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COUNTRY PARTNERSHIP FRAMEWORK

FOR

HASHEMITE KINGDOM OF JORDAN

FOR THE PERIOD FY17-FY22

JUNE 15, 2016

**Mashreq Country Management Unit
Middle East and North Africa Region
International Bank for Reconstruction and Development
The International Finance Corporation
The Multilateral Investment Guarantee Agency**

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Unit of currency	Jordanian Dinar
1 US\$	0.709 JD

FISCAL YEAR

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ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics	ICT	Information and Communication Technology
bps	barrels per second		
CLR	Completion and Learning Review	IMF	International Monetary Fund
CPF	Country Partnership Framework	JRP	Jordan Response Plan
CPS	Country Partnership Strategy	LNG	Liquefied Natural Gas
DPF/DPL	Development Policy Financing/ Development Policy Lending	LPG	Liquefied Petroleum Gas
EFF	Extended Fund Facility	MDTF	Multi Donor Trust Fund
EDP	Executive Development Plan	MENA	Middle East and North Africa
ERfKE II	2 nd Education Reform for the Knowledge Economy	MIGA	Multilateral Investment Guarantee Agency
ESSRP	Emergency Services and Social Resilience Program	MNAISA	MENA Transition Fund - IBRD
ESW	Economic and Sector Work	MSME	Micro, Small and Medium Enterprises
FY	Fiscal Year	NES	National Employment Strategy
GCC	Gulf Cooperation Council	NEPCO	National Electric Power Company
GDP	Gross Domestic Product	NUR	National Unified Registry
GEF	Global Environment Fund	ODS	Ozone Depleting Substance
GoJ	Government of Jordan	PforR	Program for Results
Gwh	Giga watts per hour	PIM	Public Investment Management
HCFC	Hydrochlorofluorocarbon	PPPs	Public Private Partnerships
IDA	International Development Association	SBA	Stand-By Arrangement
IBRD	International Bank for Reconstruction and Development	SCD	Systematic Country Diagnostic
IDF	Institutional Development Fund	SDGs	Sustainable Development Goals
IEG	Independent Evaluation Group	SEZs	Special Economic Zones
IFC	International Finance Corporation	SMEs	Small and Medium Enterprises
		WBG	World Bank Group
		US	United States
		UN	United Nations
		UNICEF	United Nations Children's Fund
		UNHCR	United Nations High Commissioner for Refugees

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**COUNTRY PARTNERSHIP FRAMEWORK FOR
HASHEMITE KINGDOM OF JORDAN**

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COUNTRY PARTNERSHIP FRAMEWORK FOR HASHEMITE KINGDOM OF JORDAN

I. Executive Summary

1. **Amidst a worsening regional context, Jordan is maintaining a delicate equilibrium.** Lying at the epicenter of one of the most volatile regions in the world, Jordan has consistently preserved its stability, drawing from its unique geopolitical positioning, nuanced political compact and resilience. Given the country's high exposure to exogenous shocks, Jordan has been particularly affected by the spillovers from regional conflict, the fluctuation of commodity prices, and shifts in geopolitical relations which all compound the country's existing vulnerabilities. A combination of rising external and internal pressures challenges Jordan's balance, like a tightrope walker subject to gusts of winds.

2. **The geopolitical compromise which contributes to Jordan's stability may not be sustainable.** The Systematic Country Diagnostic (SCD) found that international support and the country's historical resilience have helped Jordan weather a number of difficult crises. However, Jordan's geopolitical capital has also made structural reforms seem less pressing, allowed for a sub-optimal drive towards adjusting the country's social contract and slowed its pace towards sustainable growth. In addition, and due to the unfolding of the Syria crisis and its ever growing impact on Jordan's economic and social fabric, the fragile balancing act the country has been performing over the years may now give way to a renewed sense of fragility. Jordan has so far managed to remain stable, and realizes that stronger and further reaching reforms are needed to more effectively preserve the country from sudden and destabilizing shocks, in line with the vision of His Majesty King Abdullah II.

3. **The Syria crisis is having an extended adverse effect on Jordan's economy.** Supporting Jordan in responding to this crisis has become a key feature of the World Bank Groups (WBG's) engagement in the country and will underpin this strategy. The crisis has gravely hit Jordan's fiscal situation. It has put pressure on the delivery of basic services to the people, Jordanian citizens and refugees alike, in a country already suffering from scarcity of natural resources and from pre-existing vulnerabilities in its delivery systems. It has impacted its infrastructure, and has rendered critical the need for a large and ambitious agenda to help the country face the threat of economic and social destabilization. Jordan's response is a developmental one, with a focus on investing in and upgrading the country's structures. The WBG, using various financing instruments, and in cooperation with Jordan's partners will strengthen the country's resilience, through a far reaching agenda which aims at turning this crisis into a development opportunity for the country and its people.

4. **The Government of Jordan, the WBG, and the international community are working towards a paradigm shift in their collective response to the refugee crisis - a holistic approach which stresses the continuum between the humanitarian response and the country's development agenda.** The Jordan Compact adopted at the conference on *Supporting Syria and the Region* in London on February 4, 2016 proposes to turn the Syria crisis into a development opportunity that attracts new investments and fosters access into the European Union market with simplified rules of origin. This aims to create jobs for Jordanians and Syrian refugees, through a combination of labor-intensive works and the upgrading of Special Economic Zones (SEZs) that can attract the private sector. This approach will support the post-conflict Syrian economy, and the WBG will seek to help Jordan serve as a platform for Syria's eventual reconstruction. The Jordan Compact also states the importance of all children in Jordan accessing learning, thereby avoiding a lost generation of Syrian children without education and ensuring that they can play a full role in post-conflict Syria.

