Report Number : ICRR14019

IEG ICR Review
Independent Evaluation Group

1. Project Data:		**Date Posted :**	04/08/2013	
Country:	Jordan			
Project ID :	P053834		**Appraisal**	**Actual**
Project Name :	Implementation Of Economic Reform And Development Program	**Project Costs (US$M):**	23.7	22.5
L/C Number:		**Loan/Credit (US$M):**	23.7	22.5
Sector Board :		**Cofinancing (US$M):**		
Cofinanciers :		**Board Approval Date :**		02/15/1998
		Closing Date :	10/14/2006	12/31/2011
Sector(s):	General industry and trade sector (90%); General finance sector (10%)			
Theme(s):	State-owned enterprise restructuring and privatization (34% - P); Regulation and competition policy (33% - P); Corporate governance (33% - P)			

Prepared by :	**Reviewed by :**	**ICR Review Coordinator :**	**Group:**
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2. Project Objectives and Components:

a. Objectives:

There is no project appraisal document as the project was financed by trust fund grants approved in 1998 and 2005. According to the grant agreement between the World Bank and the Recipient dated February 1998, the grant in an amount of US$ 14.2 million was intended for the implementation of Annual Programs to support increased competition, outward-oriented growth, a modern, efficient and well-regulated financial sector, best-practice business laws, and privatization, including trade liberalization, export development, financial sector and legal reforms. In 2000, a revision to this agreement was made to narrow the scope of the program . The revised objective was “implementation of Annual Programs to support privatization, private sector investment and public sector reform”. The development objectives in the Letter of Agreement for the additional grant of US$ 9.5 million, dated May 2005, are to strengthen the investment climate, leading to new investment and job creation, and improve effectiveness and efficiency of the delivery of public services, and creation of fiscal space . For the purpose of this evaluation IEG uses the objective from the revised Cooperative Agreement (2000) as the Project Development Objective, which is to support implementation of Annual Programs for privatization, private sector investment and public sector reforms .

b.Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components:

Program documents do not group activities under specific components, except the 1998 Cooperative Agreement that had been revised within a year of its approval . For the purpose of this evaluation IEG draws on the ICR's breakdown of the project by the following project components :

- **Privatization,** focused on privatization of Jordan's infrastructure sector that was almost fully state owned in the late 1990s. The list of sectors to be privatized, according to the revised Cooperative Agreement included postal, airline, buses, rail, seaport, electricity, petroleum, water and mining .
- **Regulatory Reforms,** focused on legal and regulatory reforms, new investment in privatized companies and job creation.
- **Public Sector Reforms -** this area was defined very vaguely, the only explicitly defined focus was on creating fiscal space through debt reduction .
- **Public-private partnerships,** focused on developing a number of large PPPs, as well as creating a framework for smaller PPPs in various sectors that would increase investment in infrastructure and improve the quality of services.
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d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Costs: Originally, the project amount was US$ 14.2 million, which was augmented by an additional US$ 9.5 million through a new trust fund in 2005, which brought the total amount of the project to US$ 23.7 million. The total disbursed amount as of the end of the project was US$ 22.5 million. According to the 1998 Cooperative Agreement it was expected that the World Bank would provide around US$ 6 million as co-financing for the project, which, however, was later dropped .

Financing : The project was financed by two trust fund grants (TF021517 and TF052183) awarded by USAID.

Dates: The project was approved and became effective in February 1998 and the original closing date was October 2006. In 2005, USAID awarded an additional US$ 9.5 million to the project that was provided through a new trust fund approved in June 2005. The project was restructured in October 2010 to extend the closing date. The project was closed on December 31st, 2011.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

Substantial .

Jordan's infrastructure sector was almost exclusively state owned and was inefficiently managed as of the late 1990s. The quality of public sector services was poor, and it was a major obstacle for private investments and growth. Inefficient management of state infrastructure companies had also contributed to accumulation of public debt: Jordan's public debt was at 115 percent of GDP in 1997. The Government also controlled mining companies listed in the stock market. The Country Partnership Strategy of the World Bank at the time aimed at "reviving, maintaining, and accelerating economic growth through higher levels of private investment, export development and tourism". Well managed privatization was considered as critical in improving Jordan 's infrastructure performance, as well as for improving the investment climate and managing macroeconomic risks associated with financial viability of Jordan 's quasi-fiscal sector. The shift in policies toward prioritizing private sector led growth also required strengthening and modernizing the regulatory framework . The relevance of the objectives is assessed as **substantial** , although the program suffered from lack of clarity in defining those objectives.

b. Relevance of Design:

Modest .

The project does not have a program document as it was financed by trust fund grants approved in 1998 and 2005. The 1998 Cooperative Agreement between USAID and the World Bank is the main source of information about the design of the project, including project rationale, policy areas and specific reforms to be supported by the project. In addition, the 1999 Memorandum of Understanding between The Government of Jordan, USAID and the World Bank provides more details on project implementation, including a narrower scope of policy areas focused on privatization and on implementation arrangements including the establishment of the Project Coordination and Implementation Unit. The 2005 Letter of Agreement on additional funding of US$ 9.5 million outlines the areas that the project would focus on, as well clarifies the administrative and implementation arrangements. The project mainly supported the Government of Jordan to achieve its goals in implementation of economic programs through supporting the activities of the Executive Privatization Commission (EPC, formerly Executive Privatization Unit), which was also the implementing agency of the project.

