



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 03-Apr-2022 | Report No: PIDA33669

**BASIC INFORMATION****A. Basic Project Data**

Country Jordan	Project ID P178215	Project Name Jordan: Support for Industry Development Fund	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 04-Apr-2022	Estimated Board Date 29-Apr-2022	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Hashemite Kingdom of Jordan	Implementing Agency Ministry of Industry and Trade and Supply	

Proposed Development Objective(s)

To promote investment and exports by project beneficiary firms in manufacturing sector and to operationalize the Industry Development Fund

Components

Development of Fund's operational capacity and implementation of its main programs.
Fund Management, Monitoring and Evaluation.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	111.00
Total Financing	111.00
of which IBRD/IDA	85.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	85.00
--	-------

Non-World Bank Group Financing



Other Sources	26.00
Local Beneficiaries	26.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

- GDP growth in 2020 and up to Q3-2021 suggests that Jordan’s recovery has been broad-based, although many sub-sectors remain below their pre-pandemic level.** Jordan’s GDP contracted by 1.6 percent during 2020 as the COVID-19 pandemic unfolded. Jordan’s real GDP registered a solid 3.2 percent y-o-y rebound in Q2-2021, which has slowed down to 2.6 percent in Q3-2021. Service and industry sectors are among the main drivers of the recovery. Within industrial sector, manufacturing sub-sector took up over half of the sectoral growth, however, it remains below pre-pandemic level.
- Jordan’s small domestic market needs an investment and export-driven and resource-efficient growth model.** In the last decade, public and private investment have weakened, and growth has been driven by consumption. Jordan’s economy is relatively small compared to regional peers that have more natural resources or have developed an export-oriented manufacturing base. Strengthening the economy’s export potential is among the Jordan’s policy priorities.

Sectoral and Institutional Context

- Jordanian exports are highly concentrated in certain countries, sectors, and products.** The top export destinations for goods are U.S.A. (mostly garments), India (mostly chemicals), and GCC countries (chemicals, agriculture, etc.). Chemicals and textiles account for around 60 percent of Jordanian exports. Jordan’s exports have grown by an annual average of around 2 percent in 2013-2018, which has been a drag on overall economic growth, as exports represent a shrinking segment of the economy.
- There is an increasing urgency to innovate, expand, and diversify Jordan’s exports.** According to the Product Complexity Index, which measures the knowledge intensity of a product by considering the knowledge intensity of its exporters, the highest complexity exports of Jordan are wire of stainless steel, glues and adhesives, ceramics, glass pigments, etc. However, the share of these higher-complexity exports is low in Jordan’s export structure. Overall, the largest contribution to export growth has been coming from moderate and low complexity products, particularly travel and tourism and apparel.
- The COVID-19 pandemic has created a significant liquidity shock to manufacturing companies.** Based on the December 2021 WBG tracker survey of Jordanian firms, more than 94 percent of manufacturing firms experienced decreased liquidity; more than 64 percent of them have delayed payments on financial liabilities to suppliers, landlords, or tax authorities. More than 27 percent of manufacturing firms decreased



total hours worked per week, and more than 47 percent indicated that they decreased total number of permanent workers since December 2019.

6. Jordan’s manufacturing sector will be experiencing the effects of climate change in the coming decades.¹

It can be affected by climate change both through physical as well as transition risk channels. Extreme heat and water scarcity are driving up energy demand and price, which has direct impact on manufacturing sector competitiveness. Cost of energy and water often are a large cash outflow both in manufacturing operations and in services. Transition effects, such as changing consumer preferences; increasing demand for green products; climate-responsive trade standards, all can impact the volume and dynamics of Jordan’s manufacturing exports.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To promote investment and exports by project beneficiary firms in manufacturing sector and to operationalize the Industry Development Fund

Key Results

- 7. Results will focus on the launch and successful implementation and governance of the Industry Development Fund and outcome-oriented measures on firm performance based on project support (for example in export values by firms, market access, and other measures)