5. **In parallel, Jordan's implicit social contract by which the state provided citizens with jobs and heavily subsidized public services is evolving.** The most recent drive for reforms has focused on Jordan's need to achieve self-reliance and stability based on enhanced productivity, increased competitiveness, the

gradual removal of subsidies, and financial sustainability. Jordan 2025 calls for a transformation of Jordan's development model to increase competitiveness, and to provide more private sector development opportunities and better service delivery to its citizens. The overarching objective of the Country Partnership Framework (CPF), which is jointly prepared with the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), is to help renew Jordan's social contract and promote economic and social inclusion.

6. **In its strategic engagement, the WBG will adopt a two-pronged approach** aimed at simultaneously addressing Jordan's immediate needs in view of the fluid and worsening regional situation while keeping a medium and long-term development commitment built on reforming the economy to create the right environment for inclusive, job-creating growth. This will help strengthen Jordan's foundations for sustainable development and its resilience to shocks, thereby mitigating rising vulnerabilities in the short term while reducing the country's dependence on external support in the long term.

7. **The first pillar of the CPF aims to foster the conditions for stronger private-sector-led growth and better employment opportunities for all.** The WBG will seek to catalyze the private sector's role as an engine of growth, moving away from a model in which the bulk of formal employment is created in the public sector. Working along with the forthcoming International Monetary Fund (IMF) program which is expected to focus on jobs and the investment climate (Extended Fund Facility), the WBG will aim to improve economic opportunities for Jordanians and Syrian refugees, enhance economic competitiveness and the investment climate, foster broad-based private sector development, and improve access to finance and skills development. To help achieve these objectives, IFC's large investment program will continue to support private investments in strategic sectors such as energy, financial markets, manufacturing, and services.

8. **The second pillar of the CPF aims to improve the quality and equity of service delivery, including through private sector solutions.** Concerns with regard to service delivery have recently coalesced around growing inequalities in provision and an erosion of quality, and have been exacerbated by the Syria crisis. Recent calls for reform have stressed the need for improved basic services to citizens. This points to the need to renew the social contract and the state's ability to provide quality services to all, with a view to improving the population's living conditions. The WBG will target service provision in critical and most-affected sectors, in particular water, energy, education, and municipal services, and will promote the development of lagging regions. More specifically, IFC will explore options for improving quality and access to services through private sector participation, including through public-private partnerships (PPPs) in sectors such as energy, water, and education.

9. **This CPF spans a period of six years.** While the program for the outer years will be determined by evolving needs, the country's priorities as well as global economic developments which affect IBRD's financial capacity, and demand by other Bank borrowers, the tentative pipeline of the Bank-financed operations for the first two years of implementation (FY17-18) is set to comprise the following: (i) Economic Opportunities for Jordanians and Syrian Refugees Program-for-Results (PforR), (ii) a scale up of the Emergency Services and Social Resilience Project (ESSRP), (iii) a Second Development Policy Loan (DPL) supporting Energy and Water Sector Reforms, (iv) a Partial Risk Guarantee (PRG) and possible IFC financing for the Red Sea-Dead Sea Phase 1 Project, (v) an Education PforR, (vi) an Innovative Starts-Ups and Micro, Small, and Medium Enterprises (MSMEs) Operation, and (vii) possible support to lagging regions. A follow-on programmatic DPL series is also envisaged, possibly in support of the renewed social contract (governance, gender, and youth). IFC's program will include annual investments in the range of US\$100-150 million as well as mobilizing equal additional resources to support these investments. In order to support reform implementation and address sectoral gaps, these operations will be complemented by a strong mix of Advisory Services and Analytics (ASA), including technical assistance, economic and sector work, and IFC's advisory services to support private sector development. Given the magnitude of the challenges facing Jordan as it

addresses the impact of the Syria crisis, concessional financing will be mobilized to bring to scale the WBG interventions in support of the Government's response.

10. **The CPF will implement the new Middle East and North Africa (MENA) Strategy at the country level.** Economic and social inclusion can help cement a renewed social contract in Jordan, including with some marginalized segments of the population, in particular amongst the youth. The refugees and resilience agenda has come to the fore with the unfolding of the Syria crisis and its impact on Jordan. The WBG's response needs to be multi-faceted, helping host countries cope with the impact of refugee inflows on their economic and social fabric and turning this shock into a development opportunity. As the expectation is that the refugees would not settle permanently in Jordan, attention should be given to building their human capital, in particular through education and jobs, so that they can eventually return to Syria and contribute to the country's growth. Reconstruction and recovery needs are equally relevant and significant volumes of resources will be needed to help Jordan and other countries in the region recover from unfolding crises. Finally, the regional cooperation agenda is critical and largely untapped for Jordan given its unique regional positioning and potential in the energy, water, transport and trade sectors.

