMMITTEE MEETINGS**

- **45.1** *Agenda*

Subject to the Articles and this Memorandum, any Member may place any matter of business on the agenda of any Management Committee meeting except any matter required to be placed before the General Assembly in its Annual Meeting or any Extraordinary Meeting.

- **45.2** *Resolutions*

No resolution proposed at any Management Committee meeting need be seconded and the chair of any Management Committee meeting is entitled to move or propose any resolution as they deem fit.

- **45.3** *Non-Management Session*

The Management Committee may set aside a portion of every Management Committee meeting to evaluate management performance to date and discuss business results, performance targets, risk management, and other key business issues in the absence of the General Manager and any other member of the Company's management team which may have been invited to any Management Committee meeting.

## **46. VOTING AT MANAGEMENT COMMITTEE MEETINGS**

- **46.1**        *Majority Rules*

Except as otherwise provided for by the Articles or this Memorandum, every question arising at any Management Committee meeting shall be decided by a majority of votes of Members present at the same.

- **46.2**        *Conflicts of Interest*

No Member shall vote at any Management Committee meeting in respect of any contract or proposed contract or other matter with the Company in which the Member, in his personal capacity, holds an interest, directly or indirectly, however remotely, or on any matter arising therefrom, and, if they do vote, their vote shall not be counted.

## **47. COMMITTEES OF THE MANAGEMENT COMMITTEE**

- **47.1**        *Authority to Constitute Committees*

The Management Committee may delegate any, but not all, of its powers to any committee consisting of any such Member or Members as it deems fit, provided that decisions of such committee are approved by the Management Committee.

- **47.2**        *Rules for Committees*

In its proceedings, any committee formed by the Management Committee shall conform to any rules that the Management Committee may from time to time impose on it and shall report every act done in the exercise of its powers to the earliest meeting of the Management Committee to be held after such act has been done, provided that, except for Paragraphs 40.2 and 40.4 herein, the provisions of Paragraphs 40 through 46 herein apply to every such proceeding.

## **48. RATIFICATION OF ACTIONS**

All acts done by the Management Committee or any committee of the Management Committee or by any person acting as a Member shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such committee or Member or person acting as aforesaid or that they or any of them were disqualified, be as valid as if every such committee or person was duly appointed and qualified to so act.

## **PART 11 – MINUTES OF MEETINGS**

### **49. KEEPING OF MINUTES**

The Company shall cause to be kept minutes of every Annual General Meeting, Extraordinary Meeting, Management Committee meeting, and every meeting of every committee of the Management Committee in accordance with provisions of the Companies Law related to the same, provided that, notwithstanding such requirements, such minutes shall otherwise record and include, at a minimum, the following:

- (a) A copy of the notice of the meeting;
- (b) The date, place, and time at which the meeting commenced;
- (c) The names and signature of every Member in attendance;
- (d) The names and signature of every Shareholder in attendance, either personally or by proxy, and the Shares held by every such Shareholder by absolute number and per cent of the Share Capital;
- (e) The name of the chair of the meeting;
- (f) A copy of the agenda of the meeting;
- (g) The appointment of every Officer, if applicable;
- (h) All proceedings and the nature thereof considered at the meeting, including, but not limited to, every resolution, every outcome of every resolution, and every objection to every resolution, if any;
- (i) The date, place, and time at which the meeting adjourned; and
- (j) Any such other information as required by the Companies Law or the Management Committee or General Assembly as they see fit.

### **50. AUTHENTICATION OF MINUTES**

Unless otherwise provided for by the Companies Law, the chair and secretary of every meeting contemplated in Paragraph 49 herein shall sign every set of minutes of every meeting attesting to their accuracy and completeness.

### **51. RETENTION OF MINUTES**

The Company shall retain and file the minutes of every meeting contemplated by Paragraph 49 herein in accordance with the Companies Law and otherwise keep such minutes for a period of not less than five (5) years after every such meeting.

### **52. INSPECTION OF MINUTES**

The Company shall ensure that every set of minutes of every meeting contemplated by Paragraph 49 herein is open to inspection by every Shareholder or their duly authorized

representative and otherwise comply with every provision of the Companies Law related to the same.

## **PART 12 – OFFICERS**

### **53. APPOINTMENT OF OFFICERS**

The Management Committee may from time to time appoint any Officer of the Company, including, but not limited to:

- (a) General Manager;
- (b) Deputy General Manager;
- (c) Financial Controller/Financial Manager;
- (d) Technical Manager; and
- (e) Any such other Officer as the Management Committee deems appropriate from time to time,

on such terms and conditions and for such remuneration as it sees fit, provided that the powers vested in every such Officer as well as every such appointment, term, condition, and remuneration thereof shall comply with every provision of the Companies Law and shall be ratified by an Extraordinary Resolution adopted not more than thirty (30) days before the effective date of every such appointment.

Remuneration may take the form of any salary, fee, commission, participation in profits, or any other form of consideration not prohibited by the Companies Law.

### **54. TERMINATION OF APPOINTMENT OF OFFICERS**

#### **• 54.1 *Termination for Cause***

As part of the employment of any Officer, the Company shall ensure that every employment contract with every such Officer shall authorize the Company to terminate their employment if they commit any of the following acts:

- (a) Without the consent of the General Assembly, holds:
  - (i) Any other office or appointment of profit with any party other than the Company; or
  - (ii) Any other appointment or other position of any nature whatsoever, whether for profit or not, with any party with the same or similar objectives of the Company;

- (b) Resigns their appointment by notice in writing to the Company and the Controller;
- (c) Knowingly commits any breach of any provision of the Articles or this Memorandum or commits any breach of any provision of the Articles or this Memorandum which they should have reasonably known to constitute a breach of the same;
- (d) Knowingly commits any breach of any provision of any agreement with the Company related to their appointment which provides for termination of their appointment as a result thereof;
- (e) Acquires, directly or indirectly, however remotely, any Shares other than those related to any scheme or other arrangement authorized by the General Assembly for Officers or other employees of the Company as part of their terms of appointment; or
- (f) Acquires, directly or indirectly, however remotely, any interest in any contract or proposed contract with the Company or, in the alternative, enters into any agreement, oral or written, whereby they receive compensation from any third party for any award of any contract with the Company, and fails to declare on the record such interest and the nature thereof to the Management Committee.

- **54.2**      *Termination at Leisure*

Notwithstanding the absence of any grounds for termination as contemplated by Paragraph 54.1 herein, the Management Committee may at any time revoke the appointment of any Officer provided that such revocation:

- (a) Complies with the terms and conditions of every agreement entered into between the Company and that Officer whose appointment is revoked; and
- (b) Complies with provisions of Applicable Laws.

## **55. POWERS OF OFFICERS**

- **55.1**      *General Authority to Empower Officers*

The Management Committee, subject to the provisions of the Companies Law, may from time to time entrust to or confer upon any Officer, including, but not limited to, any General Manager or any other manager contemplated by Article 60 of the Companies Law, such of the powers and authorities vested in them as they may deem fit and may confer such powers and authorities for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may deem expedient, and, furthermore, they may confer such powers and authorities either collaterally or to the exclusion of, or in substitution for, all or any of the powers and authorities of the Members, and may revoke or vary all or any of such powers and authorities as they deem fit.

- **55.2**      *Job Descriptions*

The powers and duties of every Officer, including, but not limited to, any General Manager or any other manager contemplated by Article 60 of the Companies Law, shall be described in a formal job description for the same.

- **55.3**      *Powers of Officers and Manager*

Notwithstanding anything else to the contrary herein, no Officer, including, but not limited to, any General Manager or any other manager contemplated by Article 60 of the Companies Law, shall be entitled to transact or act on behalf of the Company except as otherwise specifically permitted by the Management Committee pursuant to Paragraph 55.1 herein and defined in their job description as contemplated by Paragraph 55.2 herein.

## **PART 13 – EXECUTION OF INSTRUMENTS**

### **56. SEAL**

The Management Committee may provide a common seal for the Company and for its use and they shall have power from time to time to destroy the same and substitute a new seal in place of the seal destroyed.

## **PART 14 – DIVIDENDS**

### **57. POWER TO DECLARE DIVIDENDS**

- **57.1**      *Final Dividends*

The General Assembly in its Annual Meeting may declare any dividend, but no dividend shall exceed twenty percent (20%) of the net annual profit of the Company for the year in which it is so declared.

- **57.2**      *Interim Dividends*

The Management Committee may from time to time pay to the Shareholders any interim dividend as appears to the Members to be reasonable given the net profit of the Company in the year to date in which the interim dividend is paid out, provided that such interim dividend shall not exceed ten percent (10%) of the net profit of the Company in the year to date in which it is paid out.

### **58. FORM OF DIVIDENDS**

All dividends shall be declared according to the number of Shares held.

## **59. SOURCE OF DIVIDENDS**

No dividend shall be paid otherwise than out of the net annual profit of the Company for the year in which the dividend is declared.

## **60. DISTRIBUTION OF DIVIDENDS**

Any resolution of the General Assembly declaring any dividend may direct payment of the dividend wholly or partly by the distribution of:

- (a) Specific assets;
- (b) Paid-up Shares;
- (c) Bonds, debentures, or other debt obligations of the Company; and/or
- (d) Any such other consideration as the General Assembly deems fit.

## **61. CASH DIVIDENDS**

### **• 61.1 *Form***

Any dividend or other money payable in cash in respect of any Share may be paid by Company check and sent through the post to the Shareholder in a prepaid envelope addressed to the Shareholder at the Shareholder's Registered Address or, in the case of any joint Shareholders, to the Registered Address of any such joint Shareholders' duly authorized representative.

### **• 61.2 *Joint Shareholders***

The duly authorized representative of any joint Shareholders may give effectual receipt for any dividend or other money payable or assets distributable in respect of any Share held by such joint Shareholders.

## **PART 15 – RESERVES**

## **62. VOLUNTARY RESERVES**

### **• 62.1 *Allocation to Voluntary Reserve***

In addition to compliance with Article 70(a) of the Companies Law related to statutory reserves, the Company shall allocate, before declaring any dividend, an amount equal to twenty percent (20%) of its annual net profits to the Voluntary Reserve Account.

- **62.2**      *Use of Voluntary Reserves*

Proceeds of the Voluntary Reserve Account shall be allocated by Extraordinary Resolution towards paying for non-recurring capital expenditures, directly or indirectly, required by the Company to realize the requirements of Article 2.1.2 and Article 2.2.1 of the Articles or, in the absence of any such allocation, invested by the Management Committee in any Qualified Investment Instrument until such time as the General Assembly allocates such proceeds for such purposes in the future in accordance with this Paragraph 62.2.

## **PART 16 – ACCOUNTS**

### **63. RECORD KEEPING REQUIREMENTS**

The Management Committee shall cause records and books of accounts to be kept as necessary to record properly and accurately, completing legibly and permanently, the financial affairs and conditions of the Company and to comply with the provisions of every Applicable Law, including, but not limited to, the Companies Law.

### **64. RECORD KEEPING STANDARDS**

The Management Committee shall, at a minimum, keep those records and that information required by Paragraph 67 herein which relate to accounting matters according to Generally Accepted Accounting Principles as may be in force and effect from time to time.

### **65. DUTY OF CARE REGARDING RECORDS**

The Management Committee and any other relevant officer shall:

- (a) Exercise the duty of utmost care to ensure reasonable protection of the Company's records from damage or destruction;
- (b) Act with fidelity, honesty, and integrity in managing the Company's accounting practices, financial affairs, and record-keeping obligations; and
- (c) Ensure effective, efficient, and transparent systems of financial and risk management and internal control for the Company at all times.

### **66. LOCATION OF RECORDS**

The Management Committee shall cause the Company's records to be kept at the Company's registered offices. Financial records shall not be removed from the Company offices.

## **67. INSPECTION OF SHAREHOLDERS RECORDS**

### **• 67.1 *Right of Inspection***

Subject to at least five (5) prior days' written notice delivered to the Company, every Shareholder or their duly authorized representative shall have the right to inspect those records at its [the Company's?] registered offices as permitted by Article 71(a) of the Companies Law.

### **• 67.2 *Inspection Protocols***

The Management Committee shall determine from time to time those conditions and protocols for facilitating any inspection contemplated by Paragraph 67.1 herein, provided that every such condition and protocol at all times complies with every provision of the Companies Law related to the same.

## **PART 17 – ANNUAL FINANCIAL STATEMENTS**

### **68. FISCAL YEAR**

The fiscal year of the Company shall commence on 1 January of each year and conclude on 31 December of each year.

### **69. MINIMUM ANNUAL REPORTING REQUIREMENTS**

In addition to those documents and information contemplated by Article 62 of the Companies Law, the annual financial statements of the Company shall:

- (a) Accurately present the state of the Company's business, its financial results, performance against predetermined objectives, and financial position as at the end of the fiscal year concerned; and
- (b) Compare its performance in the fiscal year concerned to its performance in the fiscal year immediately preceding the same.

### **70. ANNUAL REPORTING**

The Management Committee shall present those documents and information required by Article 62 of the Companies Law and Paragraph 69 herein to the General Assembly at its Annual Meeting not later than sixty (60) days, or such extended period as approved by the General Assembly, following the end of the Company's most recent fiscal year.

## **71. DUTY OF CARE REGARDING REPORTING**

The Management Committee shall ensure that those audited financial statements submitted to the General Assembly comply with other applicable law and international accounting standards, provided that, in addition to or as part of such compliance, the following requirements are satisfied:

- **71.1 *Members' Duty of Care***

They contain an unqualified resolution adopted unanimously by the Management Committee that:

- (a) Warrants the veracity of the underlying financial information; and
- (b) Warrants the accuracy of the audited financial statements,

or, in the absence of such unanimous resolution, a written dissent from every Member who declined to vote in favor of such resolution, giving their specific reasons therefore; and

- **71.2 *Auditors' Duty of Care***

They contain an unqualified statement made by the auditors that they:

- (a) Conducted a sufficient audit to reasonably warrant the veracity of the underlying financial information; and
- (b) Warrant the accuracy of the audited financial statements,

or, in the absence of such an unqualified statement, a qualified statement which explicitly declares each and every area of interest which prevents them from providing an unqualified statement and further declares the specific nature of their concerns with each of the same.

## **72. APPOINTMENT OF AUDITOR**

In addition to those requirements of the Companies Law related to the appointment, remuneration, and functions of the Company's Auditor, no party shall serve as the Company's auditor for more than ten (10) consecutive years without an absence of at least three (3) years before becoming eligible for any further election as the Company's auditor thereafter.

## **PART 18 – NOTICES**

### **73. FORM AND METHOD OF NOTICES**

- **73.1**      *Notices in Writing*

Every notice hereunder shall be given, made, and delivered in writing.

- **73.2**      *Address for Delivery of Notices*

Every notice hereunder to every Shareholder and every Member shall be given, made, and delivered to the same at their Registered Address.

- **73.3**      *Delivery of Notices*

Unless specifically provided for otherwise by the Companies Law, any notice hereunder may be delivered by:

- (a) Hand;
- (b) Fax; or
- (c) Registered mail.

- **73.4**      *Deemed Delivery of Notices*

Any notice hereunder shall be deemed to have been delivered:

- (a) If by hand delivery, when delivered against signed receipt;
- (b) If by fax delivery, when delivered; and
- (c) If by registered mail, six (6) days after mailing thereof,

provided that an independently generated receipt of such dispatch shall be required to confirm evidence of the same.

### **74. NOTICES TO JOINT PARTIES**

Any notice may be given by the Company to any:

- (a) Joint Shareholder;
- (b) Corporation; or

(c) Custodian,

who owns any Share by giving notice to their duly appointed representative as contemplated by Paragraphs 20, 21, and 22 herein.

**75. NOTICES TO DECEASED SHAREHOLDERS**

Any notice or document sent by registered mail to, or left at, the Registered Address of any Shareholder shall, notwithstanding if that Shareholder is then deceased and whether or not the Company has notice of the death, be deemed to have been duly served in respect of any Shares held, whether solely or jointly with any other party, by that deceased Shareholder and delivery shall, for all purposes of this Memorandum, be deemed a sufficient delivery of such notice or document on the personal representative and all parties, if any, jointly interested in any such Shares.

**76. NOTICE TO DECEASED SHAREHOLDERS**

Any notice may be given by the Company to any party entitled to any Share in consequence of the death or bankruptcy of any Shareholder by sending it by registered mail addressed to them by name or by the title of the representative of the deceased or trustee of the bankrupt or by any like description at the address, if any, supplied for the purpose by the party claiming to be so entitled or, until that address has been so supplied, by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

**77. INDEMNITY**

The Company shall not be responsible for any loss in transmission of any check or other document sent to any Shareholder's Registered Address or such other place nominated by the Shareholder, whether or not it was sent at their request.

**PART 19 – WINDING UP**

**78. DISCRETIONARY LIQUIDATION**

In addition to compliance with those provisions of Article 75 of the Companies Law and Applicable Laws, and taking into account that the Company provides an essential service, the General Assembly may by Extraordinary Resolution at any time vote to wind up the Company.

**79. DISTRIBUTION OF ASSETS**

If the Company be wound up, the assets remaining after payment of the debts and liabilities of the Company and the costs of liquidation shall be applied as follows:

- (a) To repay the Shareholders the amounts paid up on the Shares respectively held by each of them, including any share premium account; and
- (b) The balance, if any, distributed among Shareholders in proportion to the number of Shares, if any, issued upon any special conditions.

