



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 03-Feb-2022 | Report No: PIDA32822

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

Country Jordan	Project ID P177815	Project Name Jordan Emergency Cash Transfer COVID-19 Response Second Additional Financing	Parent Project ID (if any) P173974
Parent Project Name Jordan Emergency Cash Transfer COVID-19 Response Project	Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 16-Jan-2022	Estimated Board Date 21-Mar-2022
Practice Area (Lead) Social Protection & Jobs	Financing Instrument Investment Project Financing	Borrower(s) Hashemite Kingdom of Jordan, Ministry of Planning and International Cooperation	Implementing Agency National Aid Fund (NAF), Ministry of Planning and International Cooperation

## Proposed Development Objective(s) Parent

The project development objective is to provide cash support to poor and vulnerable households affected by the COVID-19 pandemic in Jordan.

## Components

Cash support to poor and vulnerable households affected by COVID-19  
Project Management, Monitoring and Evaluation  
Contingent Emergency Response Component (CERC)  
Support to workers in firms affected by COVID-19

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

<b>Total Project Cost</b>	350.00
<b>Total Financing</b>	350.00
<b>of which IBRD/IDA</b>	350.00
<b>Financing Gap</b>	0.00

**DETAILS**



**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	350.00
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Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

**B. Introduction and Context**

Country Context

**Jordan’s economy appears to be slowly recovering from the COVID-19 crisis.** The COVID-19 pandemic took a toll on the country’s small and open economy with strong linkages with the rest of the world: Jordan’s real gross domestic product (GDP) contracted by 1.6 percent in 2020. The COVID-19 pandemic added pressure on Jordan’s finances, as domestic revenues declined sharply due to economic contraction. As a result, the central government’s fiscal deficit (including grants) increased from 4.9 percent of GDP in 2019 to 7.3 percent in 2020. Jordan’s real GDP has rebounded in the first two quarters of 2021, growing at 3.2 percent year-on-year in the second quarter (Q2). The World Bank projects a GDP growth of 2.2 percent for 2021, which would take the economy back to its pre-COVID-19 level.

**The contraction of economic activity negatively affected household living conditions through the labor market, which is yet to start recovering.** After the pandemic-induced jump in Q2-2020, the unemployment rate continued to increase, and in Q4-2020, it reached 24.7 percent, 5.7 percentage points higher than in Q4-2019. Women and youth, who already have structurally higher unemployment rates, were hit the hardest by the crisis. Female unemployment, which had been declining from 27.6 percent in Q4-2017 to 24.1 percent in Q4-2019, rose to 33.1 percent in Q2-2021. This was a much higher increase than for men, where it increased from 17.7 percent in Q4-2019 to 22.7 percent in Q2-2021. High female unemployment is compounded by one of the lowest female labor force participation rates in the world (14 percent). Youth unemployment also jumped sharply from 40.6 percent in 2019 to an unprecedented 50 percent in Q2-2021. Despite the economic rebound in the first two quarters of 2021, the unemployment rate remains at 24.8 percent.

**Households relying on informal work have been most affected by the COVID-19 crisis, pushing many of them into poverty.** Informal workers, who accounted for more than half of the workforce pre-COVID-19, have been more impacted than formal sector workers, particularly during the initial lockdown. This is because informal workers were more concentrated in sectors that were more affected by the pandemic (e.g., services) and were not protected by Defense Order No.6, which prevented private companies from laying off formal sector workers and limited wage cuts to a maximum of 50 percent. Data collected through the pandemic shows that informal workers were indeed



most affected compared to other types of workers, both through layoffs and reduced pay. Since informal workers<sup>1</sup> were disproportionately concentrated in near-poor households before the pandemic— the pandemic pushed many of these households into poverty. Initial Bank estimates suggest that poverty could have increased by up to 11 percentage points during the initial lockdown in the absence of any mitigating measures.