11. **The CPF aligns with the Government's vision Jordan 2025, the Executive Development Plan 2016-2018 (EDP), and the Sustainable Development Goals (SDGs).** The Government's overall vision for the next 10 years is to place Jordan on a more sustainable growth path with stronger job creation, better service delivery, a more conducive investment climate, and a larger involvement of citizens in the decision making process. The CPF is aligned with this overall vision and the Government's EDP. The recently adopted SDGs will also help guide the WBG's engagement in Jordan, as the Government seeks to mainstream the SDGs into its existing plans towards an integrated planning framework for Jordan.

12. **The key issues of governance, gender and youth will be embedded in the CPF as cross-cutting themes.**

- As a common agenda determined with the Government, governance constitutes a key driver for Jordan's development agenda. The WBG will aim to promote social accountability and mainstream citizen engagement across its portfolio and in sensitive discussions around policy trade-offs, and will aim to strengthen institutional capacity for implementation. The CPF will leverage the Bank's role as an honest broker presenting robust analysis to help facilitate consensus building.
- Gender is a key constraint to achieving shared prosperity in Jordan. Gender disparities underlie a range of issues from poverty and inequality to labor market dynamics. The WBG will mainstream gender in its operations, with a view to enhancing its development outcomes, and will continue to work with development partners and the private sector on key obstacles to women's agency.
- A youth cross-cutting theme will also be incorporated in strategy and operational elements. This will include piloting a youth project; engaging youth as a constituency to inform and provide feedback on development policies and projects; conduct analytical work on youth to inform policy dialogue and operational activities; and foster youth inclusion.

13. **The CPF's principles of engagement will be selectivity, flexibility, adaptability and partnership.** The CPF is selective and focuses on key sectors, drawing from the SCD, the Government's priorities, the MENA Strategy and comparative advantage, as well as lessons from the implementation of previous Country Partnership Strategies. Under the new CPF, the WBG will work in partnership with others, build and nurture strong relationships with the United Nations (UN) agencies, donors and a broad range of stakeholders to implement the strategy with a leveraging effect. In a fast paced regional environment, the WBG will be flexible in adjusting the mix of instruments and priority intervention areas throughout the CPF and adapt as demands and circumstances evolve on the ground.

III. Country Context and Development

A. Sociopolitical and Institutional Factors

14. **Pressures emanating from the Syria crisis are exacerbating pre-existing vulnerabilities.** While Jordan's demographic make-up is defined by the influx of a large number of refugees, the magnitude of the current wave of Syrian refugees and its impact on Jordan are unprecedented. As of June 2016, Jordan hosts 655,217 registered Syrian refugees, 80 percent of whom live in host communities. This represents about 10 percent of Jordan's population. According to the recently concluded census, the total number of Syrians has reached about 1.3 million, representing 19 percent of population¹. In the first two years of the Syria crisis, the international community's response focused almost exclusively on providing humanitarian assistance to the refugees. In the past two years, attention turned to building resilience of host countries and mitigating the impact on the country's population, infrastructure, and economy. The stresses caused by such a significant increase in population and mounting costs required to meet larger demand for infrastructure and public services have significantly strained the country's systems and structures, in particular in water, sanitation, electricity, solid waste management, health, and education. Competition over jobs and downward pressure on wages have also had a negative impact on social cohesion. In view of the rapidly evolving situation, there is now a shift to complement the search for resilience with framing a sustainable and politically sensitive development agenda. This approach recognizes the protracted nature of the crisis and seeks to address its impact on the development prospects of the country. The unit of account on the ground is no longer exclusively a factor of nationality. For development and planning purposes, one looks instead at an overall population residing in-country and utilizing its infrastructure and services – de facto part of its economic and social fabric.

15. **Reforms that can improve the population's living conditions and promote economic and social inclusion have been called for in recent years.** These would respond to a sense of unequal opportunities and access to service delivery, unbalanced regional development, poverty, unemployment, exclusion, as well as a perceived lack of transparency and public accountability. In parallel, transition to constitutional democracy is a work in progress. The Government is working towards an incremental decentralization and a progressive liberalization of the political life. The upcoming 18th parliamentary elections (expected to take place in September 2016) have the potential to be important milestones for this renewed liberalization drive. The Government has passed a new Municipalities Law that provides for the establishment of local councils to enhance citizen representation in municipal councils. The Decentralization Law also devolves financial and planning authority to the governorate level and provides for the establishment of an elected governorate council that takes decisions on projects to be funded through the allocated budget. A new Integrity and Anti-Corruption Law was recently endorsed and will lead to the merger of the Jordan Anti-Corruption Commission and the Ombudsman Bureau into a single entity with a broader mandate (the National Center for Integrity).

B. Recent Economic Developments and Outlook

16. **After four years of steady recovery, Jordan's economy slowed down in 2015 for the first time since 2010, largely due to the effects of security spillovers.** Jordan grappled with addressing a number of exogenous shocks after the global financial crisis, notably the interruption of gas supply from Egypt and the main influx of Syrian refugees in 2012-2013. Economic growth averaged 6.5 percent from 2000 to 2009. The economy's performance was more muted² over 2010-2014, averaging growth of 2.7 percent (Figure 1). Despite steady pick-up since 2010 to 3.1 percent in 2014, a number of risks manifested in 2015, dragging down growth to 2.4 percent in 2015 and further widening Jordan's output gap. The total closure of land trade routes with Syria and Iraq in April and July 2015, respectively, and other security-related challenges within and around

¹ <http://census.dos.gov.jo/>

² 2015 saw a subdued tourist season with 4.8 million tourists visiting the Kingdom, or 9.7 percent lower than in 2014. Tourist reluctance to visit Jordan amidst conflict in neighboring countries also impacted travel receipts: 7.1 percent lower in 2015. The construction sector saw 9.6 percent less permits granted in 2015.

