

TESTIMONY

**House Foreign Affairs Committee
Subcommittee on the Middle East and North Africa
“Jordan: A Key U.S. Partner”**

**Statement by
Fatema Z. Sumar
Deputy Vice President for Europe, Asia, the Pacific, and Latin America
Department of Compact Operations
Millennium Challenge Corporation**

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Thank you Chairman Ros-Lehtinen, Ranking Member Deutch, and members of the Subcommittee on the Middle East and North Africa for the opportunity to discuss the Millennium Challenge Corporation's (MCC) work with our partners in Jordan to fight poverty.

MCC forms partnerships with some of the world's poorest countries—but only those committed to good governance, economic freedom, and investments in their citizens. MCC provides these select countries, like Jordan, with grants to fund country-led projects and reforms designed to reduce poverty by promoting sustainable economic growth. There are two kinds of MCC grants: compacts and threshold programs. Jordan has had one of each.

Our engagement with Jordan, like our work with many of our partner countries, began with one of our smaller threshold programs. Threshold programs seek to provide promising countries with a potential gateway to compact eligibility. A successful threshold program seeks to achieve three objectives: (1) boost the “MCC Effect” by incentivizing partner countries’ greater commitment to investing in people, economic freedom, and ruling justly; (2) invest in policy and institutional reforms critical to growth and good governance; and (3) assess the opportunity for a compact partnership.

MCC’s Board of Directors selected Jordan as eligible for a threshold program in 2005. Jordan’s program, which USAID implemented under our old threshold program framework, began in 2006 and was completed in 2009. The program supported Jordan’s efforts to strengthen municipal government by increasing transparency and accountability in local government, deepening public interaction with elected officials and improving the quality of planning and economic development at the local level. The program also sought to enhance the efficiency and effectiveness of customs administration as a way to encourage trade.

The threshold program helped reduce customs clearance and processing times, sometimes by as much as 80%. The program also supported efforts to increase women and youth participation in local elections, including launching a “Get out the Vote” campaign in districts across the country. The Women’s Knowledge Network, supported by the program, created a forum for discussion and support among newly elected women in public service on municipal councils. The program further helped to improve local governance capacity by assisting municipal staff in creating three-year development plans and increasing coordination with the private sector.

With good performance on the threshold program, and passage of MCC’s scorecard in 2006 and 2007, MCC’s Board of Directors selected Jordan as eligible for a compact in November 2006. Compacts are our larger, five-year assistance programs which combine major infrastructure investments with complementary policy reforms.

Our \$275.1 million Compact with Jordan began implementation in December 2011, and will conclude in December 2016. Because Jordan is one of the most water scarce countries in the world, our Compact focused on increasing the supply of water available to households and businesses and improving the efficiency of water delivery, wastewater collection, and wastewater treatment. Affordable access to clean water is critical—not just for businesses and agricultural producers, but for all Jordanians. The scarcity and expense of water in Jordan

constrains the country's economic potential. Though our partnership began before the crisis in Syria erupted, Jordan's generous response to that crisis has only compounded the strain on the country's water supply, making our work there even more critical.

MCC's Compact is designed to increase the supply of water through improvements in water delivery, wastewater collection and wastewater treatment. Once completed, the Compact is expected to benefit approximately 3 million people. The Compact includes three closely-related projects to address the needs of the governorate's entire water system:

1. **As-Samra Wastewater Treatment Plant Expansion project.** The biggest investment of the Compact is in the expansion of the As-Samra Wastewater Treatment plant, originally built with support from USAID. It is the primary facility for treating wastewater from Jordan's Amman and Zarqa Governorates—where much of the country's population lives. The expansion increased the plant's capacity by more than one-third, while more than doubling its capacity to handle certain chemicals and other materials. It now treats 70% of the country's wastewater.

By treating much of the country's wastewater to an extremely high quality, the plant also provides more than 10% of Jordan's total irrigation water resources for use in the Jordan Valley—freeing up fresh water for municipal use. As a byproduct of wastewater treatment, the plant also provides bio-solids for potential re-use in fertilizer and fuel, and produces nearly 13 megawatts of energy, or 80% of its own energy needs, from biogas and hydropower.

