MCC Completes First Major Build-Operate-Transfer Project Financing In Jordan

Jordan is among the world’s driest countries. Water scarcity impacts every aspect of daily life. In response, the Millennium Challenge Corporation (MCC) is expanding the As-Samra wastewater treatment facility by financing a major build-operate-transfer (BOT) project.

The modern As Samra Wastewater treatment plant was completed in 2008 with support from the U.S. Agency for International Development to replace the highly polluting waste stabilization pond system outside Amman. It is the primary facility for treating wastewater from Jordan’s Amman and Zarqa governorates. But the demands of a growing population have pushed the capacity of the plant to its limits.

Thanks to the BOT financing agreement reached in June 2012, with help and a funding commitment from MCC, the facility will undergo a further expansion and technological upgrade, which are expected to meet the needs of Amman and Zarqa through 2025. The planned project also is expected to improve long-term sludge management and disposal practices and benefit Jordan’s scarce water resources. The construction is expected to begin in 2012 and last three years.

MCC is funding $93 million of the $223 million cost of the As-Samra expansion project, with the Government of Jordan contributing $20 million of the cost and private debt and equity sources handling the remaining $110 million. MCC’s portion is part of its five-year, $275 million compact with the Government of Jordan, which, together with the compact’s other water projects in the region, is expected to benefit more than 3 million people and raise household incomes by $800 million over the next 20 years.

A Build-Operate-Transfer Project with critical “Viability Gap Funding” from MCC

The As-Samra project is financed on a build-operate-transfer basis. Through this public-private partnership, the government delegates responsibilities to a private sector entity to finance, design,
build, operate, and maintain the facility for a certain period. Jordan’s Ministry of Water and Irrigation (MWI) signed a 25 year concession with the Samra Wastewater Treatment Plant Company Limited (SPC), a private company whose investors include Morganti, an American affiliate of the Consolidated Contractors Group, Infilco Degremont, an American company, and Suez Environment. Arab Bank arranged a syndicate of nine local and international financial institutions to provide a loan with a term of up to 20 years.

Through this approach, the Government of Jordan benefits since the private sector is raising the needed construction financing and also guaranteeing the facility’s high quality construction, operation and maintenance. At the end of the concession period in 2037, the facility will be transferred to the government in good working order and at no additional cost.

The project represents MCC’s first major participation in a BOT, and its role in providing what is referred to as “viability gap funding” is critical to expanding As-Samra. Due to the grant nature of MCC’s $93 million investment, the project is more affordable to the Government of Jordan and financially attractive for SPC and Jordanian banks. However, MCC’s grant does not subsidize the private sector, as the private investors earn a return only on their investment. MCC also provided grant funding for the Jordanian government to hire transaction advisors to assist the Ministry of Water and Irrigation in the project’s commercial negotiations.

Working with the private sector is a strategic priority for MCC. Doing so for As-Samra’s expansion enhances MCC’s development impact. First, MCC’s role leverages its grant through the private sector’s co-financing of 50 percent of the expansion cost. Second, MCC’s role also helps ensure the sustainability of its investment as the private sector operator will maintain world class operation and maintenance standards over the 25 year concession period and transfer this technical knowledge to Jordanian engineers.

### Improving the Environment

The As-Samra expansion will also improve environmental conditions by increasing the capacity to treat growing volumes of wastewater from the Amman and Zarqa governorates. It will increase the amount of treated water released into the Zarqa River, providing an additional water source for irrigation while simultaneously helping to restore the river’s environmental integrity, which has been severely degraded by industrial and other activities. Restoration of the Zarqa River is a top priority for Jordan’s Ministry of Environment and a key element of the country’s long-term water resource management strategy.

As part of the expansion, the plant operator and the Government of Jordan agreed to work together to improve sludge management and disposal practices and pursue economically and technically viable alternatives for sludge re-use. Under the new agreement fostered by MCC, the parties will develop and annually update a sludge management plan that defines specific policies, procedures and standards for operating and closing sludge facilities. Together, they will identify an environmentally and socially sound plan for permanent disposal and/or re-use of sludge. The expansion project will continue to employ rigorous odor and air quality controls, including capturing methane, a powerful greenhouse gas, to produce electricity.

“The signing of this agreement is a testimony to the success of the longstanding partnership between the Government of Jordan and SPC. We are grateful to MWI and MCC for entrusting us to develop the expansion, thus making As-Samra one of the largest and most modern wastewater treatment plants in the Middle East,” said SPC General Manager Hassan Abdullah.