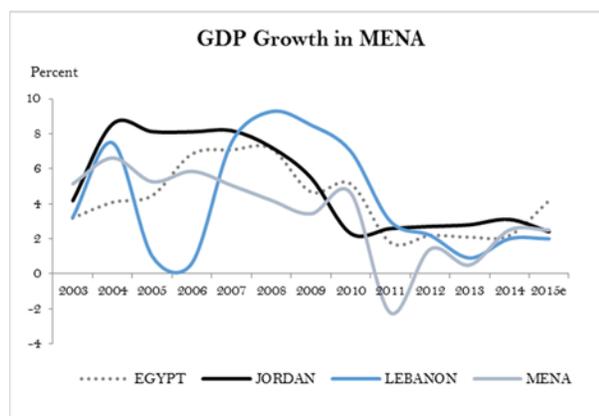
Jordan adversely impacted trade, tourism, investment, and construction. Headwind also possibly stemmed from lower government expenditures related to the fiscal consolidation program embarked on with the IMF's 2012-2015 Stand-by-Arrangement (SBA), though these may have also improved confidence in the macroeconomic framework. Despite the main drags on growth from tourism and construction sectors in 2015, growth was driven by a number of sectors, in particular finance and insurance services, electricity, water, mining and quarrying in another strong year for the potash and phosphate production. On the demand side, an improvement in net exports underpinned growth, with a flat contribution of private demand despite the positive impact of low international oil prices on improving private disposable income. While Jordan's 2015 economic growth performance is broadly in line with the MENA average of 2.5 percent, it lags behind the estimated average growth of developing countries at 4.3 percent (Figure 2).

Figure 1: GDP growth slows for the first time since 2010



Source: Department of Statistics and WB staff calculations

Figure 2: Jordan's 2015 growth rate is broadly in line with MENA average



Source: World Bank Economic Prospects, January 2016

17. **A deflationary environment persisted in 2015 amidst expansionary monetary policy and tight fiscal policy.** There was a mild deflation of 0.9 percent (period average) for most of 2015, due to further falls in global oil prices, a weakened Euro, a negative output gap, and easing of supply side pressures experienced in previous years (notably on housing prices, due to the large influx of refugees in 2012-13). The decline in consumer prices continued through April 2016 registering deflation of 1.2 percent (period average, year-on-year). Since July 2013, monetary policy has been expansionary, with the Central Bank reducing three key policy rates by an average of 167 basis points by end-February 2016.³ The Central Bank also continued to build its international reserves. These rose to US\$13.4 billion (8.4 months of imports) by end-March 2016, more than double end-2012 levels (US\$6.6 billion). The fiscal deficit was narrower in 2015, thanks to lower expenditures and lower transfers to the National Electric Power Company (NEPCO). These outweighed the fall in domestic revenues and grants that were affected by a slower economy and lower oil prices. After two years of direct financing from the central government, NEPCO resorted to borrowing from commercial banks in 2015. NEPCO's debt continues to be government-guaranteed and, combined with the fiscal deficit and slowing gross domestic product (GDP) growth, contributed to pushing the gross debt-to-GDP ratio to 93 percent at end-2015, a recent high which is forecast to abate as of 2016.

18. **Going forward, GDP growth is forecast to rebound slightly, to an average of 3.3 percent over 2016-2018 in an upper-bound scenario, provided no further spillovers from the Syria crisis occur.** The projections reflect a downward level shift from the previous medium-term projections given the protracted low

³ The re-discount, repo and window rates were reduced by a total of 50 bps, 50 bps, and 125 bps, respectively, to 3.75 percent, 3.75 percent and 1.50 percent in 2015 alone.

oil price's impact—through the Gulf Cooperation Council (GCC)—on reducing investments, and potentially grants and remittances to Jordan given the Jordanian working diaspora in the Gulf. The baseline forecast also assumes: (i) an agreement on the IMF Extended Fund Facility (EFF) leading to fiscal adjustment as of 2016 and lower debt-to-GDP levels; (ii) materialization of grants and concessional financing pledged at the London Conference; (iii) enhanced exports related to the Jordan Compact, expected in 2017; and (iv) adjustment of the economy towards potential output and as Jordan 2025 yields fruit. The Government is particularly concentrating on mega infrastructure projects (such as the Red Sea-Dead Sea Phase 1 Project) and the expansion in renewable energy projects.