## **80. DISTRIBUTABLE PROCEEDS**

In any winding up any part of the assets of the Company, including any shares or securities of any other companies, may, with the sanction of an Extraordinary Resolution, be divided among the Shareholders in specie or may, with the same sanction, be vested in trustees for the benefit of such Shareholders, and the liquidation of the Company may be closed and the Company dissolved.

## **PART 20 – SPECIAL RIGHTS AND CONDITIONS**

### **81. EXTRAORDINARY RESOLUTIONS**

Pursuant to Article 67(d) of the Companies Law, the majority required to adopt any resolution at any Extraordinary Meeting shall be at least seventy- five per cent (75%) of Shareholders.

### **82. SPECIAL BUSINESS**

Subject to those provisions of this Memorandum related to quorums for Extraordinary Meetings, every matter listed in this Paragraph 82 herein shall be required, pursuant to Article 67(a) (8) of the Companies Law, to be duly considered at an Extraordinary Meeting and may not be effected without such meeting adopting an Extraordinary Resolution by that majority stipulated by Paragraph 81 herein:

- (a) Any business contemplated by Article 67(a) and Article 75 of the Companies Law;
- (b) Any increase or decrease in the Share Capital, including repayment of any Share Capital by the Company or any subsidiary thereof to Shareholders;
- (c) Any scheme or transaction or payment of any management salaries or management fees which have the effect of stripping the Company of revenues for the benefit of any Shareholder or any party in which any Shareholder has a material interest or beneficial relationship;
- (d) Any suspension, cessation, or abandonment of a major portion of the Company's main objectives or business;

- (e) Unless otherwise agreed, any delegation of any power vested in the Management Committee unless to a committee of the Management Committee in which every Shareholder holding at least a complete ten percent (10%) of all Shares have at least one (1) Member;
- (f) Any entering into any commitment to assume any liabilities of any third party, whether contingently or otherwise, except in the ordinary course of business;
- (g) Any borrowing in excess of any amount agreed in advance by Shareholders by Extraordinary Resolution;
- (h) Any material amendment, enforcement, cancellation, or other decision which adversely affects the Company or its Shareholders in relation to any material agreement entered into by the Company or any subsidiary thereof, including, but not limited to, all credit and related documentation between the Company, as lender or borrower, and any third party, in relation to any debt finance; and
- (i) Any change of the Company auditors after appointing them in any Annual Meeting.

**DATED** at Amman, Hashemite Kingdom of Jordan, this \_\_\_\_ day of XXX, 2006.

ON BEHALF OF THE  
WATER AUTHORITY OF JORDAN:

ON BEHALF OF THE  
PARTNER XXX:

\_\_\_\_\_  
Duly Authorized Signatory

\_\_\_\_\_  
Duly Authorized Signatory

Name:

Name:

Title:

Title:

WITNESS:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

Name:

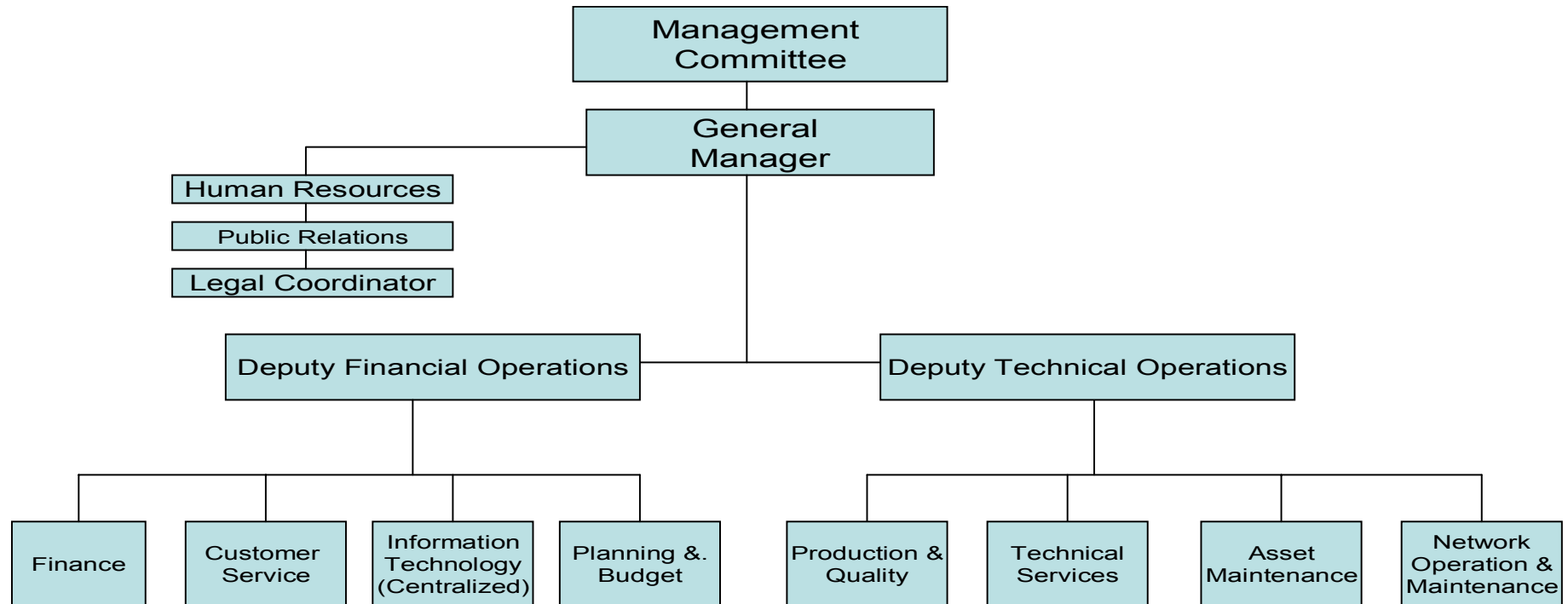
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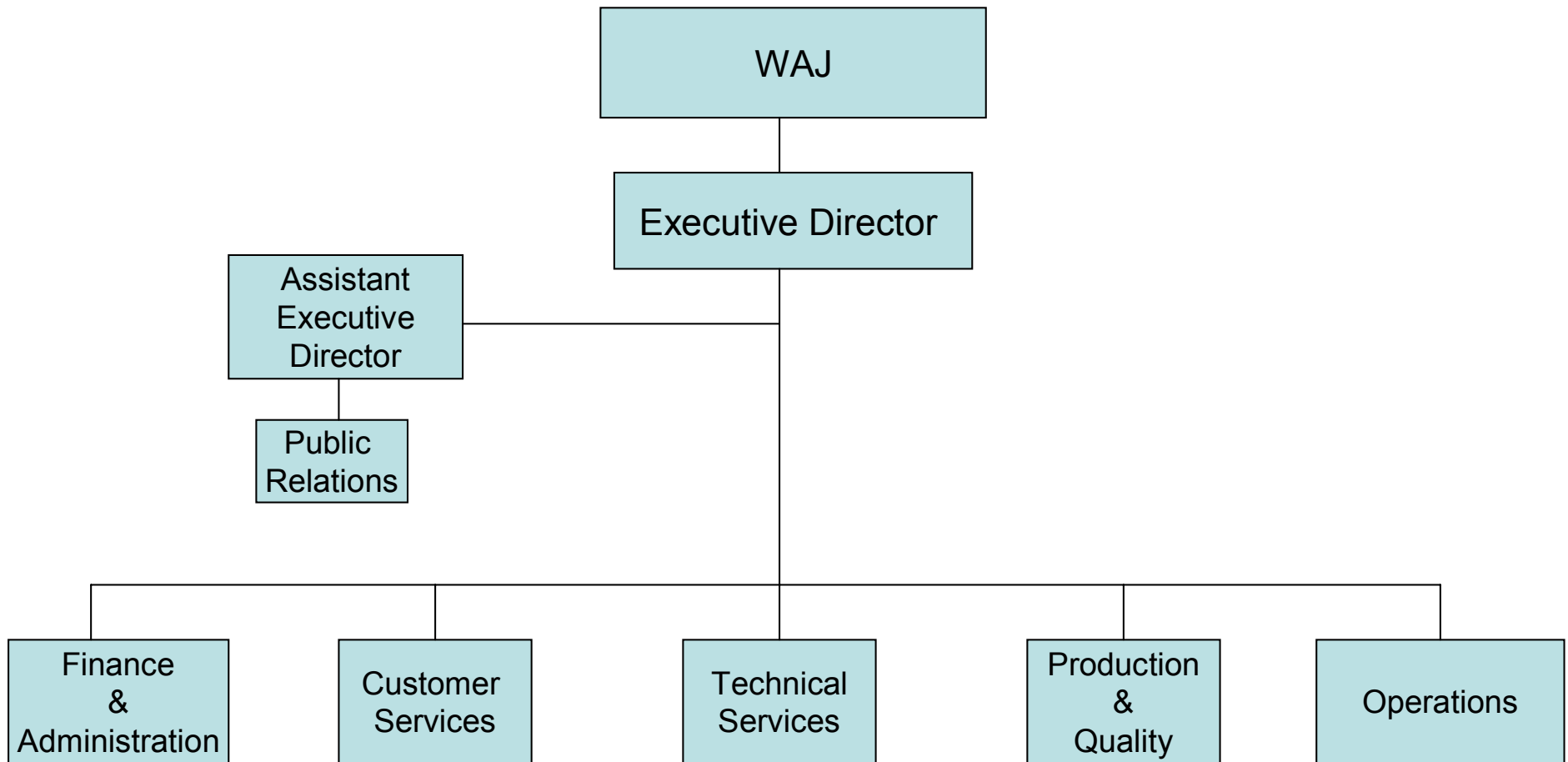
Title:

## ANNEX 2 ORGANIZATION

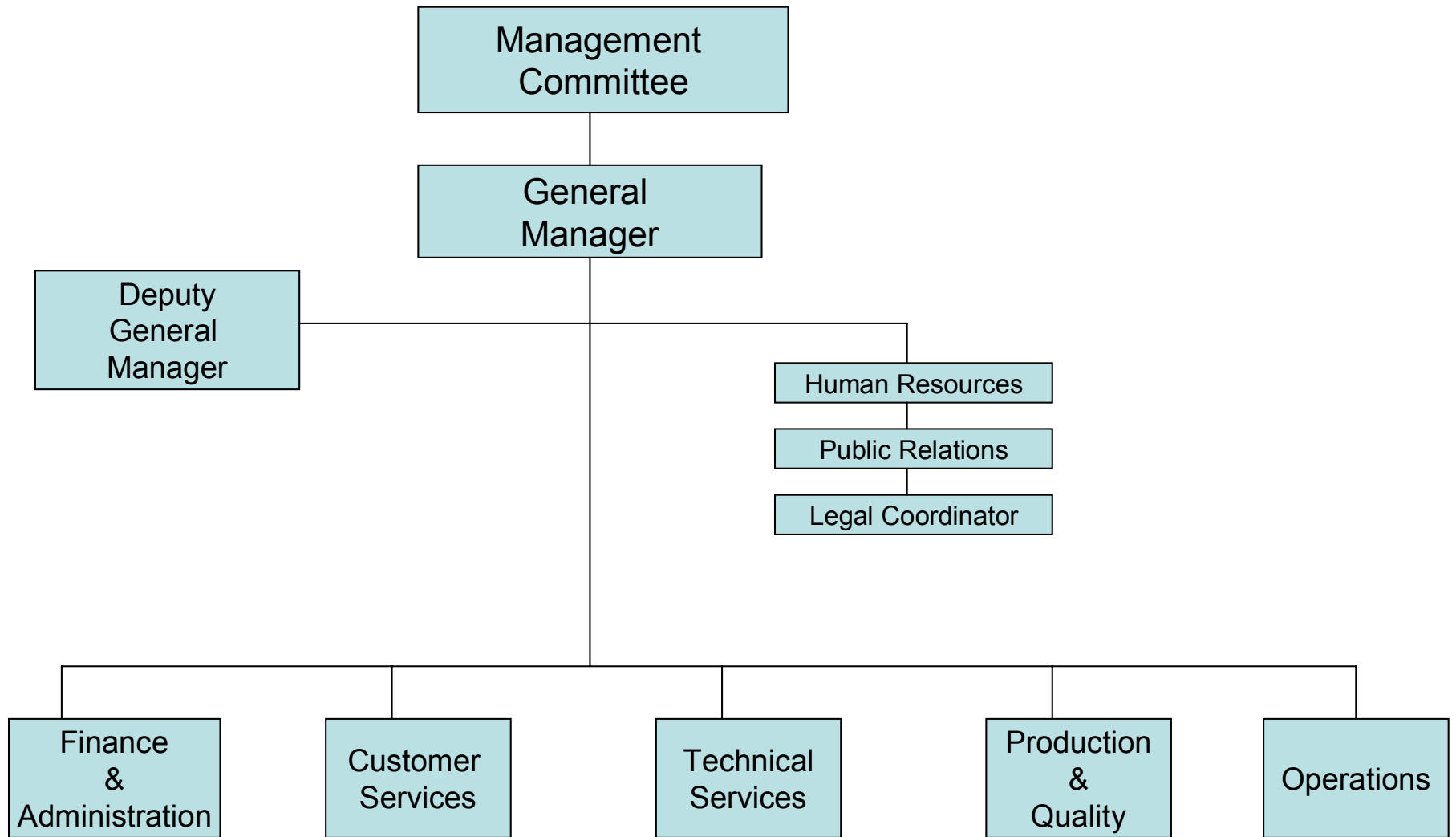
### 2A Current LEMA Organizational Structure – Senior Management



**2B Organizational Structure Stage No. 1 - January 2007 – Senior Management**



2C Organizational Structure – Comprehensive Reorganization - January 2008 – Senior Management



## **2D Position Description Abstracts – Senior Management Organizational Structure – Comprehensive Reorganization - January 2008**

### Management Committee

- Defines the mission of the organization.
- Approves and adopts all organizational policies.
- Approves the hiring of the General Manager.
- Monitors the performance of the organization.

### General Manager

- Establishes/defines the work ethic.
- Involved in external affairs of the organization – MWI/WAJ/PMU.
- Involved with public outreach programs – Greater Amman Municipality.
- Directly supervises Public Relations, Human Resources, and Legal Coordinator
- Serves as Chief Executive Officer for NEWCO's operations.

### Public Relations Officer

- Processes requests from the public for information.
- Develops and maintains media relations.
- Handles employee/company communications, e.g. employee newsletter.

### Human Resources Officer

- Develops and monitors NEWCO human resources policies.
- Handles recruitment, hiring and termination procedures.
- Develops and implements training programs.
- Manages employee pay and classification system.
- Institutes employee development program and monitors progress.

### Legal Coordinator

- Assists in the selection of an outside firm that supplies General Counsel services to NEWCO.
- Coordinates all requests for legal information and assistance from operating departments at NEWCO.
- Interprets company policies, e.g. procurement and personnel, as they relate to Jordanian law and assists operating departments in complying with the laws.

### Deputy General Manager – Financial Operations

- Responsible for direct supervision of Finance and Administration, Customer Services, Information Technology, and Budget and Planning Divisions.
- Coordinates with external agencies regarding all financial affairs of NEWCO.
- Coordinates financial strategic plan with CIP input from Technical Services and Asset Maintenance Divisions.
- Functions as Chief financial officer of NEWCO.

### Director, Finance and Administration

- Responsible for direct supervision of Accounting, Purchasing & Inventory Control, and Facility Management functions.
- Coordinates annual audit with external auditing firm.
- Handles all financial matters related to external agencies.
- Ensures quality of reporting both internal and external

### Director, Planning and Budget

- Preparation and monitoring of NEWCO's budget.
- Development of NEWCO's strategic financial plan.
- Development and monitoring of NEWCO Business Plan.
- Internal management audits and cost-of-service analyses.
- Analytical reviews of key decisions & processes e.g. make or buy issues.
- External and internal reporting – preparation and quality control.

### Director, Information Technology

- Systems development and implementation.
- Network planning and monitoring.
- Technical assistance for operating divisions.
- Procurement monitoring of NEWCO's hardware and software.

### Director, Customer Services

- Reading, billing and collection for all customer accounts.
- Illegal usage monitoring and reporting.
- Recovery and reconnection activities.
- New water and sewer connections.

### Deputy General Manager – Technical Operations

- Direct responsibility for all technical, system operation & maintenance activities.
- Involved with external agencies regarding all technical affairs of NEWCO.
- Coordinates planning needs with financial planning group.
- Keeps the General Manager informed of all key decisions

### Director, Technical Services

- Long-range planning of 10 to 25 years.
- Short range planning of less than 10 years.
- CIP development and monitoring.
- Plan review and approval for new development.
- Custodian of all system maps and records.
- Supervision of design and construction of projects.
- Contract management for projects.
- Inspection of construction projects and final approval of contracts.
- Coordination with WAJ/PMU regarding project development.

### Director, Water Production and Quality

- Operation and preventive maintenance of water treatment facilities.
- Operation and preventive maintenance of wastewater treatment plants.
- Monitoring water quality effluent throughout the treatment and distribution processes.
- Operation of chemical and bacteriological laboratories to ensure quality standards.

### Director, Asset Maintenance

- Development and monitoring of asset management system.
- Heavy maintenance – electricians, mechanics, plumbers, etc.
- Coordinate with Technical Services on capital planning issues.