**Formal private sector workers have also experienced layoffs and wage cuts.** Defense Orders No.6 and No.1 prevented private firms from laying off formal sector workers. However, many workers experienced significant wage cuts as their companies struggled with reduced activity, while others stopped receiving payment altogether as their companies ceased operations.<sup>2</sup> Shortly after Defense Order No.6 was issued, around 3,700 firms applied to the Ministry of Labor (MOL) to reduce their workers' wages by 50 percent, affecting over 100,000 workers. A United Nations Development Programme (UNDP) and International Labor Organization (ILO) survey of 1,190 enterprises conducted during the summer of 2020 showed that half of the enterprises could only pay wages for at most, a month.<sup>3</sup> The COVID-19 Follow Up World Bank Enterprise Survey (CFUWBES) of 564 registered firms in Jordan conducted in July-August 2020, showed a 16.8 percent rate of permanent jobs loss and 5.1 percent of firms having permanently closed since the COVID-19 pandemic started. The same sample of firms experienced equally poor conditions by December 2020-January 2021, with an accumulated 23.3 percent rate of permanent job losses and 14.6 percent of firms having permanently closed since the beginning of the pandemic. With regard to female employment, by December 2020-January 2021, the share of females among permanent full-time workers had fallen by 7.8 percent.<sup>4</sup>

#### Sectoral and Institutional Context

**In response to the COVID-19 pandemic, the Government of Jordan (GOJ) has been providing cash support to households of informal workers that became poor as a result of the pandemic.** The GOJ launched Takaful 2 in the first half of 2020, providing three months of emergency cash transfers (CTs) to 237,000 households relying on informal income and who had become poor as a result of the COVID-19 pandemic. In December 2020, the GOJ launched Takaful 3, providing emergency CTs to 160,000 households over 12 months. Additionally, the GOJ also supported 155,000 households in 2020 and 186,000 households in 2021 through the regular CT programs implemented by the National Aid Fund (NAF): 101,000 from the regular monthly CT program and the rest from Takaful 1 (54,000 and 85,000 beneficiaries in 2020 and 2021, respectively).

**The GOJ also introduced various programs and initiatives to support (mostly) formal workers.** The Social Security Corporation (SSC) introduced temporary wage subsidies in the Spring of 2020, financed by unemployment insurance funds, for workers who had been put on temporary leave by firms that had partially or entirely discontinued operations. Altogether, about 121,000 workers benefited from various schemes. In addition, 136,000 self-employed

<sup>1</sup>Informal workers account for about half of the workers among the poorest 20 percent.

<sup>2</sup> Employers who are unable to pay wages may request to suspend work in their establishments and stop paying wages. Requests to suspend work are submitted to a joint committee formed by each of the Ministers of Industry, Trade, Supply, and Labor. All financial and contractual obligations of the business owner remain in effect during the suspension period, excluding employees' wages.

<sup>3</sup> Tewodros Aragie Kebede, Svein Erik Stave, Maha Kattaa, and Michaela Prokop. June 2020. "Impact of the COVID-19 pandemic on enterprises in Jordan", ILO-UNDP.

<sup>4</sup> <https://www.enterprisesurveys.org/>



workers who were registered with the SSC and experienced reduced income were able to withdraw a limited amount from their retirement benefits. In response to the deteriorating situation, a new program, “Istidama”, was launched in December 2020, providing wage subsidies over a period of 13 months to 110,000 formal workers in firms severely affected by the pandemic, and thus at risk of closing down and laying off workers.

### C. Proposed Development Objective(s)

#### Original PDO

The project development objective is to provide cash support to poor and vulnerable households affected by the COVID-19 pandemic in Jordan.

#### Current PDO

The project development objective is to provide cash support to poor and vulnerable households and workers affected by the COVID-19 pandemic in Jordan.

#### Key Results

Key results will be measured by the following PDO level indicators:

- Number of households receiving cash support through the project, disaggregated by Number of individuals; and percentage of female headed households.
- Number of individuals receiving wage subsidies through the project (Number), disaggregated by Percentage of females.

### D. Project Description

**The GOJ requested a second additional financing (AF2) in the amount of US\$350 million and a restructuring of the parent project and AF to support the Government’s COVID-19 response programs.** The proposed AF and restructuring of the parent project will not include any revision to the project development objective (PDO). The AF and restructuring will entail following changes: (i) increase the allocation for subcomponent 1.2 (Takaful-1 cash transfer program) by US\$320.880 million while revising the PBCs linked to this subcomponent to reflect the expansion of program beneficiaries starting in 2022; (ii) enhance the PBCs related to the consolidation of NAF CT programs around Takaful 1, as well as the operationalization of NUR and the EEP; (iii) increase the budget allocation for Component 4 (Support to workers in firms affected by COVID-19) by US\$28.245 million; and (iv) extend the original loan closing date by 12 months (from December 31, 2023 to December 31, 2024) to align it with that of the AF.