Table 1: Selected Economic Indicators

	2013	2014	2015	2016	2017	2018
	Act.	Act.	Act.	Proj.	Proj.	Proj.
Real sector						
Real GDP	2.8	3.1	2.4	3.0	3.3	3.6
CPI Inflation (p.a)	4.8	2.9	-0.9	1.3	2.7	1.5
Investment & saving	(percent of GDP, unless otherwise specified)					
Total Investment	28.1	28.0	22.9	23.2	24.8	25.6
Gross National Savings	17.8	20.9	14.0	16.7	18.8	20.2
Government finance	(percent of GDP, unless otherwise specified)					
Total revenues and grants	24.1	28.6	25.5	24.7	24.8	23.5
Domestic Revenue (excluding grants and privatization)	21.5	23.7	22.2	21.8	22.1	22.2
o/w. tax revenue	15.3	15.9	15.4	15.3	15.4	15.4
Foreign Grants	2.7	4.9	3.3	2.9	2.7	1.3
Total expenditure and net lending	35.6	37.7	29.0	27.8	27.1	26.1
Current*	31.4	33.2	24.8	23.7	23.1	22.8
o/w wages and salaries	5.0	4.9	4.7	4.1	4.1	3.9
o/w interest payment	3.1	3.6	3.4	3.3	2.9	3.0
o/w Transfer to utilities (NEPCO and WAJ)	5.9	7.0	0.0	0.0	0.0	0.0
Capital & Net Lending	4.3	4.5	4.2	4.1	4.0	3.3
Overall balance (deficit (-), incl. grants)**	-11.5	-9.1	-3.5	-2.6	-1.3	-1.3
Primary Balance (deficit (-), incl. grants)	-8.4	-5.5	-0.1	0.7	1.6	1.7
External sector	(percent of GDP, unless otherwise specified)					
Current Account	-10.3	-7.1	-8.9	-6.6	-6.0	-5.5
Net Exports	-29.5	-26.2	-22.2	-17.3	-16.3	-13.8
Export FOB	42.5	43.6	37.8	40.0	43.6	47.3
Import FOB	72.0	69.7	60.1	57.3	59.9	61.0
Net Income and transfers	19.2	19.1	13.4	10.7	10.2	8.3
Net Private Investments (FDI and Portfolio)	10.2	8.6	6.8	5.6	7.3	8.0
Gross Reserves (Months of Imports GNFS***)	5.9	6.7	7.5	6.9	6.4	6.4
Memorandum Items:						
Debt to GDP Ratio (%)****	86.7	89.0	93.4	90.1	87.4	84.8
GDP (in million US\$)	33,679	35,917	37,612	40,296	42,396	44,920
* Includes adjustment to other receivables for 2012 (0.4% of GDP) and transfers to NEPCO and WAJ. As of 2015, NEPCO and WAJ reverted to government-guaranteed borrowing from commercial banks.						
** Includes fiscal gap of 2016 (0.5 % of GDP) and 2017 (1 % of GDP) and 2018 (1.3% of GDP)						
*** GNFS: Goods and Non-Factor Services.						
****Government and guaranteed gross debt. Includes NEPCO estimated borrowings for 2015-2018.						

19. **The outlook for 2016 forecasts growth at three percent on account of a growing mining and quarrying sector, some energy investments, and base effect of the tourism and construction sectors, although some downside risks have begun to materialize in early 2016.** Recent deals by Jordan's Phosphate Mines Company and the Arab Potash Company potentially indicate higher volumes of potash, phosphate and fertilizer exports in 2016. On the energy front, Jordan continues to diversify its energy mix in line with its target of 10 percent renewables input into the energy mix by 2020, mainly harnessing solar and wind power with a number of projects in development in 2016. Inflation for 2016 is forecast at 1.3 percent on account of a growing economy, higher average global oil prices, normalization of real estate market demand, and expected price adjustments for utilities. The current account deficit is projected to narrow to 6.6 percent of GDP in 2016 on account of improved exports of goods and travel services. This deficit is likely to be wider, should developments in the GCC countries continue to weigh negatively on Jordan's exports, remittances and travel receipts. GCC-grants are expected to continue financing capital expenditure projects and the US has pledged US\$1.275 billion for 2016 (including military funds and US\$100 million for the construction of a brine pipeline under Phase 1 of the Red Sea-Dead Sea Project). Downside risks are present to growth, exports, and inflation, should these factors not materialize - particularly given weak global demand.

20. **Jordan's main challenge continues to be the management of spillovers from Syria and Iraq.** These are serious risks as manifested with repercussions on tourism, trade and investment in 2015, and some indication of continued impact on tourism in early 2016. Should the global price of oil rebound, this would erode part of the pick-up in private demand, contribute to higher inflation and put pressure on the twin deficits. This pressure, previously a larger and significant risk factor, is now being mitigated as Jordan reduces its oil price exposure via energy diversification efforts and energy sector reforms, such as NECPO tariff adjustments. With its US\$500 million Eurobond unguaranteed issuance of 10-year bonds at 6.125 percent coupon in November 2015, Jordan demonstrated sizable appetite for its credit with the transaction almost five times oversubscribed. However, the availability of external financing in uncertain global capital market conditions is a downside risk (both in terms of lower grants expected in the medium term and private sector financing to support potential market issuances to rollover Eurobond dues).

21. **In 2012, the Government embarked on a major subsidy reform that completely eliminated subsidies on petroleum products** (except for liquefied petroleum gas (LPG) cylinders mainly used for household cooking). The Government is also implementing a five-year electricity tariff adjustment plan that aims at enabling NEPCO to reach full cost recovery in 2017 (although the 7.5 percent 2015 tariff adjustment was half that of the original plan given lower oil prices, and as of April, no tariff adjustments have been implemented in 2016). Full cost recovery is now expected to be achievable in 2016 due to the reduction of generation cost, largely due to the fall of fuel prices. NEPCO is also benefiting from other factors such as tax exception on liquefied natural gas (LNG) imports and transportation fees for the gas transmitted to Egypt. These additional savings may not be available in 2016/17, as NEPCO may be required to pay taxes for LNG imports. To minimize the impact of the elimination of subsidies for most petroleum products in 2012, the Government simultaneously introduced a cash transfer scheme, known as the Fuel Compensation Cash Transfer Program for households (now inactive due to low world oil prices, but could be reinstated if needed). It also limited increases of electricity prices to households whose monthly consumption is above 600 kilowatt hours.