### Director, Network Operations and Maintenance

- Operation of SCADA system for system distribution and collection.
- Maintenance of distribution and collection system.
- Responsible for all operations from production to customers for water distribution and from customer to WWTP for wastewater.

## **2E Recommended Qualifications for NEWCO's Top Management**

### General Manager

- Proven ability to effectively use leadership and management skills in directing a large public or private organization.
- Fifteen years of progressively responsible experience in public works or utility management and administration, or any equivalent combination of education, experience and knowledge.
- Thorough knowledge of the planning, financing, design, construction, operation and maintenance of water and wastewater facilities.
- Knowledge of the principles and practices of organizational management, including techniques used for employee motivation.
- Ability to establish and maintain effective working relations with public officials, contractors and the general public.
- Excellent communication skills including bilingual (Arabic-English) capability.
- Graduation from a college or university with a degree in engineering. Preferably the applicant should have an advanced business oriented degree.
- Extensive knowledge of the theory and practice of civil or sanitary engineering as it relates to public works or utility management and administration.

### Director, Finance and Administration Division

- Fifteen years of progressively responsible experience in the finance and accounting departments of commercial and/or government organizations, or any equivalent combination of education, experience and knowledge.
- Graduation from a college or university with a degree in accounting or finance. A graduate degree is highly desirable.
- Ability to prepare long-range financial plans including the integration of capital project financing requirements.
- Extensive familiarity and knowledge of accounting standards and principles including IAS.
- Experience leading work with integrated systems such as SAS or Oracle E business is highly desirable.
- Excellent communication skills including bilingual (Arabic-English) capability.
- Ability to establish appropriate professional and working relationships with the banking and investment services community.

### Director, Technical Services Division

- Ten years of progressively responsible experience in the planning and design of water and wastewater facilities, or any equivalent combination of education, experience and knowledge.
- Graduation from a college or university with a degree in civil or sanitary engineering. A graduate degree is highly desirable.
- Direct experience in the development of capital improvement programs.

- Extensive knowledge of the theory and practice of civil engineering related to the design and construction of water and wastewater facilities.
- Knowledge of contract administration.
- Ability to prepare and interpret specifications, contract documents and reports.
- Ability to plan, direct, coordinate and supervise the work of professional engineers and technicians.
- Ability to establish and maintain effective working relations with public officials, contractors and the general public.
- Excellent communication skills with bilingual (Arabic-English) capability.

#### Human Resources Officer

- Eight years of progressively responsible and related work experience in the personnel department of a commercial organization, or any equivalent combination of education, experience and knowledge.
- Graduation from a college or university with a business oriented degree. A graduate degree is highly desirable.
- Extensive knowledge of the theory and practice of personnel and human resource management.
- Extensive knowledge of the theory and principles of organizational development issues.
- Specific experience in “change management” relating to changing an organization’s work ethic, e.g. governmental to commercial.
- Excellent communication skills including bilingual (Arabic-English) capability.

## **2F Training for NEWCO’s Top Management**

The following types of training programs should be investigated from outside agencies:

#### Senior Management -- General Manager, Assistant General Manager

- a. A trip to USA and South America to observe successful operations of water/wastewater public and private companies. This should be followed by a one-week course in “Change Management” that would be attended by all senior management of NEWCO at the same time.
- b. One week of training (total) in subjects like Management by Objectives, Time Management, and Performance Measurement.

#### Middle Management – Division Directors, Department Managers

- a. Two days of training conducted by Human Resources Director regarding new personnel policies and procedures at NEWCO.

- b. One week training by outside agency in best management practices. This can be accomplished by following the American Management Association (AMA) model for this type of training.
- c. One week of training (total) in subjects like Management by Objectives, Time Management, and Performance Measurement.

Supervisors/Foreman

- a. One day of training conducted by Human Resources Director regarding new personnel policies and procedures at NEWCO.
- b. Two days of training by Human Resources Department in best management practices. This can be accomplished by following the American Management Association (AMA) model for this type of training.

## ANNEX 3

### HUMAN RESOURCES

#### 1. Staff positions in LEMA

**Table 1 Positions listed in LEMA (not job titles)**

Total	POSITION	Cat I	Cat II	Cat III	LEMA	WAJ	Total
215	WORKER			215	12	203	215
169	FITTER			169	106	63	169
109	OPERATOR			109	15	94	109
103	JABI			103	53	50	103
97	SUPERVISOR		95	2	23	84	97
92	DRIVER			92	8	84	92
70	CLERK			70	23	47	70
47	DATA ENTRY			47	41	6	47
29	MANAGER	20	9		14	15	29
24	ENGINEER		23	1	22	2	24
24	HEAD OF SECTION	1	23		8	23	24
17	CASHIER			17	14	3	17
17	TECHNICIAN		17		8	9	17
16	WELDER			16	4	12	16
14	ELECTRICIAN			14	8	6	14
11	INSPECTOR		4	7	7	4	11
11	MECHANIC			11	2	9	11
10	ACCOUNTANT		1	9	1	9	10
7	LAB ANALYSIS			7	1	6	7
7	SECRETARY			7	6	1	7
7	STORE KEEPER			7	1	6	7
7	SURVEYOR			7	5	2	7
6	TELEPHONE OPERATOR			6	1	5	6
5	ASS. MANAGER		5		4	1	5
5	ASSISTANT SUPERVISOR		5		1	4	5
5	CARTOGRAPHER			5	5		5
5	FORMAN		5			5	5
4	PROGRAMMER		1	3	3	1	4
3	DIRECTOR	3				3	3
3	HEAD OF SECTION			3		3	3
3	RECEPTIONIST			3	3		3
3	SUB-HEAD OF SECTION		3		1	2	3
2	COORDINATOR		2		2		2
2	MESSENGER			2		2	2
2	PLANNER			2		2	2

Total	POSITION	Cat I	Cat II	Cat III	LEMA	WAJ	Total
1	ASSISTANT PROGRAMMER			1		1	1
1	'BAKHOE' DRIVER			1		1	1
1	BUILDER			1	1		1
1	CAD DRAFTSMAN			1	1		1
1	CO-CO-ORDINATING MANAGER	1				1	1
1	CUSTOMER SERVICE TRAINEE			1	1		1
1	DBA			1	1		1
1	DEBT COLLECTOR			1	1		1
1	EXECUTIVE SECRETARY		1		1		1
1	INVENTORY SYS PROCESSOR		1		1		1
1	PURCHASE OFFICER			1	1		1
1	REPORTING OFFICER			1		1	1
1	SECRETARY OFFICER			1		1	1
1	SYSTEM ADMINISTRATOR		1		1		1
1	TIME KEEPER			1		1	1
1	WAJ OFFICER		1		1		1
<b>1167</b>							<b>1167</b>

NB May be merged or eliminated following 'job realignment' and re-titling exercise

## 2. LEMA compensation policy

- *Salary Classification.* LEMA does not have a unified salary classification, there are two type of employment systems, the Civil Service for WAJ seconded employees with the governmental classification system and the LEMA directly recruited that share somehow some aspects of the governmental classification system but that has no fixed salary scales.
- *Allowances.* WAJ seconded employees receive up to 12 Civil Service allowances but they also share allowances given to LEMA direct hires such as:
  - Fixed overtime
  - Disagreeable (sewage)
  - Travel
  - Special Management Allowance
  - Special individual & departmental allowances
- *Annual Increases.* There is no explicit policy regarding annual increases, these are given on ad hoc basis considering individual cases.
- *Bonuses.* There are two types of bonus on the basic salary which amounts up to 16% for LEMA direct hire employees and 25% for WAJ seconded. The difference of the percentage tries to compensate the lower basic salaries of governmental employees.

- *Special Overtime Provisions.* Overtime is paid on all employees' basic pay. There is also management staff overtime paid fixed monthly as part of 'on call allowance'.
- *Annual Leave.* Follows labor regulations that provide for 14 days.
- *Sick Leave.* Include 14 days certified sick full pay and 14 Days certified sick half pay.
- *Special Leave.* Includes a 14 day 'Haj' pilgrimage after 5 years of work, up to 4 months University study leave and 14 days approved study.
- *Life Insurance.* LEMA pays 45.175 JD per person.
- *Medical Insurance.* There are two systems, the governmental one for WAJ seconded and the private for the LEMA direct hired. There are optional systems for the immediate family and dental plus optical.
- *Savings Scheme.* There is no for LEMA direct hire and few in Government civil service scheme.

### 3. Comparative pay scales.

**Table 2 Irbid Electricity Distribution.  
Employee salaries, allowances, and privileges**

Group	Standard Jobs	Grade	Annual Increase	Salaries		Minimum Qualification
				Min	Max	
Higher Management	Deputy GM	1/A	30	450	N/A	
	Department Head/Consultants	2/A	25	350	N/A	
Specialized Jobs	Division Head	1/B	20	185		First University Degree
	Senior Engineer, Senior Accountant, Senior Financial Auditor, Senior Economist, Analyst, Senior Programmer or equivalent	2/B	15	160	N/A	
	Engineer, Accountants, Financial Auditor, Economist, Analyst, Programmer or equivalent	3/B	12.5	140	N/A	
Technical, Crafts, and Professional Jobs	Technical and Craft jobs					High school
	Technician (electrician, mechanic, painter, surveyor, draftsmen, etc.)					
	Technical supervisor	1/C	18	146	N/A	
	1 <sup>st</sup> technician	2/C	15	116		
	2 <sup>nd</sup> technician	3/C	11	96		
	3 technical	4/C	9	82		
	Technical laborer	5/C	7	70		
Financial, Admin, and IT jobs						
PC Operator, clerk, typist, secretary, cashier, data entry or equivalent	6/C	15	115			Community College
Junior PC Operator, clerk, typist, secretary, cashier, data entry or equivalent	7/C	13	81			
Support Services Jobs	Driver	1/D	10	82	N/A	9 <sup>th</sup> grade
	Senior Meter reader	2/D	8	90		
	Meter Reader, operator, copier, laborer, office boy	3/D	7	90		

**Article 8: Service Allowance**

Given on a monthly basis dependent upon continuous service as follows:

- After 3 years of service JD 6
- After 6 years of service JD 9
- After 3 years of service JD 13.5
- After 3 years of service JD 18
- After 3 years of service JD 22.5
- After 3 years of service JD 30

This allowance is subject to deductions for the savings fund, health insurance, and social security.

**Article 9: Basic Allowance and Technical Allowance**

**First: Senior Management and Specialized Jobs**

Given on a monthly basis as follows:

Qualification	Job	Basic Allowance	% of technical allowance from Salary
A- First University Degree or higher in Engineering or Computer Science	Deputy GM	18	110
	Department Head		108
	Division Head		104
	Senior Engineer or programmer		102
	Engineer or programmer		100
B- First University Degree or higher in other majors	Deputy GM	18	90
	Department Head		70
	Division Head		50
	Senior Engineer or programmer		48
	Engineer or programmer		45

An employee who is a Division head under article B with less than a college degree receives the basic and technical allowance specified in the table below.

***Second: Technical, Crafts, and Professional Jobs***

<b>Job Group</b>	<b>Job</b>	<b><i>Basic Allowance</i></b>	<b>% of technical allowance from Salary</b>
Technical and Crafts	Technical supervisor	18	37
	1 <sup>st</sup> technician	14	32
	2 <sup>nd</sup> technician		30
	3 technical		22
	Technical laborer		20
Financial and Admin	Senior PC operator, senior auditor, senior inspector		18
	Senior Clerk, typist, cashier, data entry	18	25
	PC operator, auditor, inspector	14	35
	Clerk, typist, secretary	14	20

***Third: Support Services Jobs***

<b>Job Group</b>	<b>Job</b>	<b><i>Basic Allowance</i></b>	<b>% of technical allowance from Salary</b>
<b><i>Support Services Jobs</i></b>	Driver Class 6	18	27
	Driver Class 5	14	20
	Driver Class 4 or less	14	20
	Senior Meter Reader	14	15
	Meter Reader	14	10
	Others	11	10

## **Article 10:**

### **Nature of Job Allowance for Engineers and Technicians**

A 20 JDs monthly allowance is given to engineers and electric technicians whose duties require working after hours except Fridays and official holidays and shifts decided by the GM.

This allowance is subject to deductions for savings fund, health insurance, and social security

#### **Workplace Hardship Allowance**

Technicians and drivers of installing medium tension aerial cables (33KV) = JD 5

Technicians and drivers that do not receive the above allowance = JD 3

Meter Readers and other laborers = JD 3

#### **Workplace Hazard Allowance**

Flat 12.5 JDs given to engineers, technicians, meter readers, drivers, and main distributors

#### **Allowance for working with Live Electricity (33KV)**

37.5 JD

## **Article 11: Personal allowance and cost of living allowance**

Personal allowance

for employee under probation = 59 JD

and for permanent employee = 81JD

Cost of Living

Wife = JD 8 provided she is not employed

Kids = 4 JDs per kid up to three kids under 18

## **Article 12: Administrative Responsibility Allowance**

Deputy GM : 125 JD

Department Head 65 JD

Division Head 30 JD

### **Article 13: Using Hand Held Reader Allowance**

5 JD per month provided (subject to SS deduction, not subject to health insurance and savings fund deduction, not calculated into basic salary to calculate end of service pay)

### **Article 14:**

Bonus 13<sup>th</sup> and 14<sup>th</sup> month

13<sup>th</sup> and 14<sup>th</sup> months not paid for periods where employee is not being paid his salary for whatever reason

13<sup>th</sup> and 14<sup>th</sup> not applied to employees under three month probation

If employee quits after the first three months he is paid a proportion of the 13<sup>th</sup> and 14<sup>th</sup> months according to service after three months

The bonus is calculated into the formula for calculating end of service pay

### **Article 15**

Travel allowance is paid

### **Article 16:**

Company pays 12% on a monthly basis from the total pay (including the 13<sup>th</sup> and 14<sup>th</sup> month) for the savings fund

The company deducts 12% on a monthly basis from the total pay (including the 13<sup>th</sup> and 14<sup>th</sup> month) for the savings fund

Company pays 7% monthly from total pay (except 13<sup>th</sup> and 14<sup>th</sup> month) as a contribution to the health insurance fund

jobs groups	standard jobs	grade	salaries (JD) jobs salaries		
			Excluding family allowance		
			beginning	medium	end
A. supreme Admin. Jobs	Deputy director assistant director general chairman of a department,	A/1	665	915	unlimited
	Competent councilor, counselor	A/2	540	740	unlimited
B. Specialized jobs 1 <sup>st</sup> Degree Level	Head of section / director of station /are	B/1	465	640	unlimited
	director/project manager at level of head of	B/2	400	545	690
	section(engineer, accountant, auditor,	B/3	345	470	595
	administrator, economist, statistician, analyst	B/4	315	400	505
	programmer, jurist, translator, administrative supervisor or similar	B/5	245	340	430
C. Technical vocational & professional Jobs	<b>Technical &amp; Professional Jobs</b> Technical /operation, mechanics, electricity, precision, tools, communications, chemist, networks, genera maintenance cooling & refrigeration, public safety turning smithery welding vehicles civil works (mason carpenter surveyor, draftsman, measurement) stores & similar				
	Technical controller, stores controller	c/1	330	410	unlimited
	Senior technician, central store keeper	c/2	265	330	390
	Senior technician, sub-store keeper	c/3	215	265	315
General	Third technical, storekeeper	c/4	165	215	255
Education	<b>Financial &amp; Administrative Jobs</b>				
<b>D. supporting services jobs</b> (Basic Education)	All vehicles driver, heavy duty machines driver traffic officer information officer timekeeper copyist photographer guard office-boy postman worker (normal, canteen and cleaning) or similar.	D/1	160	–	340

**Table 3 Jordan Telecom Company. Salary scale**

No	Group	Standard Position	Employees Salaries (JD)			Minimum Education
			Beginning	Medium	End	
	Operating committee	Operating committee member	1800	2500	3200	
1	<b>First group and Top management Position</b>	Directorate director financial comptroller regional manager	1000	1500	2200	First university degree
2		Department manager expert engineer in the rank manager	800	1200	1600	
3		Expert in the rank of manager	700	1000	1600	
	<b>Second group and specialized position</b>	Section Chief expert engineer in the rank of section	550	700	1100	First University Degree
		Expert in rank of Section Chief	450	600	1100	
		First Engineer	470	580	675	
5		First programmer, first system analyst. First database organizer, first business analyst, first accountant, first auditor . etc.	450	550	675	
		- Executive Secretary	270	330	400	
6	<b>Third Group Technical, vocational, financial, administrative and handcraft positions</b>	Technical Supervisor	350	450	400	
		Supervisor	350	330	400	
		Controller	300	375	475	
		First technician (Networks-switching, transmission, power and air conditioning, mechanic, electrician, surveyor, draftsman, computer and general safety).	300	375	475	Community college comprehensive Diploma or
		Second technician (Networks-switching, transmission, power and air conditioning, mechanic, electrician, surveyor, draftsman, computer and general safety).	260	325	390	High school Certificate + Experience
		Third technician (Networks-switching, transmission, power and air conditioning, mechanic, electrician, surveyor, draftsman, computer and general safety).	200	250	300	

No	Group	Standard Position	Employees Salaries (JD)			Minimum Education
			Beginning	Medium	End	
		First clerk, warehouseman	260	325	390	
		Storekeeper, Coordinator	240	300	360	
		Clerk, 2 <sup>nd</sup> accountant 2 <sup>nd</sup> programmer, data entry, cashier, operator, secretary, typist, 2 <sup>nd</sup> auditor .	200	250	300	
		Traffic officer, receptionist, fuel officer	190	240	290	High School certificate
		General maintenance technician ( carpenter, blacksmith upholsterer , painter , aluminum constructions , mortaring man turnery man ...etc	200	250	300	
7	<b>Fourth Group – Supporting Services Positions</b>	Driver type 6 (all vehicles)	200	250	300	Perpetrator
		Driver type 5	190	240	290	
		Construction Equipment Driver Motorcyclist Distributor	165	205	250	
		On foot Distributor ( mail telegraph, Billings ) , Guard, Labor, Office boy	150	190	230	
		Cleaner	145	185	225	
	Daily Workers who were confirmed on 1/8/1998	Storekeeper , driver typist , networks technician, air conditioning technician, draftsman. Transmission technician, towers technician, general maintenance technician, power technician, switching technician, election , mechanic, clerk, receptionist, operator, data entry, surveyor, coordinator. These job titles are defined as the Forth Group	150	190	230	

*NB These figure are being substantially revised at present therefore these figures are just guidelines*

**Jordan Electricity Power Company (private)**

**10/01/2005**

<b>GRADE</b>	<b>BEGIN</b>	<b>Years 2</b>	<b>Years 3</b>	<b>Years 4</b>	<b>Years 5</b>	<b>Years 6</b>	<b>ANNUAL INCREASE %</b>	<b>GRADE I INCREASE %</b>
<b>11</b>	134	137.5	141	144.5	148	151.5	3.5	2.5
<b>10</b>	154	159	164	169	174	179	5	6
<b>9</b>	185	192	199	206	213	220	7	5
<b>8</b>	225	233	241	249	257	265	8	5
<b>7</b>	270	282	294	306	318	330	12	10
<b>6</b>	340	355	370	385	400	415	15	15
<b>5</b>	430	450	470	490	510	530	20	20
<b>4</b>	550	570	590	610	630	650	20	20
<b>3</b>	670	691	712	733	754	775	21	21
<b>2</b>	796	817	838	859	880	901	21	21
<b>1</b>	922	944	966	988	1010	1032	22	22
<b>Special</b>	1054						22	

*NB to this you add 13 & 14 Months (as in report Table 6.3; In addition there are many allowances.*

## Telecom Regulator Commission Salary Structure

The Salary scale did not vary since the Employees regulation was enacted in 2002  
 The situation is that TRC has amended the employees upgrading track in order to open the path of upgrading and so enables the employee to get a higher salary scale.