**The proposed AF2 responds to the evolving needs arising from the COVID-19 crisis.** The GOJ’s decision to expand Takaful-1 in 2022 despite the challenging fiscal situation reflects the GOJ commitment to protect the poor. The AF will help the GOJ to secure the financing for Takaful-1 over the medium term. It will also support the reform and consolidation of all CT programs for the poor around Takaful-1, as well as other key reforms to further improve the cost-effectiveness of safety net programs. The AF will also finance the extension of the *Istidama* program for six months in 2022. This extension responds to the protracted negative effects of the COVID-19 crisis on the ability of firms to pay wages, while supporting their transition out of the crisis. Under the proposed AF, an additional amount of US\$320.880 million will be added to subcomponent 1.2 and US\$28.245 million will be added to Component 4. Other components will remain unchanged.

**Revisions to Component 1 (Cash support to poor and vulnerable households affected by COVID-19) (US\$815.45**



**million).** Under the AF2, the amount for Component 1 will be increased from the original allocated amount of US\$494.57 million to US\$815.45 million. The associated PDO level results indicator under Component 1 (number of households receiving cash support through the project) will be increased from its current target of 247,000 to 400,000 households by project closure (December 2024). Similarly, the number of individual beneficiaries under this indicator will increase from the current target of 1.235 million to 2 million individuals (with ten percent female headed households).

**Subcomponent 1.1: Temporary CTs to vulnerable households (US\$106.965 million).** As the emergency situation is improving, the GOJ is discontinuing emergency programs in 2022, while reaffirming its commitment to expanding, further reforming and consolidating CTs around Takaful-1 (subcomponent 1.2). Current Takaful-3 beneficiaries will be considered for coverage under Takaful-1 in 2022, which will be facilitated by the expansion of Takaful-1.

**Subcomponent 1.2: Takaful-1 Cash Transfer Program (PBCs) (US\$708.485 million).** This subcomponent will be increased from the original allocation of US\$ 387.605 million to US\$708.485 million. The additional funds will be used to finance the expansion of Takaful-1, closing the resulting financing gap in Takaful-1 for 2022 (relative to the remaining amount under the AF) and extending financing of the program through the end of 2023. With the additional funds, the project will increase the number of Takaful-1 beneficiaries from 85,000 households (in 2021) to about 170,000 households (by 2024), including about 50,000 households that are expected to migrate from the NAF monthly CT program into Takaful-1.

Disbursements under this subcomponent will be linked to PBCs, which are revised under the proposed AF2 to: (i) adjust the enrollment and payment of Takaful-1 beneficiaries in 2022 and 2023; (ii) include the approval of a time-bound plan to phase out the NAF monthly CT program under PBC 3 (migration of beneficiaries of NAF monthly CT program into Takaful-1); and (iii) adding new PBCs supporting the operationalization of the NUR as a single gateway for social assistance program (PBC 4) as well as the implementation of the Economic Empowerment Program (PBC 5) (see Table 5 for details on the changes to the PBCs linked to Subcomponent 1.2).

**Component 2: Project management, monitoring, and evaluation (US\$3 million).** No changes will be made to the activities financed under this component.

**Component 3: Contingent Emergency Response Component (CERC) (US\$0 million).** No changes will be made under this component.

**Component 4: Support to workers in firms affected by COVID-19 (US\$193.245 million).** Under AF2, the amount for this component will be increased from the original allocation of US\$165 million to US\$193.245 million to finance the extension of the Istdama program for six months (until June 2022) for about 110,000 workers. The extension will cost JOD 30 million (US\$42 million), of which US\$28.245 million will be financed under AF2, while the remaining amount will be covered by the SSC. The PDO level results indicator associated with this component will be increased from the current target of 100,000 workers to 110,000 workers by project closure (December 2024) and 50 percent females.