22. **Recent progress in energy diversification and a commitment to business climate reforms bode well for medium-term growth, provided that Jordan can continue to weather the challenges of a precarious neighboring security situation.** Progress on the energy diversification front is welcome to reduce Jordan's dependency on more expensive and polluting diesel and fuel oils which it had resorted to since disruptions of natural gas from Egypt since 2011. The LNG terminal at Aqaba has been operational since July 2015, increasing the share of gas-to-power generation to more than 80 percent from seven percent in 2014. It

is therefore expected to yield savings of JD 820 million⁴ over the 2015-2017 period. As part of its energy strategy, Jordan is also expected to build up the share of renewable power, mainly by private sector financing, to 10 percent by 2017. The Government also pursues its efforts to develop new piped-gas supply routes from new sources, such as Iraq and the Eastern Mediterranean natural gas deposits. On the investment climate front, the Government is in the process of designing new initiatives to improve the business environment. Such reforms will also feature as part of Jordan's initiative to create economic opportunities for Jordanians and Syrian refugees. Jordan will additionally embark on, inter alia, labor market reform, trade reform, and special economic zones development in the context of the Jordan Compact implementation. Under this Compact, 13 development zones and industrial areas will be provided with investment incentives. Combined with easier access to European markets by summer 2016, the Compact is envisaged to create jobs for Syrians and Jordanians and boost exports.

23. **An end of the Syrian conflict would have significant upside to Jordan's economy.** A 2014 IMF study that predates the Islamic State surge into Iraq estimated the Syria crisis to have had an overall negative impact on economic activity, with losses to output growth at around one percentage point in 2013⁵. A long-term solution to the crisis would positively impact Jordan through two main channels: (i) a normalization of economic activity between the two countries, including the re-opening of trade routes; and (ii) Jordan's positioning to support the reconstruction efforts for Syria, including through construction and engineering. Should instability in Iraq subside, Jordan could regain its position as an export hub for Syria and Iraq.

24. **The Government is engaged in a dialogue with the IMF on a possible Extended Fund Facility.** This program would follow the SBA that concluded in August 2015. The EFF is likely to support further fiscal consolidation efforts to reduce Jordan's high public debt and current account deficit in parallel to spurring growth-enhancing and job-creating structural reforms. Potential reforms would target the business climate and access to credit, the labor market and the governance of public institutions. The IMF and WBG teams are working in close collaboration in these areas.

C. Poverty and Jobs

25. **While the latest official figures show that 14.4 percent of the Jordanian population lives in poverty, the bulk of the bottom 40 percent is exposed to the risk of transient and seasonal poverty.** Recent estimates indicate that the poverty headcount has continued to decline modestly but consistently between 2010 and 2013. However, 18.6 percent of the population which is considered non-poor according to the official definition experiences poverty in at least one quarter during the year. Such transient poverty is experienced across the income distribution, including some lower middle and a few middle-income households. Overall, 33 percent of the population in Jordan (18.6 percent transient poor and 14.4 percent official poor) experience poverty during at least one quarter of the year.

26. **Jordan's income and poverty data point to the existence of poverty pockets and of income inequalities across regions,** even though the number of poor is the highest in the Greater Amman area. Regional disparities are also reflected across a wide range of indicators, including access to basic services - health, education, water and sanitation, investments, employment opportunities, affordable housing, real estate and transportation.

27. **The poverty profile of Syrian refugees coincides with pre-existing stresses among the Jordanian poor.** The Jordanian poor tend to live in large households with low education levels and more young dependents (under the age of 15). Their needs – housing, education, and support for dependents – are also those of the refugees. The occupational profile of Syrian refugees also pushes them into sectors where the Jordanian poor are disproportionately present, such as informal services, construction and transport.

⁴ World Bank calculations.

⁵ International Monetary Fund, (2014) "Jordan: Selected issues", Country Report No. 14/153, Washington DC.

28. **In line with weaker economic growth, structurally high unemployment has worsened, reaching its highest level since 2007.** At an average of 13 percent in 2015, the unemployment rate increased compared to 2014 (11.9 percent), while the female unemployment rate of 22.5 percent was more than double that of men. The youth unemployment rate remained structurally high, averaging 30.8 percent in 2015. The labor force participation rate only saw a marginal improvement from 36.4 percent in 2014 to 36.7 percent in 2015, with large gender-based heterogeneity, with female participation at 13.3 percent against 60 percent for males. The labor force participation rate of women in Jordan is one of the lowest in MENA. On a governorate basis, Maan registered the uppermost average unemployment rate in 2015 at 16.8 percent, a 5.3 percentage point differential compared to that of the capital.

29. **Job creation for Jordanians tends to be oriented towards low-skilled males, resulting in a large wedge between earnings sufficient to exceed the poverty line and reservation wage of more educated Jordanians.** Even though 60 percent of jobs are taken by individuals without a university degree, these jobs are not sufficient to absorb the low-skilled Jordanians who face competition from foreign labor. Around 21 percent of private sector jobs were held by non-nationals in 2013.