The scale according to the Employees regulation Article 5 & 6 is as follows:

The positions in TRC is divided into the following groups: minimum of Bachelor degree requirement.

(First Group) " Leadership positions"

(Second Group) "Supervising and Specialized Positions: minimum of Bachelor degree requirement"

(Third Group) " Administrative, Handcraft position" – minimum of High school requirement"

(Fourth Group) "Facility Services Positions" –minimum requirements of qualifications and expertise according to the position.

The Grading of Positions is as follows:

Group	Grade	Minimum	Maximum
1	1	650 + 50%	1000 + 50%
1	2	550 + 50%	880 + 50%
2	3	450 + 50%	720 + 50%
2	4	350 + 50%	560 + 50%
2	5	250 + 50%	400 + 50%
3	6	220 + 25%	350 + 25%
3	7	180 + 25%	300 + 25%
4	8	160 + 25%	250 + 25%
4	9	130 + 25%	260 + 25%

There is a plus for each position as follows:

Group (1) and (2) 50% of the salary

Group (3) and (4) is 25%

Total Salary is the Basic Salary + the Plus

*NB Energy Regulatory Commission (ERC) had the same pay scales as the TRC; they are both not permitted to pay the 13 & 14 month pay and there are no bonuses paid and few if any allowances.*

#### 4. Proposed compensation for NEWCO

##### Minimum and maximum salary range

Current pay scales at LEMA do not follow the approach of minimum and maximum salary ranges, it is recommended to follow this practice for NEWCO as presented below.

The salary levels are generally close to current salary levels paid by LEMA. After a comparison of wages of similar responsibilities in public utilities based in Amman such as the Electricity Distribution Company (EDCO) and the Jordan Electricity Power Company (JEPCO), the results are that LEMA wages are relatively close to market levels with the exception of the lower paid categories.

Nevertheless, during the realignment exercise to be carried out by the HR committee, the salary level will be reviewed in more detail for different categories.

<b>Grade</b>	<b>Proposed Salary Ranges for NEWCO in JD (Pre - Alignment)</b>
1 Manager	625 - 1,150
2 Head of Section	430 - 950
3 Senior Professional Specialist I	450- 735
4 Senior Professional Specialist II	300 - 450
5. Technical Supervisor I	350- 450
6 Technical Supervisor II	180 - 350
7 Senior Support	200 - 400
8 Skilled Manual I	300 – 450
9 Skilled Manual II	160 – 300
10 Junior Support Staff	165 - 280
11 General	135 - 300

##### Allowances

The suggested policy is to merge all allowances of WAJ seconded employees into basic salaries with the exception of the following allowances:

- Disagreeable allowances (30JD)
- Senior supervision fixed overtime
- Travel to remote locations
- Jabi technology & travel (26JD)
- Cashier

Allowances need to be kept to a minimum from the current 12 to possible two or three; disagreeable (sewage workers); travel to remote areas and possibly Jabi allowances.

It is not recommended that allowances should be used as an incentive for motivation. If there is an allowance that can act as an incentive it would be possibly a training allowance to be spent by an employee on a course of his/ her choice for development in a work related area.

## **Bonuses**

The bonus system for NEWCO will be one of the most important tools of the remuneration package aimed at improving significantly the efficiency through economic incentives. The bonus purpose is to allocate the incentive in direct proportion to the worker contribution to the company performance in a manner that would keep a transparent relationship between the effort and the result. The initial approach adopted may be revised as the company builds up its administrative systems, implements the organization and staffing plan and develops its business plans.

- **Bonus Implementation**

The NEWCO Business Plan will include General company goals and objectives every year supported by Key Performance Indicators (KPIs). Based on these, each Department or Team will need to set additional Unit Objectives to support the overall organization business objectives and KIPs they can directly influence. This process is important because it forces a more pro-active Annual Plan development.

Once introduced the KPIs at every level in the organization, NEWCO will introduce an employee Performance Planning and Review (PPR) system. This should form the basis of the organization bonus structure. It is expected to see a variation in the objectives and KPIs from year to year while the bonus structure should remain fundamentally the same; with the opportunity to alter as required. It is important not to get locked into automatic bonus payments.

- **Bonus Size**

It is proposed that an amount equivalent to 16.66% of the total basic salary in the company be set aside to pay the bonuses because two reasons: i) the amount is equivalent to two months salary as most of the privates sectors including utility companies pay, ii) 16.0% has been paid to date by LEMA to their direct hire employees and. This budget has to be related to the achievement of KPIs and Business Plan related goals at three levels;

1. Organizational - Bonus
2. Team/ Departmental – Bonus and
3. Individual Merit

It is suggested that the Organizational and the Team/ Departmental bonus are pure bonus and that the third element will be added to the base salary averaging 3% of the total salary budget with individual receiving payments between 0 to 5 %. This will mean that the main bonus payment will be 13.66% or approximately 6.83% for the two elements of Organizational and Team/Department. All three elements will be identified in the Performance Planning & Review (PPR) system at the commencement of each year with a mini ‘informal’ mid year review and detail formal review at the end of the year. This will allow that a proportion of the bonus be paid at mid-year and the balance on the final achievement of the year end results.

This approach will give Directors, Team /Departmental Managers and immediate supervisors a say regardless of level of staff.

It is suggested a flexible approach to apply the bonus according to the level employee; for example:

**Directors:** Bonus could be entirely focused on overall annual Organization results 13.8% with no Department or Team bonus element

**Senior Managers,** Bonus can be a balance between Organization results 10% and Department or Team results 3.66 % for each element

**Middle Managers, Senior Technical & Support Staffs:** Bonus can be a balance between Organization results and Department or Team results 6.83% for each element

**General Staff:** Bonus can have a small element of organization results 3.66%; with the emphasis on Department or Team results with 10%.

**Example I Placing emphasis according to role in organization**

NEWCO EMPLOYEE GROUP	ORGANIZATION RESULTS % OF BONUS	DEPARTMENT OR TEAM % of RESULTS	INDIVIDUAL ANNUAL PERFORMANCE INCREASE from BUDGET 3%	TOTAL POTENTIAL BONUS
Directors	13.66 %	Nil	Subject to contract	13.66% ++
Senior Managers	10 %	3.66	0 to 5% (Budget 3%)	16.66%
Middle Managers & Senior Technical Staffs	6.83%	6.83%	0 to 5% (Budget 3%)	16.66%
General staff	Nil	13.66%	0 to 5% (Budget 3%)	16.66%

**Example II Mixing bonus elements according to role in organization**

NEWCO EMPLOYEE GROUP	ORGANIZATION RESULTS % OF BONUS	DEPARTMENT OR TEAM % of RESULTS	INDIVIDUAL ANNUAL PERFORMANCE INCREASE from BUDGET 3%	TOTAL POTENTIAL BONUS
Directors	10 %	3.66	Subject to contract For Directors Managers	13.66% ++
Senior Managers	6.83%	6.83%	0 to 5% (Budget 3%)	16.66%
Middle Managers & Senior Technical Staffs	6.83%	6.83%	0 to 5% (Budget 3%)	16.66%
General staff	3.66%	10%	0 to 5% (Budget 3%)	16.66%

## **Cost Implications**

The 13.66 % is variable and does increase on the basic salary (excluding allowance) and does not affect overtime, insurances etc. The area of concern will be the annual distribution of 3% which will be added to the basic salary costs including overtime. In applying his element no other increases such as general or inflationary increases would be applied to the salary ranges (similar to AWC to date).

This 16.66% will be paid to all employees except Directors who will have annual negotiated bonus structure according to their contract of employment and set by the Board of NEWCO.

## **Special Overtime Provisions**

The overtime policy will only be applied in critical areas. There is a need of review of senior management overtime allowance to re-fix or curtail depending on level and position of manager. New policies required including a cap on budget and excluding senior levels of management offering alternative ‘time off in lieu’ if worked.

## **Benefits**

In keeping with standard utility company practice in Jordan, NEWCO will offer several non-wage personnel benefits such as:

- Social insurance
- Life insurance
- Health insurance
- Company-provided fund or “savings fund”, which would provide zero-interest loans to qualifying employees and also make short-term investments for annual gains distribution

The benefit programs will be sourced by various combinations of company contribution and payroll deduction.

Although a more precise determination of these benefits will be defined later, these will have the following general characteristics:

- *Medical Insurance*; employee could have a choice to join the LEMA direct hire benefit with the private sector or continue with the Government scheme. Employee contribution could be in the order of 5% of basic pay with the company contributing the balance of the cost amounting to 10 to 15% of the total basic salary pay. Employees can contribute with extras such as dental, optical/ glasses and extended family.
- *AWC Saving Scheme*: where the company can contribute some matching funds to make the option attractive. The proposal is to have a ‘profit share saving scheme’, where the company, if successful, will declare a surplus at the end of each year and will pay a lump sum to the ‘saving fund’ and employees can match this over the following year. Clear

regulations should in place for the management of this fund regarding representative control, borrowing rules and qualification of investments.

- *AWC Life Insurance*: the benefit will reach all employees with costs covered by the company.

## ANNEX 4

### WATER AND WASTEWATER SERVICES

#### 1. Geography

As was agreed on in the Memorandum of Understanding signed between the Ministry of Water and Irrigation (MWI), the Water Authority of Jordan (WAJ) and USAID, the New Company will be responsible for operations in the Amman Governorate in addition to the current being serviced by LEMA. The area of service is 7579 km<sup>2</sup> (see Map 1).

Map 1 Districts of Greater Amman area.



## 2. Population

The total population in the new service area, according to the 2004 census is 1.94 million and 95% of them are living within the borders of GAM (see Table 1). Population growth between the last two censuses was about 2.1% per annum. The two largest districts of Central Amman and Marka account for half of the total population. However, population growth is faster in areas outside GAM. These areas (see Map 2) include the eastern side of Amman Governorate in the direction of Al-Muwaqer following the highway toward Al-Azraq, and in the direction of Queen Alia Airport, following the highway to the south.

The eastern side of the governorate is open space with no registered people living there. The distance from Al Muwaqer (currently served by LEMA) to Al-Azraq (located in Zarqa Governorate) is about 70 km, and currently is also not populated.

**Table 1 Population in the service area (000)**

District	Census	
	1994	2004
Na'ur	37,281	66,020
Quaismeh	139,607	260,368
Jeza	32,446	41,333
Muaggar	18239	29,765
Sahab	49,060	172,942
Wadi Al Seer	132,195	56,875
University	167,940	277,831
Central Amman	547,490	550,434
Marka	458,250	483,837
<b>Total (millions)</b>	<b>1,576</b>	<b>1,939</b>

Population and demand projections assume a 2.5% annual growth rate. By 2025, the total population in the service area is estimated at 3.3 million people.

There are currently several important real state developments under development that could demand adjustments to the water distribution and wastewater collection systems. However, detailed engineering plans are not yet available. These developments include:

- **Jordan Gate**

Jordan Gate, the first phase of the ambitious US\$1 billion project initiated by Gulf Finance House B.S.C. (GFH), Jordan Gate will be a futuristic development comprising two high-rise towers connected to a shopping mall, and a hotel operated by Hilton International. The project is within GAM area.

- **Abdali Project**  
A \$1 billion, multi-faceted project to revamp a key area in the heart of Amman, This 30-hectare project features several districts: IT, residential, retailing and entertainment, medical, a civic pole, a campus for the American University in Jordan, and a pedestrian spine. The project is within GAM area.
- **Andalucia Project**  
The project contemplates 600 villas, fitness facilities, basketball, squash, volleyball and tennis courts and a preschool on-site.  
The project is outside GAM area.
- **Greenland Project**  
Green Land embraces a 1.1 million square meter facility to be developed in two phases. Phase I includes 500 villas and semi-villas. Phase II shall includes 380 properties, including villas, semi-villas and apartment buildings.

### **3 Water and wastewater services**

#### **3.1 Water services**

In 2005, about 97 % of the total population in the LEMA area of operation was served through some 362,500 service accounts. Due to lack of water resources, water supply is rationed in most of the service area; in 2005 for instance, the average hours of supply were 66 per week. However, about 60% of customers receive water more than 36 hours per week and 55 water districts within restructured CIP area are receiving water continuously as of May 2006. These areas are Hizam, Tadj, Jofah, Ashrafiyah, Down Town, Muhajreen, Safout, Abu Oulya, Lower Hashmi. The population in these areas is approximately 10% of the total population.

Two areas at the western side of Amman Governorate are currently supplied by the Madaba Water Authority. However, at the border, some of the residents receive water from LEMA, but are billed by Madaba Water Authority and vice versa.

In the initial operational phase, NEWCO will be in charge of the area now being served by LEMA. Over time, and as mutually agreed with WAJ, other areas of the Governorate will be handed over to NEWCO and others might be transferred back to WAJ.

Coverage by a house connection is projected to increase from about 97% in 2005 to 99% in 2009 and remain constant thereafter, as rapid population growth makes it unlikely to sustain 100% coverage.

## Water sources

Water delivered to the LEMA area comes from systems operated by WAJ and LEMA (Figure 1 and Table 2). The most important source is the Yarmouk River and water collected from 10 other sources located in the northern part of the Jordan Valley that feed the King Abdullah and ultimately the Zai water treatment plant. The intake at Deir Alla is located at 230 meters below sea level and the water is pumped through a system of 4 pumping stations to 880 meters above sea level. From the Zai plant the water is pumped to the Dabouq reservoir before being delivered to the distribution system.