D. Project Description

- 8. **As part of the Government Priorities Program for 2021-2023, the Government is establishing the "Industry Development Fund" to finance the modernization and development of manufacturing firms.** The project will support the implementation of the Fund’s main programs, as well as the development of the Fund’s operational capacity to enable it to become an effective vehicle for the implementation of GOJ’s industry development programs beyond the project lifetime.
- 9. **The main activities financed by the project under the Industry Development Fund will include:** (i) Industry upgrading and export development (programs providing matching grants to manufacturing firms to modernize their operations leading to improved product quality and modernized production processes, increased exports through access to new markets and expanding in existing ones, as well as reduction in resource consumption and in waste or emissions; (ii) outcome-based incentives program providing incentives to firms that achieve targets in areas critical to achieve the sector’s full potential (e.g. higher female employment; introduction of new exportable products; energy/water efficiency; emission reduction; etc.); and (iii) easing access to export credit insurance and to new supply chain finance products.

¹ The mean annual temperature in Jordan is forecasted to increase by 2.41°C before 2060 (Jordan Climate Data, Projections. The World Bank Group Climate Change Knowledge Portal - <https://climateknowledgeportal.worldbank.org/country/jordan/climate-data-projections>, accessed on 12.8.20). Precipitation will decline in the northern and central part of the country and may somewhat increase in the southern part. Precipitation pattern may change, resulting in increased occurrence of heavy rains leading to river floods and landslides. Population living in areas prone to such hazards will be vulnerable to climate change. Vulnerable groups are likely to be particularly susceptible to these risks. Floods and landslides damage infrastructure, commercial and residential properties, and cause losses to businesses.



Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

- 10. The environmental risk rating of the Project is substantial.** The project interventions will bring many environmental benefits is reducing emissions at the level of industry firms though implementing climate smart solutions for minimizing energy, water, raw material use. The operation of manufacturing SMEs would be associated with different levels of risk according to the sector, scale, technology, and environmental control measures in place. The environmental risks are related to generation of air emissions, industrial wastewaters with different types of pollutants (organic and chemical) handling of chemicals and hazardous wastes, over consumption of resources (water energy and raw materials), potential additional use of packaging materials that may be required for exporting and occupational health and safety (OHS) aspects.
- 11. The social risk rating is moderate.** The Project is expected to bring positive socio-economic impacts by targeting manufacturing firms affected by the high costs of doing business, pandemic and climate change. Specifically, the project will support the resilience and recovery of existing manufacturing firms by providing matching grants for technology or production upgrades, and outcome-based incentives that might include promoting the increase in number of women employees. The project will not involve direct adverse social impacts related to land acquisition or major civil works, and land acquisition will be an exclusion criteria for beneficiary firm proposals for matching grants. The main social risk is related to ensuring equal access to project benefits for firms applying for matching grants or export guarantees, that will be mitigated through high transparency in eligibility criteria, selection processes, adequate outreach and consultation mechanisms.

E. Implementation

Institutional and Implementation Arrangements

- 12. The Ministry of Industry, Trade and Supply (MOITS) will be the implementing agency for the project.** A Fund Management Unit at MOITS will perform the role of the Project Management Unit. The PMU will have the overall fiduciary responsibility for project implementation and ensure activities are executed in accordance with the Project Operational Manual (POM). PMU will have the overall responsibility for the monitoring and evaluation of project activities. The project will include climate-sensitive elements and measures to benefit all vulnerable groups and enhance the gender balance. The Fund will have a separate Steering Committee consisting of public/private sector representatives, to ensure strong management, robust governance, and sustainable operations of the Fund. The Committee will define the strategy of the Fund, decide on its main programs and budget allocations.



CONTACT POINT

World Bank

Ali H. Abukumail
Senior Private Sector Specialist

John Gabriel Goddard
Lead Economist

Borrower/Client/Recipient

Hashemite Kingdom of Jordan
Maher Abdelrahim
Head of World Bank Directorate/MOPIC
maher.abdelrahim@mop.gov.jo

Implementing Agencies

Ministry of Industry and Trade and Supply
Dana Al-Zoubi
Secretary General of the Ministry of Industry, Trade, and Su
Dana.Al-Zoubi@MIT.GOV.JO

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Ali H. Abukumail John Gabriel Goddard
----------------------	--

Approved By

Practice Manager/Manager:		
Country Director:	Holly Welborn Benner	04-Apr-2022