30. **Half of all job creation tends to take place in Amman where the bulk of the unemployed reside, even though the capital exhibits the lowest unemployment rates.** There still is a mismatch between where jobs are created and where people reside, as job creation in certain governorates is not sufficient to absorb the unemployed. Amman, Irbid and Zarqa have the highest concentration of unemployed due to their population size; however, they exhibit the lowest unemployment rates compared to the other governorates where job creation is lower. Moreover, it is the females who are disproportionately affected by geography. According to the 2011-2020 National Employment Strategy (NES), unemployment rates for females in the north or south of Jordan are far higher than the rate in the capital.

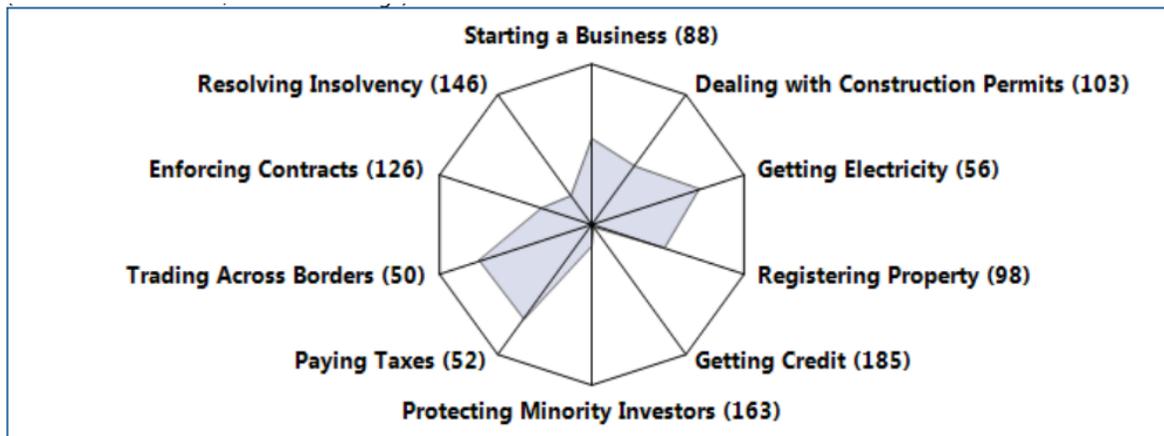
31. **The NES recognizes several barriers to youth and female employment, including transportation.** Inefficient and costly transport is creating increased disparities between Amman and the regions. Economic activity is mainly concentrated in Amman, and poor transportation is contributing to that, as industries and services are promoted to relocate to the capital to be closer to demand and population centers. Any decentralization effort requires the improvement of the country's transportation connectivity.

D. Constraints to the Development Agenda⁶

32. **Major distortions in the functioning of markets for labor and capital impede the economy's ability to create high productivity jobs.** A key constraint lies in the business climate. Jordan's exposure to regional shocks has had adverse effects on investor confidence since 2008. At the same time, home grown policy, regulatory, and administrative uncertainties, institutional rigidities and distorted incentives also carry a negative impact on the country's attractiveness for foreign capital. Jordan compares unfavorably in key areas of business environment as measured by Doing Business. It falls below many countries in MENA in areas of getting credit, protecting minority investors, resolving insolvency, and enforcing contracts. While Jordan has recently passed important legislation such as PPP and investment laws, implementation progress is crucial.

⁶ Key constraints identified in the Jordan SCD, World Bank, February 2016.

Figure 3: Ease of Doing Business in Jordan



33. **Jordan’s 2025 ambition of sustaining high levels of growth while absorbing significantly more labor will require major improvements in the economic competitiveness and business climate to better mobilize the potential of private sector investment, trade and innovation, increase productivity and enlarge its small export base.** A top priority is providing investors, domestic and foreign, with confidence that they will face a stable, predictable and effectively administered regulatory environment throughout the life cycle of their investments. Important strides are needed to improve regulations for businesses and to create a level playing field for all investors.

34. **The common theme to the numerous job market challenges is segmentation and distorted market signals.** Examples include: educational choices that seem unresponsive to labor market demands, massive queuing for positions in the public sector, a very large gap between formal and informal sector earnings and between reservation wages and prevailing wages in the most available occupations, and one of the world’s largest gaps in male-female labor force participation. Furthermore, there is a significant gross outflow of skilled Jordanians to the GCC countries and further afield, and inflow of lower-skilled migrants into Jordan.

Box 1: The multi-faceted challenge of the job market in Jordan

There are multi-faceted contributors to the job market challenge on both the supply and demand sides. On the supply side, issues include the role played by the public sector in setting expectations on wages, negative labor participation impact of unearned income sources such as remittances, subsidies and transfers, and social security taxes associated with formalization. The minimum wage is set in monthly terms (JD 190, or around US\$270) and therefore can be binding precisely in jobs likely to attract less experienced women, especially those interested in part-time employment. All these factors are reinforced by cultural and social expectations. On the demand side, Jordan has, like other MENA countries, a “missing middle”, i.e. a small number of large and well-established trading companies and a densely populated micro and small enterprise sector which has difficulty making the transition to mid-size. A solid government analysis of the above issues has been developed in the form of the NES, but its implementation has devolved into a set of small, fragmented and mostly donor-funded projects.