**Table 2 Water supply sources**

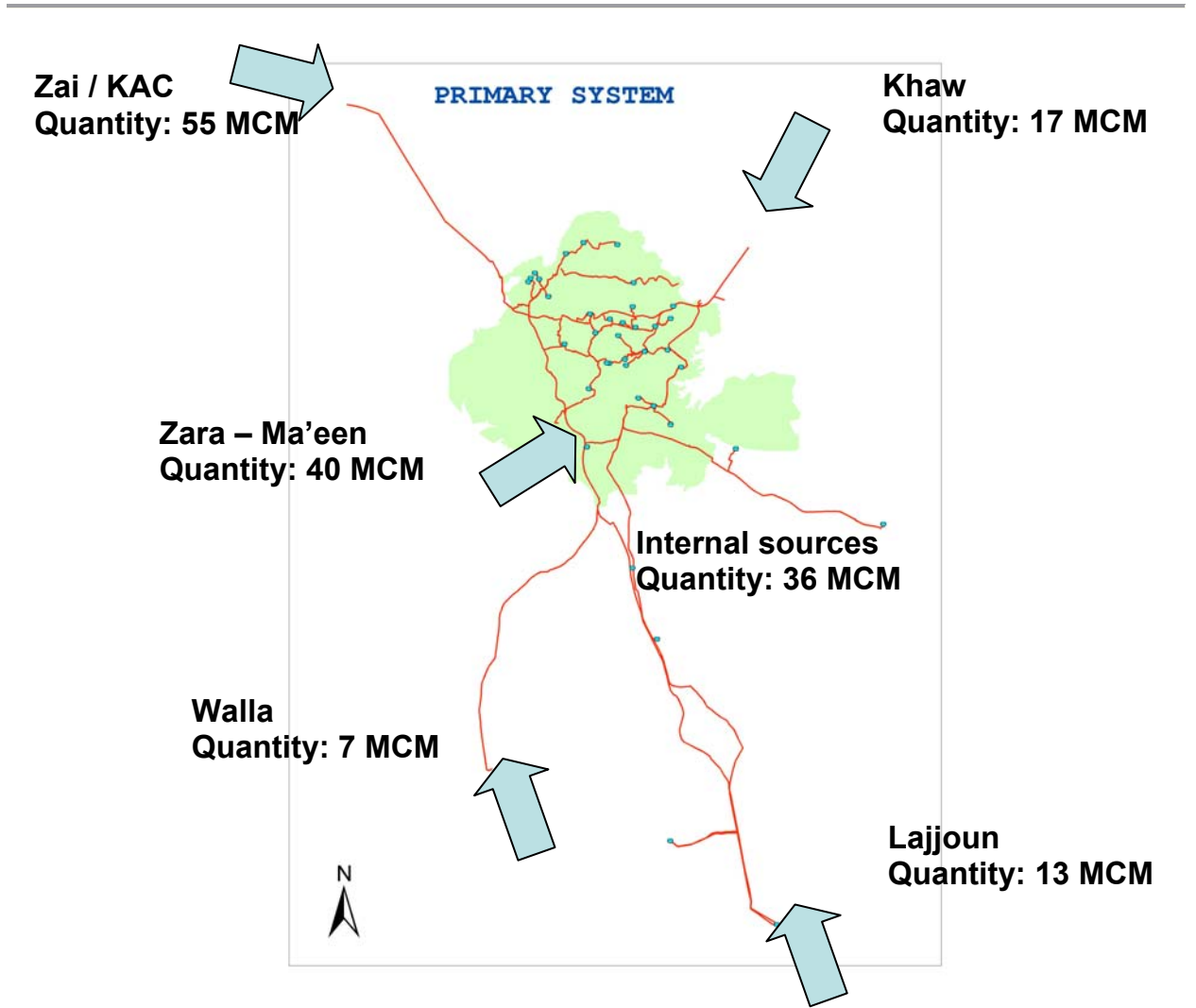
Source	Capacity (mm <sup>3</sup> /year)	Volume used (2004) (mm <sup>3</sup> /year)	Location	Operator
Deir-Alla	70	54.7	Jordan Valley	LEMA
Khaw	18	16.4	Zarqa Governorate	WAJ
Walla	10	6.6	Madaba Governorate	WAJ
Lajjun	15	12.8	Karak Governorate	WAJ
Wells (16 fields)	36	35.6	LEMA area	LEMA
Zara-Ma'in 1/	47 a/ (40 b /)	n.a.	Jordan Valley	WAJ- Under DBO with Degremont
<b>Total</b>	<b>196</b>	<b>126.1</b>		

a/ Expected to be commissioned in the second half of 2006

b/ Net volume to be supplied to NEWCO

n.a. Not applicable

**Figure 3 Schematic locations of bulk water sources**



An important new water source (Zara Ma'een project) is being completed and expected to be operational in the second half of 2006. In September 11, 2003, MWI signed an agreement with the Morganti Group Inc. in the amount of US\$125.1 million and JD 134,900 for the design-build and operation of this project for 2 years with a provision to extend it for a further 5 years period at the discretion of the WAJ. The project was partially funded by a US\$ 104 million grant from USAID to covers 85% of the project cost and 100 % of the engineering supervision services. The balance was financed by the Government of Jordan to cover land acquisition and about JD 8 millions for electricity supply for operating the system. The project comprises:

- Treatment Plant. A 55 MCM per year reverse osmosis treatment plant for upgrading class III raw water of salinity between 1400-2000 mg/l to no more than 250 mg/l. The plant should produce 47 MCM per year of drinkable water as defined in Jordanian Standards. The plant includes a central monitoring, control and transfer of information of the treatment plant and pumping stations and a

standby generator to operate the essential equipment during power cut-off such that the plant can continue treatment when the main power becomes normal. Also it includes buildings for administration, operation, maintenance, chlorination and laboratory and guard, and a 600 mm pipeline for conveying the brine to the Dead Sea.

- The Conveyor, Pumping Stations and Reservoirs. A 1000 mm pipe to transfer the desalinated water through (5) pumping stations to a 10,000 cubic meter terminal reservoir at Na'ur which will supply a new pumping station at National park This water is then distributed to Dabouq and Abu-Alanda reservoirs through existing pipelines.

The pumping stations can transfer an average of 38 MCM per year, and a maximum of 45 MCM. This transfer capacity can be expanded to 68 MCM per year with the possibility to feed Dabouq and Abu-Alanda if the delivery pipeline to Abu-Alanda is added in future.

## **Water treatment**

Water from the Deir Alla conveyance system, including the water from the Abu Zheighan desalination plant (maximum treatment capacity of 22 MCM /year<sup>1</sup>), is delivered to the Zai water treatment plant. The Zai water treatment plant provides conventional treatment (flocculation, sedimentation, rapid filtration and chlorination. Water from wells is chlorinated.

## **Distribution and storage**

The distribution system has some 6,150 km of pipelines including some 1,400 kms of house connection pipes. About 36% are old galvanized iron pipes of less than 100 mm and about 20% of the system's pipes are less than 32 mm in diameter. Storage tanks with a total capacity of 446,700 m<sup>3</sup> supply and regulate the volume demanded by the end users.

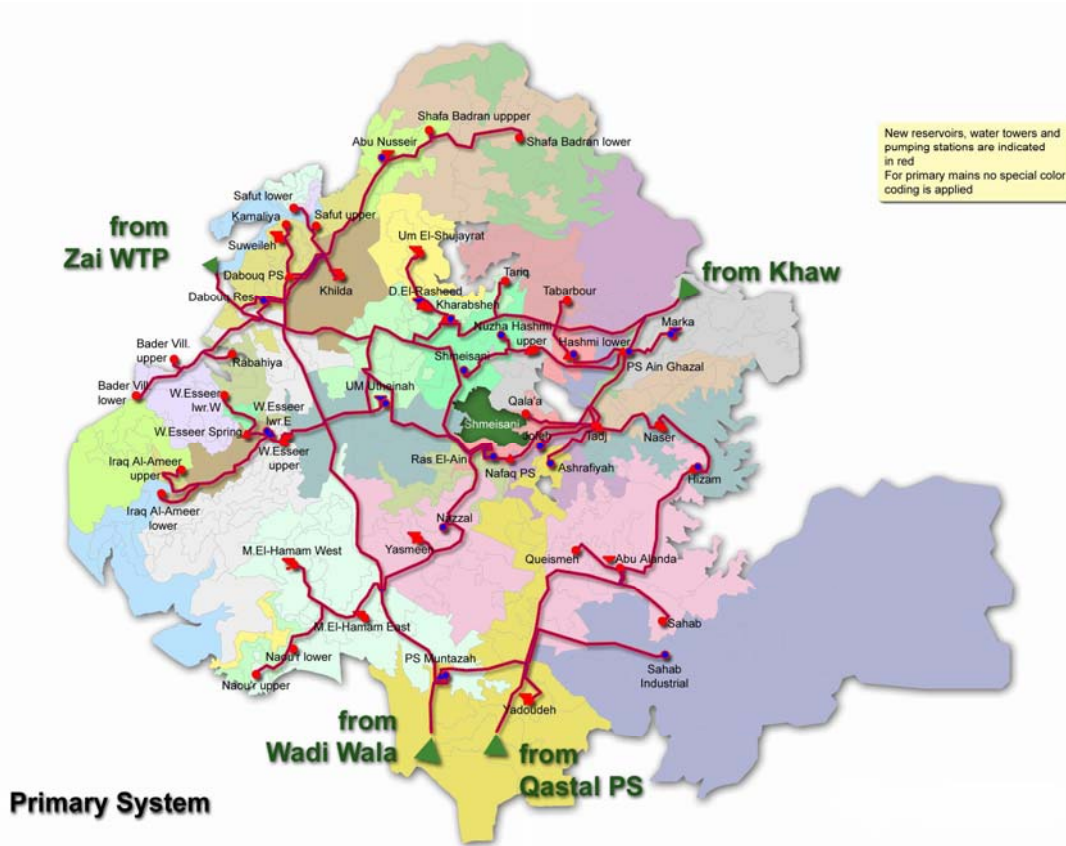
The water distribution is divided into three subsystems (Map 3):

- 1) *Primary*. Comprises mayor pumping stations, about 500 km of large pipes with diameters ranging from 400 mm to 1400 mm, and some 26<sup>1</sup> large storage tanks;
- 2) *Secondary*. Comprises smaller pumping stations, some 1,180 km of pipes with diameters ranging from 100 mm to < 400 mm, and about 30 storage tanks; and
- 3) *Tertiary*. Water from storage tanks is distributed by gravity to end users; it includes some 3,000 kms of main pipes (diameters ranging from 25 mm to < 100 mm); about 1,400 km of house connection pipes and some 352,000 metered service users.

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<sup>1</sup> The wells of Abu Zheighan can produce a maximum of 13 MCM per year. The actual production in 2005 was 5 MCM.

**Map 3 Primary system and the primary water storage tanks**



A major rehabilitation project of US\$ 250 million has been carried out with assistance of the donor community and it is expected to be of concluded by mid 2006. This project was primarily directed to improve the primary/secondary distribution system and to create some 330 district zones (each district zone, is hydraulically independent and equipped with pressure reducing valves and inflow meters).

This rehabilitation project was conceived to significantly improve the operation of the distribution system, but less emphasis was given to rehabilitation. Therefore, the number of pipe breaks in the distribution system (is still very high when compared with international best practice (< 0.4 per km per year). Additional efforts implemented under the LEMA contract during the past 6 years and aimed to reduce non revenue water include an aggressive meter replacement program reaching almost 200,000 by 2004, and the use of advanced techniques for leak detection and repair as well as the implementation of a system to reduce the response time to repairs.

In spite of these efforts, after 6 years of improved management and rehabilitation works the system still registers a high level of non-revenue water (NRW) and level of leaks/breaks as shown in Table 5.

In addition, the frequent closing and opening of valves, to accommodate shifts in supply to different areas, contributes to the high level of pipe leaks/breaks. Test conducted by LEMA in certain districts have shown that, a continuous supply has helped to significantly reduce losses to levels in these areas.

**Table 5 Evolution of pipe breaks**

Year	Breaks		Number per year/ km of D.S.			NRW %
	Distribution pipes	House connections	Pipes	H.C.	Total	
2002	27,099	26,335	4.2	4.1	8.3	49
2003	23,581	35,049	3.7	5.5	9.2	48
2004	16,697	39,953	2.6	6.2	8.9	51
2005	13,072	35,136	2.0	5.5	7.5	45

Source: LEMA

Note: D.S. Distribution system; H.C. House connections

To help the operation of the water distribution system a control SCADA system is being implemented; however, it is desirable to extend this system to control the flows and pressures into each district zone. Most pumping stations already have a SCADA system. A new building facility located by the Dabouq storage tank will house the central SCADA system. This central SCADA system (without the district zones) is being designed and its implementation is estimated to cost about JD 3 million.

### 3.2 Wastewater services

#### Collection

Wastewater services by a house connection cover 78% of Greater Amman population through some 2,000 Km of pipelines. Drainage services are the responsibility of the City of Amman. By 2025, wastewater coverage by house connection is projected to increase to 90%. This assumption takes into account the high population growth and the experience in Amman and other cities that low density areas could be served at a lower cost by septic tanks.

The wastewater collection system is being affected by two major problems that require attention by WAJ and NEWCO:

- **Storm water flows.** A recent study<sup>2</sup> concludes that “storm water inflow to the wastewater collections system is still a significant problem and has not substantially reduced from the estimated presented in the 1997 Master Plan” During heavy rainfall events, peak flows in the wastewater collection system increase by a factor of 5-6 times the average flow. Buildings with storm water collection systems (roof and area drains) are believed to be the mayor source for increased flows in the wastewater collection system. Other potential mechanisms of storm water entering the system, such as groundwater infiltration and cross-connections with the storm water networks, are considered to be minor sources of additional flows. Several studies have confirmed the illicit building connections are the mayor source. The Master Plan (1997) reported that about 24% of the building inspected had

<sup>2</sup> Montgomery Watson Harza. Greater Amman Infiltration/Inflow Elimination. Technical Program. February 2006. USAID Grant No. 278-0288

connections to the wastewater collection system. LEMA reported as well that of a survey of 27,500 properties, 14% of the houses had storm water connections to the wastewater collection system.

- **Blockages.** They presently (2004) amount to about 18,900 per year (2004) or 9 stoppages per km of network per year which far exceed international best practices (< 0.1). This problem presents an increasing bottleneck to operations and to the development of new real state projects and it is indicative of the need for urgent actions and resources for rehabilitation.

### **Wastewater facilities**

Presently there are two wastewater treatment plants operated by LEMA:

- Abu Nsseir activated sludge plant (4,000 m<sup>3</sup>/day or 1.5 mm<sup>3</sup>/year); and
- Wadi Essier (4,000 m<sup>3</sup>/day).

In addition, WAJ operates one pretreatment plant in Ain Ghazal<sup>3</sup>. This lagoon system that receives about 225,000 m<sup>3</sup>/day (82 mm<sup>3</sup>/year) might be closed when the As Samra plant becomes operational. In addition, WAJ is developing three new wastewater treatment plants:

- As Samra secondary treatment plant, being built under a BOT scheme, with financial assistance from USAID. This plant has four treatment trains with a total capacity of 267,000 m<sup>3</sup>/day (97 mm<sup>3</sup>/year). This capacity will be gradually made available between June/06 (expected completion of the first train) and January/07. Additional capacity of 267,000 m<sup>3</sup>/day is planned for a later stage.
- South Amman secondary wastewater treatment plant, being built with financial assistance from Korea. This plant has a capacity of 31,000 m<sup>3</sup>/day (11.3 mm<sup>3</sup>/year) and is expected to be operational in early 2008.
- Giza-Talbiea secondary treatment plant, being built with financial assistance from Italy. This plant has a capacity of 2,300 m<sup>3</sup>/day (0.8 mm<sup>3</sup>/year) and is expected to become operational by mid 2007.

South Amman wastewater project is a major intended to serve more than 290,000 people living in this area. The area is divided into two catchment areas: the Northeastern area with 71% of the population and the Western Highlands/South area which covers the remaining 29% of the population. The total length of the collection system in the Northeastern area is estimated to be 500 km long; with an additional length of 212 km for the Western Highland / South area (i.e. the total length is 712 km). The cost for the collection system is estimated to be JD 50 M. The Government of Jordan has signed an agreement with the Government of Korea to finance the design, review and construction of the South Amman Wastewater Treatment plant (SAWWTP) which will serve the Northeastern catchment area; a consulting firm was selected for the design review and supervision construction for the SAWWTP on Nov. 2005.

## **4. Long term investments**

The long term investment plan, as developed in Report No. 1 (January 2006) is presented in Table 6.

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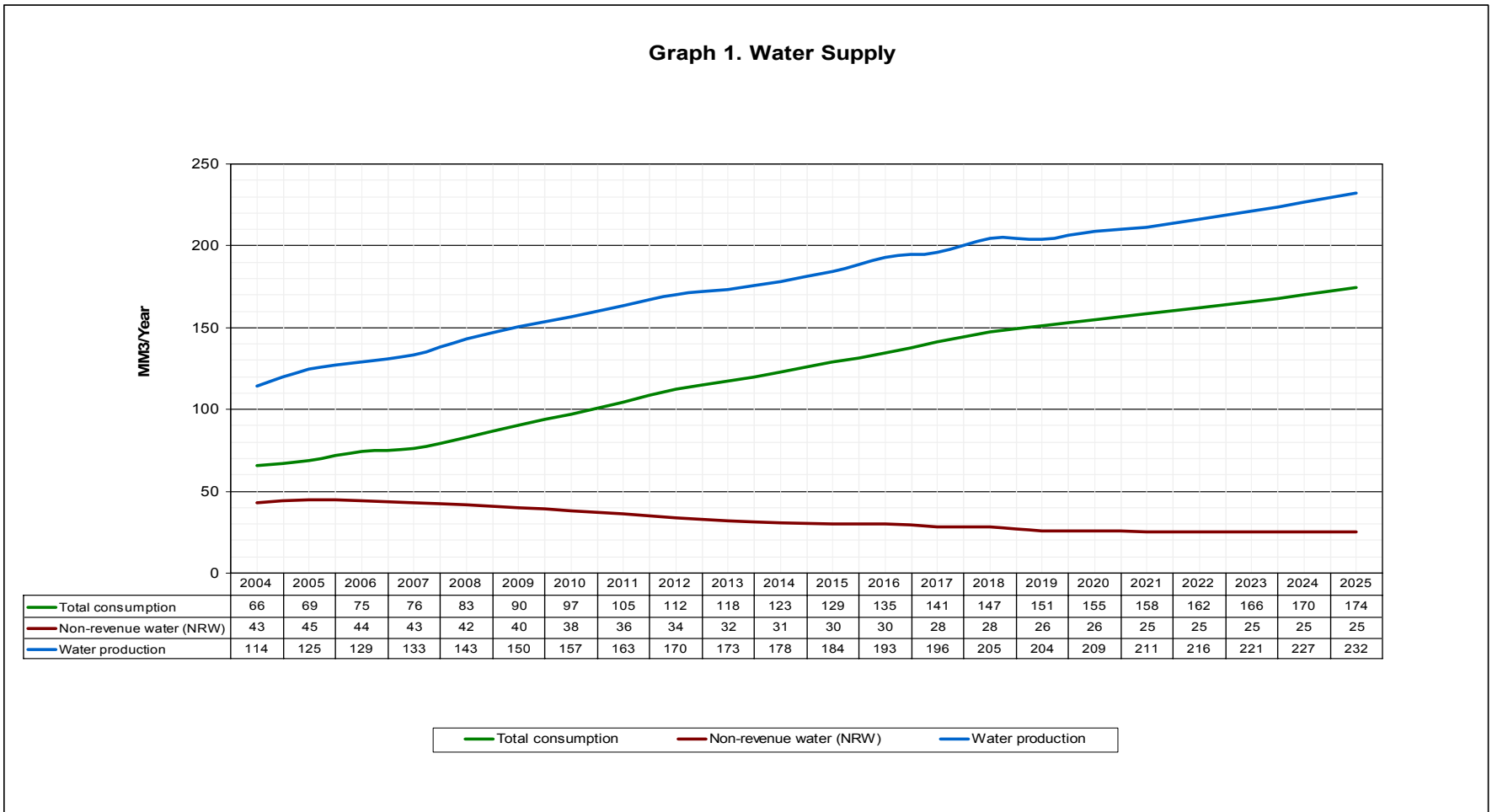
<sup>3</sup> This plant will continue to be operated by the As Samra BOT operator.