The project does not have a results framework, and the Cooperative Agreement does not provide monitoring indicators with target values to assess the effectiveness of the reform program supported by the project. Project documents, including the Cooperative and Grant Agreements, the Memorandum of Understanding, as well the ICR do not provide baseline analysis of technical capacities of the Government's agencies before the implementation of the grant, that could help to better understand the scope of contribution of the program to quality economic management in Jordan.

The ICR does not report on actual expenditures by categories or components, except mentioning that US$ 3.2 million was spent on regulatory reforms. Based on the ICR, the project expenditures can be grouped as follows: a) capacity building of EPC's professional staff, as well other government officials in the line ministries involved in privatization and regulatory reforms; b) financing experts for preparing terms of references for large transactions; c) financing restructuring activities or preparations for privatization, and d) supporting modernization of equipment and infrastructure of state agencies.

There is a lack of information for a complete assessment of the relevance of design, The ICR does not provide self-evaluation for the design. Based on available information IEG assesses relevance of design as **modest**, but also recognizes that the operational framework for trust funds at the time of project preparation was different from current standards.

4. Achievement of Objectives (Efficacy):

Substantial.

IEG's overall efficacy rating is based on its assessment of the program by its policy areas.

Privatization: Jordan implemented a very ambitious and broad privatization program during the late 1990s and 2000s. The project under review played an important role in preparation and implementation of a successful privatization program. Large state-owned companies that were privatized with the support of the project include: the Jordan Telecommunication Company; the Arab Potash Company; the Agriculture Marketing and processing Company; the Jordan Phosphate Mines Company; the Royal Jordanian Airlines; the Central Electric Power Generation Company and the Electricity Distribution Network. In a number of areas, however, the project was not able to achieve its objectives. In particular, due to various challenges the project did not achieve privatization of the Railway Company, the Jordan Post, the Jordan Grain Silos, and the Jordan Petroleum Refinery Corporation. This large scale privatization program was critical in improving the performance of previously state-owned companies, increasing customer satisfaction, improving the business climate, as well as in generating large privatization proceeds. In addition, the program also contributed to the strategic decision about the use of privatization proceeds for reducing Jordan's Indebtedness. In particular, out of total US$ 2.3 billion privatization proceeds US$ 1.9 billion was used for buying back Jordan's debt to the Paris Club in 2007. The public debt to GDP ratio dropped from 115 percent in 1997 to 71 percent in 2011.

Regulatory Reforms: The program helped to foster a number of regulatory reform initiatives: a) developing the Mutual Fund Regulation in 1999; b) developing a draft insurance law in 1999 and establishing the Independent Insurance Regulatory Commission in 2000; c) establishing Jordan's Independent Electricity Regulatory Commission in 2001; d) establishing a Public Transport Regulatory Commission that subsequently became the Land Transport regulatory Committee. The outcome of these initiatives varied, however. As of 2009, there were only three mutual funds with relatively small portfolios, which is below the expectations upon which this component of the program was built. The establishment of the independent regulator, however, was followed by a strong expansion of Jordan's insurance sector. Jordan's Independent Electricity Commission supported by the program was also very effective in regulating the power market, privatization of generators and attracting new power suppliers.

Public Sector Reforms : The project did not contribute to broader public sector reforms beyond privatization and regulatory reforms. Regarding reduction of public debt and creating fiscal space, the Government of Jordan was successful in directing privatization proceeds to debt-reduction through a major buy-back of Paris club debt in an amount of US$ 2.1 billion.

Public Private Partnerships : The program supported this area through program-financed staff contributing to the Policies and Strategic Department of the Ministry of Planning and International Cooperation in developing economic and development policies and setting strategic plans and priorities. The main focus of the project in public sector reforms was limited to PPPs despite the broad definition of the objective and policy area. The program achieved successful implementation of two PPPs, including Aqaba Container Terminal for which a management contract was awarded to a leading international operator in 2004, and Queen Alia International Airport for which an international consortium was selected, through competitive bidding in 2007. The PPP for the container terminal was instrumental in improving companies operations, and currently it is rated as the third best terminal in the Middle East and South Asia. The management contract for the international airport paved the way for a major rehabilitation and expansion program in an amount of US$ 750 million. The project was less successful in creating the framework for facilitating smaller PPPs. As of the closing of the project the relevant legislative proposals were not submitted to the Parliament.

5. Efficiency:

Modest.