One of the most interesting aspects of this project is its innovative financing. MCC's grant is paying for the expansion in partnership with a private sector operator, which contributed to the cost of construction and agreed to operate and maintain the plant for a period of 25 years. This Public Private Partnership allowed MCC's investment of \$93 million to mobilize an additional \$110 million from the private sector. Through this financing method, the private sector not only provides over 50% of the cost of construction, but it assures the government that the facility is operated and maintained at world class standards for 25 years. The plant is the first large-scale public-private partnership project to be directly supported with MCC funds, and—because of its success to date in pairing limited public resources with investment from private companies—serves as a model for how MCC plans to engage the private sector to accelerate economic growth in its partner countries. The project has won international awards, including the "Water and Energy Exchange International Award for Innovative Financing," and the "Best Water Project Award" by World Finance Magazine.

2. **The Wastewater Network Project.** This project will modernize and upgrade the outdated sewer system in Zarqa Governorate, the country's second largest city and home to a significant population of ethnic minorities and Palestinian and Iraqi refugees. The old system regularly overflowed into the streets and served less than three quarters of the population when it worked. This project has already replaced or rehabilitated trunk sewer

lines and expanded the system by laying over 139 miles (225km) of sewer pipe in two chronically underserved neighborhoods. This extension will raise coverage rates in the Governorate to 85%. Because of cost-savings, this project was able to well exceed its original targets, and is now on track to complete a total of 186 miles (300km). The new connections and the rehabilitated system will dramatically reduce sewage overflows into city streets, and supply the treatment plant with additional wastewater to meet its newly expanded capacity. Additionally, the Government of Jordan contributed \$20 million to expand wastewater pumping stations, complementing MCC's investments in this sector.

- 3. Water Network restructuring.** The Water Network project aims to reduce water losses in the governorate's drinking water system. Before rehabilitation, as much as 57% of the water that entered the system was lost, both through leaks in the network and weak management—an unsustainably high loss rate, given Jordan's scarce water resources. The project has repaired reservoirs and pumping stations, and already replaced more than 70% of the targeted 495 miles (800km) of urban drinking water pipelines. This project is also replacing household connections and water meters through the "Water Smart Homes" activity aimed at improving the efficiency of water use and reducing water expenditures among the poorest households. Over 1,500 such home repairs have been completed to date. The project is also providing certified plumbing training for women, and providing targeted grants to assist in efficient water management.

The combined Compact investments in water, wastewater, and water treatment, will directly benefit over three million citizens of Zarqa and Amman.

What's perhaps most notable about this program—and about all of MCC's compacts with our partner countries—is that it's the Jordanians who determined which problem we should address, and how we should tackle it. We worked together to conduct analyses and identify priorities, but our Jordanian partners really did "own" the process. This country ownership continues into the project implementation phase, and contributes to the long-term sustainability of our investment—it is the Jordanians who are implementing these projects, with appropriate MCC oversight. This is important to MCC because we know that if our partners really care about how we jointly spend our dollars, they will do a better job of taking care of that investment over the long term.

MCC's partnership with Jordan has been one of our most successful, including MCC's first large-scale Public-Private Partnership in infrastructure, and on-time, under-budget construction of some truly transformational water infrastructure. Should you travel to Jordan, I encourage you to take the time to see our projects for yourselves.

That said, MCC's engagement with our partner countries is time-limited, and after December 2016, our Compact with Jordan will be closed and we will no longer be working with the Jordanians, though we have worked with them to ensure that our investments will be sustained and maintained after we leave. Additionally, during MCC's engagement with Jordan, the country's average gross national income level has increased to the point that it has "graduated" from the pool of countries that our statute permits us to partner with. These firm

time and income limits are parts of our model, which aims to break the binding constraints to economic growth and give countries the tools they need to lift themselves out of poverty.

Following the end of our engagement with our partner countries, we perform impact evaluations where possible to see how successful our projects were at reducing poverty. These impact evaluations are in addition to the simpler performance evaluations that we perform as we implement our compacts. Both impact and performance evaluations tell us how effective we were and help us design better compacts in the future.

In Jordan, we are implementing an innovative impact evaluation of the benefits of our projects to Jordanian households and farmers. Simply put, our evaluation will measure the cost savings each household will get from the additional hours of running water (before our Compact, households averaged only 36 hours of running water every week during the summer). We will also capture the benefits to farmers of an increased supply of treated wastewater for agriculture. This impact evaluation will be one of the first of its kind to measure the economic benefits of improved water infrastructure.

The success of this evaluation, and of our Compact, is a product of the close relationship between MCC and the Government of Jordan, who has been an excellent partner in the development and implementation of this Compact.

Thank you again for the invitation to testify on MCC's work with Jordan. I am happy to take any questions you may have on MCC, our model, or our work in Jordan.