**Table 6 Estimated investment requirements 2007-2025  
Million JD (2004 prices)**

<b>Agency responsible</b>	<b>Project</b>	<b>Capacity mm3/year</b>	<b>Year commissioned</b>	<b>Water supply</b>	<b>Waste water</b>
<b>WAJ</b>	Zara Ma'in a/	35	2007	(85)	
	Disi	100	~ 2010	460	
	As-Samra Stage 1 a/	98	2006		(120)
	As-Samra Stage 2	98	2015		120
	South Amman a/	11	2008		(17)
	Giza-Talbiea a/	0.8	2007		(7.5)
	<b>Start up project</b>	Rehab.	2007-2011	40	20
<b>NEWCO</b>	Water distribution	Distributed over the years to meet demand		116	
	Wastewater collection				152
<b>Totals</b>				<b>556</b>	<b>292</b>

Note: a/ The cost of projects already financed (in parenthesis) is not included in the totals

**GRAPH 1 Water demand  
(mm<sup>3</sup>/year)**



## ANNEX 5

### PRICING, COST OF SERVICES AND SUBSIDIES

#### 1. Pricing policy objectives

Pricing to end consumers entails the definition of the tariff level (average tariff) and the allocation of costs/subsidies among different users. There is widespread consensus among practitioners that a pricing system to the final consumer, based on best practices, should promote the following objectives:

1. *Economic efficiency.* To ensure the efficient use of the national resources (water resources, labor, capital, etc.) that are needed to provide the services that people are willing to and able to pay for.
2. *Financial viability.* To ensure that the service provider has the financial resources to operate, maintain the existing infrastructure and timely expand services to meet a growing demand.
3. *Social.* To ensure that all inhabitants, particularly the poorest, have access to basic services at an affordable price.
4. *Transparency and simplicity.* The level of tariffs and pricing structure are clearly stated to ensure that sector authorities, the service providers and the public easily understand them. Moreover, the pricing policy should be implemented at a reasonable cost.

The pricing of services to intermediate users (transfer or input prices) such as the sale of bulk water or treatment of wastewater, from WAJ to NEWCO should pursue similar objectives. The social objective, however, should not be a concern in transfer pricing as this objective can be better managed at the retail level.

The application of these objectives poses several challenges to policy makers as they do not often work in the same direction. For example:

- Economic and financial cost concepts are not identical and therefore provide a different price answer. For instance, economists do not consider interests and taxes (transfer payments) as costs, while from a financial point of view they are. On the other hand, economic costs include the effects on the environment (externalities), but they are not considered financial costs unless they affect the finances of the utility.
- A tariff based on economic or financial principles could be out of reach to the poorest families and hence, charging full economic or financial costs could exclude them from services.
- Efforts to allocate costs to different users often result in complicated tariff schemes and subsidies benefiting users that do not need them.

Pricing of services and inputs (raw water and electricity) to operating agencies (WAJ and NEWCO), and of services provided to the final consumer are important policy decisions. These price signals affect their behavior, by stimulating:

- Operating agencies to allocate adequate resources to:
  - Minimize real water losses, by improving maintenance
  - Reduce “commercial losses” such as illegal consumption and meter under registration by pursuing more effective operational controls; and
- Consumers to conserve this precious resource.

## 2. Pricing strategies

The regulator has several pricing options to provide the necessary revenues to the service provider:

- Consumption related
- Fixed charges not related to consumption
- Special contributions
- Taxes

The compliance of these options with the pricing objectives is indicated in Table 1.

**Table 1 Pricing strategy**

Revenue base	Economic efficiency	Financial viability	Social	Transparency
<b>Consumption related</b>				
• Metered (AIC + fixed charge and rebate)	Yes	Yes	Yes	Yes
• Increasing block rate	No	Yes	No	No
<b>Not consumption related</b>				
• Consumption estimate	No	Yes	No	No
• Fixed charge	No	Yes	No	No
• Special contributions				
○ Developers	No	No	Uncert.	Uncertain
○ Special assess	No	Uncertain	Uncert.	Uncertain
<b>Taxes</b>				
• Dedicated (property related)	No	Uncertain	No	Uncertain
• Non dedicated (budget transfers)	No	Uncertain	No	No

From the matrix presented in Table 1, it is clear that a sound pricing strategy could combine some or all of the above pricing options to formulate a comprehensive pricing strategy. In the particular case of Amman it is important to note:

- Water is very scarce, hence water conservations is important. Therefore, economic pricing (AIC) is the best way to promote this objective.
- Fixed charges can be used to cover non-consumption related costs such as billing and collection costs and to help fill the financial gap created by subsidies to poor families.
- Rebates (or negative fixed charges) can be used to improve targeting of subsidies to the poorest families without distorting the pricing signal.
- Special contributions can be used to recover some of the capital costs:
  - From developers to cover the costs of the tertiary water distribution and wastewater collection systems. Additional contributions to partly cover other capital costs are possible but the revenue stream is quite uncertain.
  - Special assessments and high connections charges, to partly cover large capital works can be onerous to many users.

If special contributions are levied, care should be taken to deduct this revenue form AIC calculations to avoid double counting.

- Taxes. Are often levied in an attempt to enhance the revenue base of the service provider. However, there are hidden costs (tax collection and administration) that make this alternative less attractive. Non-dedicated taxes to cover budget deficits, have proven not to be reliable and therefore should not be used under normal conditions.

### **3. Willingness and capacity to pay**

*Willingness to pay* is the amount a user is prepared to pay for a service that meets its own standard of service and satisfies its needs. As such it defines its demand for the services. Willingness to pay also includes, in the case of water and wastewater services, other expenditures (copying costs)<sup>4</sup> to compensate for deficiencies in quality and quantity of the service. Examples of copying costs, in Amman are:

- Payments to buy bottled water or water form tankers.
- Investments in storage tanks and in house treatment facilities, such as filtration or boiling.
- Investments in septic tanks.

An informal water consumption survey was conducted in April-May 2006, to gage the willingness to pay for water of several families in Amman; the results are presented in Table 2.

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<sup>4</sup> Yepes, G. K. Ringskog. The High Cost of Intermittent Water Supplies. Indian Journal of Engineering

**Table 2 Willingness to pay for water services  
Sources of water; quarterly figures**

Household (No. of members)	LEMA		Tankers		Bottled	
	m3	JD	m3	JD	liters	JD
1 (3)	284	172	167	298	-	-
2 (2)	15		-	-	120	4.8
3 (3)	17	5.30	-	-	18	3.6
4 (4)	35	7.50	-	-	720	12.0
5 (3)		4.40	-	-	-	-
6 (6)	68	31.30	8	37	720	37
7 (5)	0	0	120	72	480	72

Source: Consultant's survey March-April 2006

The information presented in Table 2 suggests that most users are willing to pay substantially more for additional consumption (tankers) or for water of perceived better quality (bottled water). Therefore, there seems to be ample room to increase tariffs if this increase is associated, and in particular, with a continuous e.g., a more reliable supply.

*Capacity to pay* is an indication of the ability of a user to afford the services within the constraints of its budget. There is not an accepted way to measure this capacity, but the experience of international organizations such as the World Health Organization, indicates that payment for water and wastewater services should, in general, not exceed 5% of the family income. The European Community considers 2% as a suitable payment benchmark and payments over 3% as a heavy burden on the income of a household<sup>5</sup>. However, there are many examples of families that expend substantial higher percentages to obtain the water they need particularly in water scarce regions.

A willingness to pay/capacity to pay assessment done in Jordan in 2001<sup>6</sup>, indicates that the average household income in Amman is about 16% higher than for the country (JD 327 and JD 281 respectively) and that average household expenditures on water represented 1.7% of the family income in Amman and 1.2% country wide. However, these expenditures include purchases from many sources (Table 2).

Studies in many countries have found a strong and consistent correlation between income and consumption<sup>7</sup>. Therefore, poor families<sup>8</sup> are most likely to use substantially less water. In Amman, for instance some 28% of residential users consume less than 20 m3 per quarter; and their consumption represents 6.5% of all consumption, a distribution typical of cities of similar economic conditions. On the other hand families, classified as living in absolute poverty represent less than 30% of all families and therefore it is highly likely that most poor families use less than 20 m3/quarter. These families paid on average

<sup>5</sup> Water Prices and Households' Income. International Network of Basin Organizations. December 05-January 06. No. 14

<sup>6</sup> JICA. The study of Water Resources Management in the Hashemite Kingdom of Jordan. December 2001.

<sup>7</sup> These studies have shown that income elasticity (change in consumption relative to a change in income) is about +0.6 (an increase in income of 10% will increase consumption by 6%).

<sup>8</sup> Absolute poverty is defined as JD 392 per capita year.

JD 1.16 per month in 2005 for water and wastewater services (JD 1.33 per month) or 0.8% of their income. This suggests that here is room to adjust the price of services for this group of users; however, given their low consumption a tariff adjustment to this group will have a negligible effect on the company's finances but may have undesirable political ramifications.

#### 4. Current level of subsidies

Taking as a benchmark the AIC cost of water distribution and collection (JD 0.70/m<sup>3</sup>) or of integrated services (JD 1.50/m<sup>3</sup>) the level and extent of present of subsidies in 2005 is presented in Tables 3 and 4.

**Table 3 Level of subsidies (2005)**

Bracket m <sup>3</sup> /quarter	WATER & WASTEWATER			Subsidy based on 0.70/m <sup>3</sup>		Subsidy based on 1.50/m <sup>3</sup>	
	Ave No. Users	Consump. M3(000)	Ave. per m <sup>3</sup>	JD/m <sup>3</sup>	mill JD/year	JD/m <sup>3</sup>	mill JD/year
<b>Residential</b>							
0-20	103,797	4,331	0.38	0.32	1.38	1.12	4.84
21-40	110,578	13,405	0.27	0.43	5.78	1.23	16.50
41-130	120,919	30,579	0.50	0.20	6.10	1.00	30.56
> 131	6,915	10,143	1.14	-0.44	-4.50	0.36	3.61
Sub total	342,208	58,457	0.55	0.15	8.75	0.95	55.52
<b>Non-residential</b>							
0-20	12,356	325	2.01	-1.31	-0.42	-0.51	-0.16
21-40	2,781	324	1.58	-0.88	-0.28	-0.08	-0.02
41-130	3,288	957	1.49	-0.79	-0.76	0.01	0.01
>130	1,921	6,239	1.42	-0.72	-4.47	0.08	0.52
Sub total	20,346	7,846	1.46	-0.76	-5.94	0.04	0.34
TOTAL	362,554	66,303	0.66	0.04	2.81	0.84	55.86

Totals may not add because of rounding  
 Source: LEMA and consultants estimates  
 Subsidies in yellow

**Table 4 Extent of subsidies in 2005**

Type of user	Reference service			
	Water Distribution and WW collection		Integrated Water and WW services	
	Percentage (of category) subsidized			
	Users	Volume	Users	Volume
Residential	95.1	75.2	100	100
Non-residential	0	0	39.3	0.5
Total	92.5	71.4	96.6	99.5
Cost recovery %	74		38	

The data presented in Tables 2 and 3 indicate that:

- About 93% of all users (all residential) and 73% of all consumption is being subsidized.
- The total level of subsidies is about JD 56 million/year; as a reference total billing in 2005 was JD 36 million.
- The absolute level of subsidies to residential consumers tends to increase with consumption and therefore with family income levels (up to 130 m<sup>3</sup>/quarter). Such distribution of subsidies is considered regressive.
- Charges in the 0-20 bracket are not related to actual consumption but to the maximum – in effect a fixed charge-. Therefore, residential consumers in this bracket pay a higher unit cost than consumers in the next (21-40 m<sup>3</sup>) bracket. Likewise, non-residential users in the 0-20 m<sup>3</sup> bracket pay a substantially higher.
- The aggregate level of subsidies (JD 13.3 million) is not recovered by the transfers from other users (about JD 10.5 million per year), thus creating an income shortage of about JD 2.7 million per year.

## 5. Proposed tariff realignment

The present level of subsidies represents a heavy burden on the sector, which urgently needs these resources to expand and improve the quality of services. Financing of water and wastewater services requires substantial budget transfers for the government and donor's support. This level of subsidies, therefore, is not likely to be sustainable in the long run. For these reasons, it is highly advisable to revise the average tariff level and tariff structure to help improve:

1. Water conservation efforts that would help delay the implementation of very expensive water augmentation projects, such as Disi<sup>9</sup>.
2. Targeting of subsidies to benefit only the poorest families.

<sup>9</sup> Price elasticity (change in consumption to a change in price) in Amman is not known. From experiences in cities of similar economic level this elasticity could be of the order of - 0.20. Therefore, an average tariff increase of about 50% would decrease demand by about 10%.

3. Reduce the pressure on the government's budget to finance the expansion of services. In 2004, for instance, WAJ received a net contribution of some JD 95 million, of which JD 42 million were provided by the government and the rest by international donors.
4. The allocation of resources for maintenance and prompt payment of some operational inputs such as electricity.

Therefore, the realignment of prices should consider major policy decisions:

1. Setting prices close to the AIC to ensure full cost recovery and improving financial viability of WAJ and NEWCO.
2. Limiting subsidies to the poorest families, in principle those that use less than 20 m<sup>3</sup>/quarter.
3. Gradually removing of subsidies to middle and upper income families and non-residential users.
4. Reassessing the practice of allowing the sale of water by trucks, which obtain their water at very concessionary (subsidized) prices, which do not reflect scarcity costs.
5. Reassessing the charges to non-residential users and high volume (more than 130m<sup>3</sup>/quarter) residential consumers to reflect the full AIC costs for integrated water and wastewater services. These users represent 8% of all users and 27% of total consumption.
6. Retaining the fixed charge concept for both residential and non-residential users to offset the subsidy to consumers in the 0-20 bracket and to cover billing and collection costs.

Considering that the recommended tariff adjustments are a political decision, the consultants have developed a scenario (Table 4) to provide policy makers with elements for an informed decision. This scenario provides information on how to reach full cost recovery of water distribution and collection services within a 5-year period and the impact on different groups of consumers.

**Table 5 Tariff rebalancing scenario – 5 years**

	Revenue Increase	
	Total	Per user/quarter
<b>Residential</b>		
0-20	0	0
21-40	6,663	333
41-130	7,066	353
> 130	3,669	183
Sub total gross		
Sub total net	24,605	1,230
<b>Non-residential</b>		
0-20	-66	-3
21-40	-3	0
41-130	33	2
>130	536	27
Sub total gross		
Sub total net	501	25
<b>TOTAL NET</b>	<b>25,667</b>	<b>1,283</b>

The recommended tariff realignment will help generate an extra JD 26 million. This realignment should be accompanied by a reduction of transfer subsidies (bulk water and wastewater treatment) from WAJ to NEWCO while preserving the financial integrity of the latter.