The ICR does not provide any measures of efficiency. Cost-benefit analysis or estimates of economic and financial rates of returns are not available from documents. The ICR mentions that the US$ 25 million project has generated around US$ 4 billion capital inflows, of which US$ 2.3 billion as privatization proceeds. This, however, cannot be entirely attributed to the project as Jordan could have generated privatization revenues and attracted capital inflows without the Banks' and USAID support. That said, the support of the project to the Government's activities in privatization and regulatory reforms through capacity development and financing experts is believed to have been important in generating large privatization revenues, as well in attracting capital inflows and private investment in public services. However, IEG assesses project efficiency as **modest** due to the lack of sufficient information.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal		%	%
ICR estimate		%	%

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

The overall outcome rating is **satisfactory**, based on IEG's rating of substantial relevance of objective and efficacy and modest relevance of design and efficiency. A satisfactory outcome rating is warranted because the project was highly successful in key areas, specially fostering large-scale privatization and supporting modernization of the regulatory framework.

a. Outcome Rating : Satisfactory

7. Rationale for Risk to Development Outcome Rating:

Although there are certain risks to development outcomes arising mostly from Public Private Partnerships in infrastructure that inherently contain risks, overall risks are assessed low . There is sufficient evidence that the country's infrastructure will continue to benefit from the improved operational environment, and the public debt that was substantially reduced with the support of privatization proceeds will remain under control . As highlighted in the ICR, risks related to re-nationalization due to policy reversal or political changes are very low .

a. Risk to Development Outcome Rating : Negligible to Low

8. Assessment of Bank Performance:

a. Quality at entry:

Bank performance was commendable in terms of securing USAID grant funding for supporting Jordan 's economic development program. Lack of focus at the initial stage led to the revision of the scope of the program within a year of its approval. The commitment of the World Bank regarding co-financing was dropped, and the ICR does not provide information on this .

Quality-at-Entry Rating : Satisfactory

b. Quality of supervision:

Quality of supervision was satisfactory. The Bank conducted frequent missions during project implementation, and regularly met the key stake-holders. Annual financial statements of the program were reviewed, and all financial management issues of the program, including fiduciary responsibilities were under the review the Bank's Amman-based financial management specialist. The Bank also maintained strong policy dialogue with the Government of Jordan on many aspects of program, including the privatization program, legislative initiatives and the use of privatization resources for reducing Jordan's indebtedness . In-spite of the lack of a results framework and monitoring indicators, program implementation and the quality of supervision remained adequate because of the nature of the project that was focused on supporting the Government's annual plans.

Quality of Supervision Rating : Satisfactory

Overall Bank Performance Rating : Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

Government commitment to the reform agenda was critical in the overall success of economic reforms supported by the program. In this respect, the role of the Ministry of Planning and International Cooperation was very important. The Ministry had a key oversight function during project implementation .

Government Performance Rating Satisfactory

b. Implementing Agency Performance:

The Executive Privatization Commission, which was functioning under the oversight of the Ministry of Planning and International Cooperation was the implementing agency, The implementing agency was effective in day to day management of the project, in utilizing the bank's policy advice for program implementation, as well as in connecting with the stake-holders of Government economic programs.

Implementing Agency Performance Rating : Satisfactory

Overall Borrower Performance Rating : Satisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The project lacks an M&E framework, including well designed monitoring indicators with baseline and target values. This is mostly due to the nature of the project aimed at supporting the Government annual programs, also coupled with the fact that at the time of project inception the Bank did not have strong M&E requirements for trust-fund grants. The ICR attempted to retroactively create a monitoring framework, which is only partially helpful as it lacks baseline and target values.

b. M&E Implementation:

NA

c. M&E Utilization:

NA

M&E Quality Rating : Negligible

11. Other Issues

a. Safeguards:

None

b. Fiduciary Compliance:

Fiduciary compliance was in line with the Grant Agreement, although there were issues with record-keeping for contracts not subject to the Bank's prior review. These issues were resolved after consultations with supervision missions.

c. Unintended Impacts (positive or negative):

None

d. Other:

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Negligible to Low	Negligible to Low	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Performance :	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

IEG agrees with the lessons highlighted in the ICR. especially the importance of strong Government commitment to the reforms for the success of the program, the need for a centralized privatization agency, and the need to focus on managing potential conflicts arising from privatization and reforms. In addition to these lessons, the experience of this project highlights the importance of gathering sufficient baseline data that would allow a comprehensive assessment of the program's effectiveness, especially in the context of technical assistance projects. In particular, baseline analysis of capacities of Government agencies responsible for reforms could have helped to understand the gaps that the project was filling, and its contribution to improved implementation of Government economic programs.

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR succeeded in providing a clear account of project activities and the main outcomes, a challenging task for this particular project given that it does not have an appraisal document. That said, the ICR would have benefited from a more thorough discussion of a) the reasons for project revision within a year of approval, including dropping the Bank's co-financing in amount of US$ 6 million in 1999 and whether it is related to the revision of the scope of policy areas; b) the breakdown of expenditures by categories or components; and c) the analysis of technical capacities of Government agencies responsible for implementation of economic programs prior to project implementation; and d) the project's efficiency and challenges of measurement.

a.Quality of ICR Rating : Satisfactory