**Changes to the design and implementation features of Istdama under Component 4.** The main design and implementation features of Istdama remain unchanged under AF2. Formal workers employed in firms that have been affected by the COVID-19 crisis continue to be eligible to receive wage subsidies. The wage subsidy amount remains dependent on how severely the firm has been affected by the COVID-19 crisis. The main change under AF2 is the revision of firm categories and corresponding benefit level in August 2021, and in January 2022 (Table 5). The revision



that was implemented in August 2021 ensures that workers employed in recovering sectors are paid their full salary while accounting for the slow economic recovery of other sectors. Table 5 provides details on wage subsidies for each firm category<sup>5</sup>. Workers employed in firms that remain severely affected by the pandemic<sup>6</sup> are paid 85 percent of wages (previously 50 or 75 percent), 80 percent of which is subsidized by the program (Istidama plus – category 1). Workers in firms that remain affected by the pandemic but not as severely as category 1, are paid their wages in full, with the program subsidizing 60 percent of wages (Istidama Basic – category 2). Finally, firms that are slowly recovering from the COVID-19 pandemic also pay workers 100 percent of their wages, and the program subsidizes 30 percent of wages (Ta’afi – category 3). However, in January 2022, the Ta’afi category was discontinued. Firms which previously fell under ‘Ta’afi’- category 3 either exit the program or move to Istidama Basic – category 2 provided they submit monthly financial evidence<sup>7</sup> that they remain severely affected by the pandemic. The monthly financial assessment of firms for being considered for Istidama Basic (also known as the Flexible Istidama approach) accounts for the unpredictability of emerging new COVID-19 variants and consequent impact on firms only during select months of the year. Firms thus exit the program during the months when they are not in dire need of support.

The classification of firms into different Istidama categories is determined by financial data, statements from relevant ministries and chambers of commerce, reviewed monthly by the Defense Order committee and approved by the Social Security Corporation (SSC). Firms are classified based on their submitted financial records, as set by Istidama Program Guidelines. The automated GRM system implemented by SSC remains the same, with firms also allowed to challenge being moved out of the Istidama program based on submitted financial data.

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

The project will neither support the procurement of any materials or equipment nor rehabilitation or construction activities or civil works, therefore, none of the interventions under this project will result in any negative environmental impacts. . Social risks are considered to be substantial moderate, given the short duration of the program (six months) and the client’s capacity and experience in managing similar programs. The project builds on existing national systems, payment delivery mechanisms (including e-wallets and digital payments), and processes. Social risks are limited to (i) the potential exclusion of some vulnerable and disadvantaged groups; (ii) Occupational Health and Safety (OHS) and Community Health and Safety Risks due to COVID-19 contagion and (iii) potential risks of gender-based violence within

<sup>5</sup> Istidama Program Guidelines were updated by SSC to reflect these changes.  
<sup>6</sup> It includes firms in sectors not authorized to operate.  
<sup>7</sup> Financial evidence must be provided according to pre-set criteria as determined by the Istidama Program Guidelines.



a workplace environment or as part of the broader context of inter-partner violence in Jordan; iv) create social tension between project beneficiaries and non-project beneficiaries within the same community if the targeting mechanism is not transparent enough.

## **E. Implementation**

### Institutional and Implementation Arrangements

Under the proposed AF2, the overall project implementation arrangements will remain unchanged: the PMU will be responsible for all fiduciary aspects of the project, daily management of project activities, M&E of project interventions, as well as internal coordination within NAF. MOPIC will continue to be the responsible implementing agency for Component 4, with the SSC as the implementing partner. MOPIC will sign an amendment to the Cooperation Agreement with the SSC to reflect the extension of the Istidama program. MOPIC will also sign an amendment to the subsidiary agreement with the NAF to reflect the additional allocations and PBCs of the Takaful program. The fiduciary staff of the PMU will also support the fiduciary aspects of Component 4. The PMU consists of a Project Manager, Financial Officer, Procurement Officer, Social Officer, M&E Officer, and a Technical Coordinator for the Istidama program. To date, the Project Manager, Financial Officer, M&E officer, and Social Officer have been recruited and MOPIC has assigned the responsibilities of the Technical Coordinator of Istidama Program to one of its staff. The recruitment process of the Procurement Officer is still ongoing.

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**APPROVAL**

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