**Table 7 AIC calculations**

	AIC Calculations (2)				2/2
		W	WW	Total	
<b>Present values</b>					
Water demand (consumption)	mm3	428.33			
O&M	JD(000)	198,255	180,412	17,843	
Investments	JD(000)		43,960	59,990	103,951
<b>Allocation of O&amp;M costs (2004)</b>					
Personnel	JD(000)	5,007	Split 75/25	3,755	1,252
Total energy	JD(000)	16,310	95/5	15,495	816
Cost of water from other governorates	JD(000)	6,794	100/0	6,794	
Chemicals, fuel and oil	JD(000)	1,288	100/0	1,288	
Wastewater treatment fees	JD(000)	978	100/0	978	
Maintenance and repairs	JD(000)	2,098	70/30	1,469	629
Other	JD(000)	1,320	75/25	990	330
Total operation and administrative cost	JD(000)	33,795		30,768	3,027
Percentage; adopted				91%	9%
<b>AIC per m3/sold</b>	JD/m3				
O&M	JD/m3			0.42	0.04
Investments	JD/m3			0.10	0.14
<b>Total</b>	<b>JD/m3</b>			<b>0.52</b>	<b>0.18</b>

**Table 8 Billing analysis (2005)**

**AMMAN  
BILLING ANALYSIS 2005**

Bracket m3/quarter	WATER				WASTEWATER				W+WW						
	Ave # Users	Consumption m3 (000)	Charges JDs		Charges JDs		Ave # Users	Total (000)	Per m3	Per q/user	Charges JDs				
			Variable	Fixed	Variable	Fixed					Total (000)	Variable Per m3	Fixed Per U/quarter	Total Per m3	
<b>Residential</b>															
Billing adjustments	169	-5,183	-4105	-5	0.79	-6.07	-0.01		-1,388	0.27		-5,499	1.06	-7.41	1.06
0-20	103,797	4,331	1099	332	0.25	0.00	0.00	87,004	225	0.05	0.00	1,656	0.38	0.80	0.38
21-40	110,578	13,405	2396	796	0.18	0.01	0.00	90,813	413	0.03	0.00	3,605	0.27	1.80	0.27
41-130	120,919	30,579	11188	871	0.37	0.02	0.00	88,199	3,248	0.11	0.04	15,307	0.50	1.80	0.50
> 130	6,915	10,143	8671	50	0.85	0.31	0.00	4,272	2,880	0.28	0.67	11,601	1.14	1.80	1.14
Sub total gross	342,208	58,457	23354	2049	0.40	0.02	0.00	270,288	6,765	0.12	0.03	32,168	0.55	1.50	0.55
Sub total net	342,039	53,274	19249	2044	0.36	0.01	0.00	270,288	5,377	0.10	<b>0.02</b>	26,669	0.50	1.49	0.50
<b>Non-residential</b>															
Billing adjustments	1,167	-409	-392	-1	0.96	-0.08	0.00		-168	0.41		-561	1.37	-0.17	1.37
0-20	12,356	325	421	40	1.29	0.01	0.00	13,249	192	0.59	<b>0.01</b>	652	2.01	0.80	2.01
21-40	2,781	324	342	20	1.05	0.03	0.00	2,731	150	0.46	<b>0.05</b>	511	1.58	1.80	1.58
41-130	3,288	957	977	24	1.02	0.07	0.00	3,060	428	0.45	<b>0.14</b>	1,429	1.49	1.80	1.49
>130	1,921	6,239	6176	14	0.99	0.80	0.00	1,596	2,648	0.42	<b>1.66</b>	8,838	1.42	1.80	1.42
Sub total gross	20,346	7,846	7915	97	1.01	0.10	0.00	20,636	3,418	0.44	<b>0.17</b>	11,430	1.46	1.19	1.46
Sub total net	19,179	7,437	7523	96	1.01	0.10	0.00	20,636	3,250	0.44	<b>0.16</b>	10,869	1.46	1.25	1.46
<b>TOTAL GROSS</b>	362,554	66,303	31269	2146	0.47	0.02	0.00	290,924	10,183	0.15	<b>0.04</b>	43,598	0.66	1.48	0.66
<b>TOTAL NET</b>	361,218	60,711	26771	2140	0.44	0.02	0.00	290,924	8,627	0.14	<b>0.03</b>	37,538	0.62	1.48	0.62

**Table 9 Subsidies (2005)**

AMMAN								
SUBSIDIES 2005								
WATER & WASTEWATER				Subsidy based on 0.70/m3		Subsidy based on 1.50/m3		
Bracket m3/quarter		Ave No. Users	Consump. M3(000)	Ave. per m3	JD/m3	mill JD/year	JD/m3	mill JD/year
<b>Residential</b>								
0-20	103,797	4,331	0.38	0.32	1.38	1.12	4.84	
21-40	110,578	13,405	0.27	0.43	5.78	1.23	16.50	
41-130	120,919	30,579	0.50	0.20	6.10	1.00	30.56	
> 131	6,915	10,143	1.14	-0.44	-4.50	0.36	3.61	
Sub total	342,208	58,457	0.55	0.15	8.75	0.95	55.52	
<b>Non-residential</b>								
0-20	12,356	325	2.01	-1.31	-0.42	-0.51	-0.16	
21-40	2,781	324	1.58	-0.88	-0.28	-0.08	-0.02	
41-130	3,288	957	1.49	-0.79	-0.76	0.01	0.01	
>130	1,921	6,239	1.42	-0.72	-4.47	0.08	0.52	
Sub total	20,346	7,846	1.46	-0.76	-5.94	0.04	0.34	
							0.00	
TOTAL	362,554	66,303	0.66	0.04	2.81	0.84	55.86	
<b>INCREMENTAL COST RECAPITULATION</b>								
<b>Water Distribution and WW Collection</b>								
<b>JD/m3</b>								
AIC	Total	W						
Investments	0.24	0.10						
Operations	0.46	0.42						
Total	0.70	0.52						
Subsidies shown in yellow								

**Table 10 Proposed tariff realignment**

**AMMAN  
PROPOSED REALIGNMENT - OPTION 1**

Bracket m3/quarter	2005 charges						Proposed Realignment								
	WATER		WASTEWATER		W+WW	Water		Sewerage		Total W+WW	Rebate	Increase			
	Ave # Users	Consumption (000) m3	JDs (000)	Ave # Users	JDs	JDs (000)	Variable per m3	Fixed per year	Total (000)	Variable	Total	JD (000)	JD (000)	Total	Per user/quarter
<b>Residential</b>															
0-20	103,797	4,331	332	87,004	225	1,656	0.52	3.20	2,584	0.18	780	3,364	1,708	0	0
21-40	110,578	13,405	796	90,813	413	3,605	0.52	8.00	7,855	0.18	2,413	10,268		6,663	333
41-130	120,919	30,579	871	88,199	3,248	15,307	0.52	8.00	16,868	0.18	5,504	22,372		7,066	353
> 130	6,915	10,143	50	4,272	2,880	11,601	1.20	8.00	12,227	0.30	3,043	15,269		3,669	183
Sub total gross	342,208	58,457	2,049	270,288	6,765	32,168									
Sub total net	342,208	53,274	2,044	270,288	5,377	26,669			39,534		11,739	51,274		24,605	1,230
<b>Non-residential</b>															
0-20	12,356	325	40	13,249	192	652	1.20	8.00	489	0.30	98	587		-66	-3
21-40	2,781	324	20	2,731	150	511	1.20	8.00	411	0.30	97	509		-3	0
41-130	3,288	957	24	3,060	428	1,429	1.20	8.00	1,175	0.30	287	1,462		33	2
>130	1,921	6,239	14	1,596	2,648	8,838	1.20	8.00	7,502	0.30	1,872	9,374		536	27
Sub total gross	20,346	7,846	97	20,636	3,418	11,430									
Sub total net	20,346	7,437	96	20,636	3,250	10,869			9,577		2,354	11,931		501	25
TOTAL GROSS	362,554	66,303	2,146	290,924	10,183	43,598									
TOTAL NET	362,554	60,711	2,140	290,924	8,627	37,538			49,112		14,093	63,205		25,667	1,283
Percentage	100.0%			80.2%											

## ANNEX 6

### FINANCIAL ASPECTS

<b>Table 1</b>						
<b>NEWCO - Income Statement</b>						
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>						
<b>(Current Prices)</b>						
Item	Unit	2007	2008	2009	2010	2011
<b>Total revenues (A) (Table 6)</b>	JD Thousands	<b>49,393</b>	<b>53,940</b>	<b>59,755</b>	<b>63,233</b>	<b>67,267</b>
<b>Less personnel and operating costs, without depr. (B) (Table 6)</b>	JD Thousands	<b>46,324</b>	<b>50,923</b>	<b>55,156</b>	<b>59,470</b>	<b>63,997</b>
<b>Operating Income (C=A-B)</b>	JD Thousands	<b>3,070</b>	<b>3,017</b>	<b>4,599</b>	<b>3,763</b>	<b>3,270</b>
Less depreciation charges (D) (Table 10)	JD Thousands	3,983	5,079	6,464	7,928	9,283
<b>Income before interest and income tax (F=C-D-E)</b>	JD Thousands	<b>-913</b>	<b>-2,062</b>	<b>-1,865</b>	<b>-4,165</b>	<b>-6,013</b>
Less interest and other financial charges	JD Thousands	0	0	0	0	0
<b>Income before taxes (G)</b>	JD Thousands	<b>-913</b>	<b>-2,062</b>	<b>-1,865</b>	<b>-4,165</b>	<b>-6,013</b>
Less income tax	JD Thousands	0	0	0	0	0
<b>Net income</b>	JD Thousands	<b>-913</b>	<b>-2,062</b>	<b>-1,865</b>	<b>-4,165</b>	<b>-6,013</b>
File: Amman Scen (1).3 2007-11						

<b>Table 2</b>						
<b>NEWCO - Sources and Application of Funds</b>						
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>						
<b>(Current Prices)</b>						
<b>Item</b>	<b>Unit</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Income before interest and income tax</b>	JD Thousands	<b>-913</b>	<b>-2,062</b>	<b>-1,865</b>	<b>-4,165</b>	<b>-6,013</b>
Plus depreciation charges	JD Thousands	3,983	5,079	6,464	7,928	9,283
<b>Gross internal cash generation (A)</b>	JD Thousands	<b>3,070</b>	<b>3,017</b>	<b>4,599</b>	<b>3,763</b>	<b>3,270</b>
Less debt service; principal and interest (Table 8)	JD Thousands	2,000	0	0	0	0
Less increase (decr.) working capital without cash and banks (Table 11)	JD Thousands	-1,567	69	-298	-543	-829
Less income tax	JD Thousands	0	0	-466	0	0
<b>Net internal cash generation (B)</b>	JD Thousands	<b>2,637</b>	<b>2,948</b>	<b>4,898</b>	<b>4,306</b>	<b>4,100</b>
<b>Financing activities</b>						
Loans received	JD Thousands	0	0	0	0	0
Non-reimburs. contributions - 3% contr. (Table 8)	JD Thousands	<b>9,000</b>	<b>9,180</b>	<b>9,364</b>	<b>9,551</b>	<b>9,742</b>
<b>Funds from financing activities (C)</b>	JD Thousands	<b>9,000</b>	<b>9,180</b>	<b>9,364</b>	<b>9,551</b>	<b>9,742</b>
<b>Funds available for investment (D=B+C)</b>	JD Thousands	<b>11,637</b>	<b>12,128</b>	<b>14,261</b>	<b>13,857</b>	<b>13,842</b>
Less investments (D) (Table 7)	JD Thousands	9,654	12,273	15,426	13,863	13,231
<b>Net increase (decrease) in cash and banks (E=C-D)</b>	JD Thousands	<b>1,983</b>	<b>-145</b>	<b>-1,165</b>	<b>-6</b>	<b>610</b>
<b>Cash and banks at the beginning of the period</b>	JD Thousands	<b>2,000</b>	<b>3,983</b>	<b>3,838</b>	<b>2,673</b>	<b>2,667</b>
<b>Cash and banks at the end of the period</b>	JD Thousands	<b>3,983</b>	<b>3,838</b>	<b>2,673</b>	<b>2,667</b>	<b>3,277</b>
File: AmmanScen (1).3 2007-11 no tariff adj.						

<b>Table 3</b>							
<b>NEWCO - Statement of Assets and Liabilities</b>							
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>							
<b>(Current Prices)</b>							
<b>Item</b>	<b>Unit</b>	<b>Initial</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>ASSETS</b>							
Cash and banks	JD Thousands	2,000	3,983	3,838	2,673	2,667	3,277
Accounts receiv. and accrued rev. less provisions (Table 11)	JD Thousands	16,000	15,312	15,642	15,536	15,176	14,799
Inventories (Table 11)	JD Thousands	1,200	1,091	1,127	1,261	1,403	1,291
Other (Table 11)	JD Thousands	800	820	838	840	829	805
<b>Total current assets (A)</b>	JD Thousands	<b>20,000</b>	<b>21,206</b>	<b>21,446</b>	<b>20,310</b>	<b>20,075</b>	<b>20,172</b>
Gross fixed assets (Table 10)	JD Thousands	35,000	44,654	56,927	72,353	86,216	99,448
Less accumulated depreciation (Table 10)	JD Thousands	0	3,983	9,062	15,526	23,454	32,737
<b>Total net fixed assets (B)</b>	JD Thousands	<b>35,000</b>	<b>40,671</b>	<b>47,865</b>	<b>56,827</b>	<b>62,762</b>	<b>66,710</b>
<b>TOTAL ASSETS (A+B)</b>	JD Thousands	<b>55,000</b>	<b>61,878</b>	<b>69,311</b>	<b>77,138</b>	<b>82,837</b>	<b>86,882</b>
<b>LIABILITIES AND NET WORTH</b>							
Accounts payable (Table 11)	JD Thousands	5,000	5,790	6,106	6,434	6,748	7,064
Other (Table 11)	JD Thousands	3,000	3,000	3000	3,000	3,000	3,000
WAJ short-term loans (Table 11) 1/	JD Thousands	2,000	0	0	0	0	0
<b>Total current liabilities (C)</b>	JD Thousands	<b>10,000</b>	<b>8,790</b>	<b>9106</b>	<b>9,434</b>	<b>9,748</b>	<b>10,064</b>
<b>Medium-term liabilities (Table 9) (D)</b>	JD Thousands	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Capital	JD Thousands	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>
Accumulated profits (losses) projection period	JD Thousands	0	-913	-2,975	-4,840	-9,005	-
Non-reimbursable contributions projection period	JD Thousands	0	9,000	18,180	27,544	37,094	46,836
<b>Total net worth (E)</b>	JD Thousands	<b>45,000</b>	<b>53,087</b>	<b>60,205</b>	<b>67,704</b>	<b>73,089</b>	<b>76,818</b>
<b>TOTAL LIABILITIES AND NET WORTH (C+D+E)</b>	JD Thousands	<b>55,000</b>	<b>61,878</b>	<b>69,311</b>	<b>77,138</b>	<b>82,837</b>	<b>86,882</b>
1/ The initial balance statement includes a JD 2 million loan to initiate operations. The loan is payable within the year.							
File: AmmanScen (1).3 2007-11 no tariff adj.							

<b>Table 4</b>						
<b>NEWCO - Demand and Tariffs</b>						
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>						
<b>(Current Prices)</b>						
<b>Item</b>	<b>Unit</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Municipalities and population</b>						
Rate of growth of urban population	Percentage	2.5	2.5	2.5	2.5	2.5
Districts served	Number	9	9	9	9	9
Urban population in municipalities served by the system	Thousands	2,091	2,144	2,198	2,254	2,311
<b>Water</b>						
Coverage with connection	Percentage	98.0	99	99.0	99.0	99.0
Serviced by others	Percentage	2.0	1.5	1.0	1.0	1.0
Total	Percentage	100.0	100.0	100.0	100.0	100.0
Persons per consumer	Number	5.4	5.4	5.4	5.4	5.4
Water consumers (average year)	Thousands	379	391	403	413	424
With meter	Thousands	379	391	403	413	424
Without meter	Thousands	0	0	0	0	0
Metered consumers	Percentage	100	100	100	100	100
Average consumption						
Metered consumers	m3/month/con s.	15	16	17	18	19
Non-metered consumers	m3/month/con s.	0	0	0	0	0
Total consumption	Million m3/year	76	83	90	97	105
Metered	Million m3/year	68	75	82	89	97
Non-metered consumers	Million m3/year	0	0	0	0	0
Water sales to other governorates	Million m3/year	8	8	8	8	8
Water tankers	Million m3/year	0	0	0	0	0
Non-billed water	% production	43	42	40	38	36
Water production	Million m3/year	133	143	150	157	163
<b>Sewerage</b>						
Coverage with connection	Percentage	78	79	80	81	82
Consumers (average/year)	Thousands	302	312	326	338	349
Sewer. consumers as proportion of water consumers	Proportion	0.80	0.80	0.81	0.82	0.82
Wastewater treatment	Million m3/year	55	60	66	72	78
<b>Tariffs (2007 prices)</b>						
Water (average year)	JD/m3	0.48	0.48	0.48	0.48	0.48
Water (year-end)	JD/m3	0.48	0.48	0.48	0.48	0.48
Water sales to other governorates (average year)	JD/m3	0.24	0.24	0.24	0.24	0.24
Water sales to other governorates (year-end)	JD/m3	0.24	0.24	0.24	0.24	0.24
Sewer (average year)	JD/m3	0.15	0.15	0.15	0.15	0.15
Sewer (year-end)	JD/m3	0.15	0.15	0.15	0.15	0.15
Water suscription and conn. appl. fees (average year) 1/	JD/new conex.	212	212	212	212	212
Water suscription and conn. appl. fees (year-end) 1/	JD/new conex.	212	212	212	212	212
Sewerage connection fees (average year)	JD/new conex.	330	330	330	330	330
Sewerage connection fees (year end)	JD/new conex.	330	330	330	330	330
File: AmmanScen (1).3 2007-11 no tariff adj.						

<b>Table 5</b>						
<b>NEWCO - Revenues Estimates</b>						
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>						
<b>(Current Prices)</b>						
<b>Item</b>	<b>Unit</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Water tariffs	JD thousands	32,746	36,035	39,459	42,842	46,370
Sewerage	JD thousands	10,233	11,261	12,331	13,388	14,491
Water tankers	JD thousands	150	150	150	150	150
Water sales to other governorates	JD thousands	1,894	1,920	1,920	1,920	1,920
Water suscription and connection application fees	JD thousands	2,120	2,546	2,537	2,170	2,225
Sewerage connection fees	JD thousands	3,300	3,173	4,627	4,107	3,540
Other	JD thousands	1,009	1,102	1,220	1,292	1,374
<b>Total gross billing before tariff adjustments</b>	<b>JD thousands</b>	<b>51,451</b>	<b>56,187</b>	<b>62,245</b>	<b>65,868</b>	<b>70,070</b>
Less non-collectable bills	JD thousands	2,058	2,247	2,490	2,635	2,803
<b>Total billing deducting non-collectible bills</b>	<b>JD thousands</b>	<b>49,393</b>	<b>53,940</b>	<b>59,755</b>	<b>63,233</b>	<b>67,267</b>
Non-collectable bills	Percentage	4.0	4.0	4.0	4.0	4.0
Non-collectable bills (factor to apply to gross billing)	Percentage	0.04	0.04	0.04	0.04	0.04
Adjustment during the year 1/	Percentage	0.00	1.03	1.03	1.03	1.03
Average water tariff adjustment for the year 2/	Percentage	0.00	0.00	0.00	0.00	0.00
Cumulative water tariff adjustment projection period 2/	Percentage	0.00	0.00	0.00	0.00	0.00
Sewerage tariff adjustment for the year 2/	Percentage	0.00	0.00	0.00	0.00	0.00
Cumulative sewerage tariff adjustment projection period 2/	Percentage	0.00	0.00	0.00	0.00	0.00
Water sales to other governorates - tariff adjustment for the year	Percentage	0.0	0.0	0.0	0.0	0.0
Water sales to other govern. - Cumulative tariff adjust. proj. period	Percentage	0.0	0.0	0.0	0.0	0.0
Water suscription and conn. application fees - adjust. for the year	Percentage	0.0	0.0	0.0	0.0	0.0
Water suscription and conn. application fees - cumulative adjust.	Percentage	0.0	0.0	0.0	0.0	0.0
Sewerage connection fees - adjustment for the year	Percentage	0.0	0.0	0.0	0.0	0.0
Sewerage connection fees - cumulative adjustment	Percentage	0.0	0.0	0.0	0.0	0.0
Meter fees - adjustment for the year	Percentage	0.0	0.0	0.0	0.0	0.0
Meter fees - cumulative adjustment	Percentage	0.0	0.0	0.0	0.0	0.0
1/ The adjustments for inflation start in 2008.						
2/ To use to account for adjustments not effective the whole year.						
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Item	Unit	2007	2008	2009	2010	2011
<b>Personnel</b>						
Total employees 1/	Number	1,290	1,290	1,290	1,281	1,271
Employees per thousand water connections	Number	3.4	3.3	3.2	3.1	3.0
Average cost per employee	JD thousands	4	4	4	4	4
<b>Personnel cost before incentives</b>	JD thousands	<b>5,160</b>	<b>5,161</b>	<b>5,158</b>	<b>5,124</b>	<b>5,084</b>
Incentives	JD thousands	1,032	1,032	1,032	1,025	1,017
<b>Total personnel costs</b>	JD thousands	<b>6,192</b>	<b>6,194</b>	<b>6,190</b>	<b>6,149</b>	<b>6,101</b>
<b>Operation, Administration and Other</b>						
Total energy	JD thousands	20,109	20,396	20,603	20,792	20,983
Energy for water distribution system	JD thousands	3,870	4,157	4,364	4,553	4,744
Energy for own wells and Zai	JD thousands	16,239	16,239	16,239	16,239	16,239
Cost of water from other governorates (Khaw, Wala and Lajjoun)	JD thousands	5,334	5,334	5,334	5,334	5,334
Cost of water from Zai	JD thousands	3,025	3,025	3,025	3,025	3,025
Cost of water from Zaramain	JD thousands	50	1,535	2,602	3,579	4,567
Chemicals, fuel and oil	JD thousands	1,507	1,613	1,693	1,767	1,841
Wastewater treatment fees	JD thousands	6,159	6,733	7,413	8,092	8,757
Maintenance and repairs	JD thousands	2,000	2,208	2,724	3,285	3,866
Other	JD thousands	1,948	1,814	1,888	1,964	2,039
<b>Total operation and administrative cost</b>	JD thousands	<b>40,132</b>	<b>42,658</b>	<b>45,282</b>	<b>47,838</b>	<b>50,412</b>
<b>Total person. and oper. and administ. costs (2007 prices)</b>	JD thousands	<b>46,324</b>	<b>48,852</b>	<b>51,471</b>	<b>53,986</b>	<b>56,513</b>
<b>Total person. and oper. and administ. costs (with inflation)</b>	JD thousands	<b>46,324</b>	<b>50,923</b>	<b>55,156</b>	<b>59,470</b>	<b>63,997</b>
<b>Maintenance and repairs (with inflation)</b>	JD thousands	<b>2,000</b>	<b>2,302</b>	<b>2,919</b>	<b>3,619</b>	<b>4,378</b>
<b>Unitary costs</b>						
Energy consumption	Million KWH	468	474	479	484	488
Energy for water distribution system	Million KWH	90	97	101	106	110
Energy for own wells and Zai	Million KWH	378	378	378	378	378
Energy price	JD/KWH	0.0430	0.0430	0.0430	0.0430	0.0430
Water from other governorates (Khaw, Wala, Lajjoun)	Million m3	42	42	42	42	42
Own wells	Million m3	36	36	36	36	36
Zai	Million m3	55	55	55	55	55
Zaramain	Million m3	0	10	17	24	30
Energy consumption distribution system	KWH/m3	0.68	0.68	0.68	0.68	0.68
Energy consumption per m3 produced own wells and Zai	KWH/m3	4.15	4.15	4.15	4.15	4.15
Average price water from other governor. (Khaw, Wala, Lajjoun)	JD/m3	0.13	0.13	0.13	0.13	0.13
Average price of water from Zai	JD/m3	0.06	0.06	0.06	0.06	0.06
Average price water from Zaramain	JD/m3	0.15	0.15	0.15	0.15	0.15
Chemicals, fuel and oil	JD/m3 prod.	0.0113	0.0113	0.0113	0.0113	0.0113
Wastewater treatment fees	JD/m3 prod.	0.11	0.11	0.11	0.11	0.11
Maintenance and repairs	% assets	0.45	0.50	0.60	0.70	0.80
Water meters	JD/new meter	97.41	90.71	94.42	98.18	101.95
Personnel incentives	Percent	20.00	20.00	20.00	20.00	20.00
Cost of living index for the year 3/	Percent	2.80	2.80	2.80	2.80	2.80
Cost of living index for half year	Percent	1.40	1.40	1.40	1.40	1.40
Cumulative inflation year end	Index	1.03	1.06	1.09	1.12	1.15
Cumulative inflation (including only half inflation for the year) 4/	Index	1.01	1.04	1.07	1.10	1.13
1/ Does not include 9 employees in the consortium payroll but includes all other personnel costs.						
2/ Assuming 80% of the energy consumption in 1984 was used for the water distribution system and 20% for wells operation.						
3/ Average for years 2002 through 2005. Ministry of Finance. General Government Finance Bulletin, April 2006.						
4/ To take into account the gradual increase in prices during the year.						

<b>Table 7</b>						
<b>NEWCO - Investment Estimates</b>						
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>						
<b>(Current Prices)</b>						
<b>Item</b>	<b>Unit</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Investments</b>						
Water distribution system	JD thousands	4,938	6,259	6,412	5,638	5,943
Sewerage collection system	JD thousands	4,716	6,014	9,015	8,226	7,289
<b>Total investments</b>	JD thousands	<b>9,654</b>	<b>12,273</b>	<b>15,426</b>	<b>13,863</b>	<b>13,231</b>
Water distribution system	JD/connection	500	521	536	551	566
Sewerage collection system	JD/connection	600	625	643	661	679
<b>Investments 2007 prices</b>						
Water distribution system	JD thousands	4,938	6,259	6,412	5,638	5,943
Sewerage collection system	JD thousands	4,716	6,014	9,015	8,226	7,289
<b>Total investments</b>	JD thousands	<b>9,654</b>	<b>12,273</b>	<b>15,426</b>	<b>13,863</b>	<b>13,231</b>
Water distribution system	JD/connection	500	521	536	551	566
Sewerage collection system	JD/connection	600	625	643	661	679
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<b>Table 8</b>						
<b>NEWCO - Debt service, New Debt and Non-reimbursable Contributions</b>						
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>						
<b>(Current Prices)</b>						
<b>Item</b>	<b>Unit</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>New debts projection period</b>						
Medium-term loans	JD thousands	0	0	0	0	0
	JD thousands	0	0	0	0	0
<b>Total new debt projection period</b>	JD thousands	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Non-reimbursable contributions</b>						
	JD thousands	9,000	9,180	9,364	9,551	9,742
<b>Total non-reimbursable contributions</b>	JD thousands	<b>9,000</b>	<b>9,180</b>	<b>9,364</b>	<b>9,551</b>	<b>9,742</b>
<b>Debt amortization (principal)</b>						
<i>Amortization debt outstanding at the end of 2006</i>						
	JD thousands	0	0	0	0	0
	JD thousands	0	0	0	0	0
	JD thousands	0	0	0	0	0
	JD thousands	0	0	0	0	0
	JD thousands	0	0	0	0	0
<i>Amortization debt outstanding at the end of 2006 (A)</i>	JD thousands	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	JD thousands					
<i>Amortization new debt during projection period (B)</i>	JD thousands	<i>2,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total debt amortization (principal) (C=A+B)</b>	JD thousands	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	JD thousands					
<b>Interest and commissions</b>						
<i>Interest debt outstanding at the end of 2004</i>						
	JD thousands	0	0	0	0	0
	JD thousands	0	0	0	0	0
	JD thousands	0	0	0	0	0
	JD thousands	0	0	0	0	0
	JD thousands	0	0	0	0	0
<i>Interest debt outstanding at the end of 2006</i>	JD thousands	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	JD thousands					
<i>Interest new debt during projection period</i>	JD thousands	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total Interest (D)</b>	JD thousands	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	JD thousands					
<b>Total debt service (E=C+D)</b>	JD thousands	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Growth of non-reimbursable contributions</b>	Factor	1.02				
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<b>Table 9</b>						
<b>NEWCO – Outstanding Debt at the End of Each Year</b>						
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>						
<b>(Current Prices)</b>						
<b>Item</b>	<b>Unit</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Loan ...</b>						
Amount outstanding at the beginning of the year	JD thousands	0	0	0	0	0
Amounts received during the year	JD thousands	2,000	0	0	0	0
Amortization of principal during the year	JD thousands	2,000	0	0	0	0
Amount outstanding at the end of the year	JD thousands	0	0	0	0	0
Short term	JD thousands	0	0	0	0	0
Long term	JD thousands	0	0	0	0	0
<b>Loan ...</b>						
Amount outstanding at the beginning of the year	JD thousands	0	0	0	0	0
Amounts received during the year	JD thousands	0	0	0	0	0
Amortization of principal during the year	JD thousands	0	0	0	0	0
Amount outstanding at the end of the year	JD thousands	0	0	0	0	0
Short term	JD thousands	0	0	0	0	0
Long term	JD thousands	0	0	0	0	0
<b>Loan ...</b>						
Amount outstanding at the beginning of the year	JD thousands	0	0	0	0	0
Amounts received during the year	JD thousands	0	0	0	0	0
Amortization of principal during the year	JD thousands	0	0	0	0	0
Amount outstanding at the end of the year	JD thousands	0	0	0	0	0
Short-term	JD thousands	0	0	0	0	0
Medium-term	JD thousands	0	0	0	0	0
Average medium-term loan	JD thousands	0	0	0	0	0
<b>Loan ...</b>						
Amount outstanding at the beginning of the year	JD thousands	0	0	0	0	0
Amounts received during the year	JD thousands	0	0	0	0	0
Amortization of principal during the year	JD thousands	0	0	0	0	0
Amount outstanding at the end of the year	JD thousands	0	0	0	0	0
Short term	JD thousands	0	0	0	0	0
Long term	JD thousands	0	0	0	0	0
<b>Summary</b>						
Total debt at the end of the year	JD thousands	0	0	0	0	0
Short term portion	JD thousands	0	0	0	0	0
Medium-term portion	JD thousands	0	0	0	0	0
File: AmmanScen (1).3 2007-11 no tariff adj.						

<b>Table 10</b>						
<b>NEWCO - Fixed Assets and Depreciation Estimates</b>						
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>						
<b>(Current Prices)</b>						
<b>Item</b>	<b>Unit</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Gross fixed assets beginning of the year 1/	JD thousands	35,000	44,654	56,927	72,353	86,216
Accumulated dep. beginning of the year	JD thousands	0	3,983	9,062	15,526	23,454
Net fixed assets beginning of the year	JD thousands	35,000	40,671	47,865	56,827	62,762
Yearly investments in fixed assets	JD thousands	9,654	12,273	15,426	13,863	13,231
Gross fixed assets (end of year)	JD thousands	44,654	56,927	72,353	86,216	99,448
Gross fixed assets (average for the year)	JD thousands	39,827	50,790	64,640	79,285	92,832
Yearly depreciation	JD thousands	3,983	5,079	6,464	7,928	9,283
Accumulated depreciation end of the year	JD thousands	3,983	9,062	15,526	23,454	32,737
Net fixed assets end of the year	JD thousands	40,671	47,865	56,827	62,762	66,710
Depreciation factor 2/	Percentage	10.00	10.00	10.00	10.00	10.00
Total net fixed assets beginning of the year	JD thousands	35,000	44,654	56,927	72,353	86,216
Total net fixed assets end of the year	JD thousands	40,671	47,865	56,827	62,762	66,710
Total gross fixed assets beginning of the year	JD thousands	35,000	44,654	56,927	72,353	86,216
Total gross fixed assets end of the year	JD thousands	44,654	56,927	72,353	86,216	99,448
Fixed assets for operation and maintenance	JD thousands	441,654	453,927	469,353	483,216	496,448
1/ Source: WAJ.						
2/ Assuming a 10-year average life as NEWCO's fixed assets are mainly equipment.						

<b>Table 11</b>						
<b>NEWCO - Working Capital Estimates</b>						
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>						
<b>(Current Prices)</b>						
<b>Item</b>	<b>Unit</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Current Assets</b>						
Cash and banks	JD thousands	3,983	3,838	2,673	2,667	3,277
Accounts receivable less provision for uncollectible bills 1/	JD thousands	15,312	15,642	15,536	15,176	14,799
Inventories	JD thousands	1,091	1,127	1,261	1,403	1,291
Other	JD thousands	820	838	840	829	805
<b>Total current assets</b>	JD thousands	<b>21,206</b>	<b>21,446</b>	<b>20,310</b>	<b>20,075</b>	<b>20,172</b>
<b>Current assets less cash and banks (A)</b>	JD thousands	<b>17,223</b>	<b>17,608</b>	<b>17,637</b>	<b>17,408</b>	<b>16,895</b>
<b>Current Liabilities</b>						
Accounts payable	JD thousands	5,790	6,106	6,434	6,748	7,064
Other	JD thousands	3,000	3,000	3,000	3,000	3,000
Current portion of long term debt	JD thousands	0	0	0	0	0
Water Authority of Jordan current account	JD thousands	0	0	0	0	0
<b>Total current liabilities</b>	JD thousands	<b>8,790</b>	<b>9,106</b>	<b>9,434</b>	<b>9,748</b>	<b>10,064</b>
<b>Curr. assets less cash and banks, less curr. liabil. 3/</b>	JD thousands	<b>8,433</b>	<b>8,502</b>	<b>8,203</b>	<b>7,660</b>	<b>6,830</b>
<b>Increase (decrease) in working capital</b>	JD thousands	<b>-1,567</b>	<b>69</b>	<b>-298</b>	<b>-543</b>	<b>-829</b>
Accounts receivable	% de fact. neta	31	29	26	24	22
Inventories	% 2/	20	20	20	20	16.67
Accounts payable	% costs op.	12.5	12.5	12.5	12.5	12.5
1/ Assuming the writing-off of accumulated uncollectible bills at the end of 2004 and an annual percentage uncollectible bills during the following years.						
2/ Percentage of cost of chemicals, maintenance, meters and other operating costs.						
3/ Net working capital						

<b>Table 12</b>						
<b>NEWCO - Financial Indicators</b>						
<b>Scenario Without Tariff Adjustments to Compensate for Inflation</b>						
<b>Item</b>	<b>Unit</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Current ratio 1/	No. of times	2.44	2.44	2.28	2.18	2.12
Profit margin 2/	% of revenues	6.21	5.59	7.70	5.95	4.86
Cost per m3 sold (excluding dep. charges)	JD/m3 sold - current prices	0.61	0.61	0.61	0.61	0.61
Revenue per m3 sold	JD/m3 sold - curr.	0.65	0.65	0.66	0.65	0.64
Bill collection	% amounts billed	96.00	96.00	96.00	96.00	96.00
Employees	No. per 1000 water conn.	3.40	3.30	3.20	3.10	3.00
1/ Current assets divided by current liabilities.						
2/ Operating income as a percentage of total revenues.						