35. **Jordan has historically performed well on both education and health outcomes, with broad access and a reputation for good quality service delivery in the region.** The problem now is the increasing inequality in provision and erosion of quality of services. The health sector has a two to three tier provision system and the education system has struggled to maintain standards at all levels, including as a result of the Syrian refugee influx. Simmering concerns continue to exist in areas outside the capital and, most commonly,

in the southern and northern parts of the Kingdom. Rising tensions in the northern governorates are partially linked to the large influx of Syrian refugees and the resulting pressure on already stretched capacity. While the nutritional status of the Jordanian population has improved over the last decade, stunting among children under five years of age stands at eight percent, of whom one in four are severely stunted. The situation for Syrian refugee children living outside camps is relatively similar to that of Jordanian children with a prevalence of stunting at approximately nine percent. For children living in camps, the prevalence is at 17 percent.

36. Furthermore, the social protection system in Jordan continues to be fragmented in the face of much needed support to households in mitigating shocks. Jordan's main social assistance program, the National Aid Fund, is nationally targeted, covering only 31 percent of the bottom income decile. Of those who fell below the poverty line in 2010, only a quarter receive assistance from the National Aid Fund. While the recently introduced cash compensation program for fuel subsidies originally covered nearly 80 percent of the population, persistently low fuel prices resulted in its suspension over the past two years. The Government of Jordan (GoJ) will need to continue to improve the targeting of social assistance programs coupled with economic inclusion measures to improve the resilience of households to future shocks.

37. Another set of constraints on the quality and equity of service delivery pertain to the limited capacity of municipalities to support local economic development. The Government has taken steps to improve the financial situation of the municipalities. These include: (i) an expansion of the transfer pool; (ii) the application of more equitable municipal transfer formula; and (iii) the above-mentioned revisions to the Municipalities and Decentralization laws.

38. Despite the fiscal difficulties, the overall reform response of the energy sector has been strong and will need to be sustained over the coming years. Energy price adjustments have begun and have been embedded in a multi-year trajectory towards cost recovery. The operational LNG terminal and scale up of renewable energy are helping diversify the fuel mix. Remaining challenges in the medium and long term include the consolidation of use of natural gas as fuel for power generation, the sustainability of the electricity tariff cost recovery, the management of NEPCO's accumulated debt, the electricity distribution loss reduction, as well as sustained scale-up of renewable energy and energy efficiency. The adoption of an automatic electricity tariff adjustment mechanism could help protect NEPCO's finances against a rebound in oil prices and a review of cross subsidization could ease the competitiveness of some sectors.

39. Given the country's situation of extreme water scarcity, water presents a set of existential issues for Jordan. Jordan is one of the most water scarce countries in world. The country is faced with a steep increase in water demand as a result of rapid population growth (the Syrian refugee influx led to an increase in demand by 21 percent throughout the country and 40 percent in the northern governorates), income growth and urbanization. Jordan's ongoing efforts to reallocate its scarce water resources to higher value uses need to be accelerated, as the Kingdom's only other alternative to meet growing demand is the significantly more expensive sources of desalination, treated wastewater and unsustainable fossil aquifers. While there has been progress in adjusting tariffs, the increase in demand due to Syrian refugee influx and the high investment costs have contributed to significantly increasing the sector's fiscal burden. In 2014, the water sector added over JD 378 million to the fiscal deficit (equivalent to 1.5 percent of GDP), with debt levels of the Water Authority of Jordan increasing rapidly.

40. Climate change impacts on Jordan will be severe. An analysis of climate and disaster risks for Jordan points to three major risks that would affect Jordan's sustainability and should be seen as opportunities for the country to move towards a sustainable economy. First, changes in precipitation will mostly likely cause flash floods and landslides, resulting in less water availability overall and flooding-based infrastructural losses. Second, increasing average and peak temperatures will cause loss of crops, increase in electricity demand, and infrastructure disruptions. Third, an earthquake risk in the Jordan Rift Valley zone will remain and most likely be exacerbated. Each of the preceding risks presents opportunities to introduce and double down on efficiency

and conservation measures for water and energy sectors; diversification of rural employment; better urbanization and human settlement planning; cleaner energy/tech jobs, as well as climate smart agriculture.

41. **Constraints related to gender ultimately pertain to women’s autonomous participation in a society.** A Gender Assessment carried out in 2013 highlighted obstacles to agency and control of personal life and economic assets, participation, voice and access to justice. Obstacles to women’s participation exercising agency in Jordan are further widened by restrictive social norms and regulations which disadvantage school-to-work transition for young women. Recent legislative and regulatory reforms, if implemented effectively, have the potential to increase women's agency through an expansion of rights and improvements in service delivery.

IV. World Bank Group Partnership Framework

A. Government Program and Medium-Term Strategy

42. **In May 2015, the GoJ launched its vision Jordan 2025, a new ten-year strategy which calls for a transformation of Jordan’s socioeconomic model of development to achieve growth and prosperity based on competitiveness and providing more employment opportunities.** The strategy identifies priority export markets beyond the current regional crisis with a target to become a regional hub for the GCC, Palestinian territories, Iraq, Syria, Egypt and Libya, and the farther markets of Turkey and Iran. It also identifies priority clusters to drive growth and create jobs both building on existing strengths and identifying opportunities in new clusters based on emerging trends. The clusters identified as having high potential are: construction and engineering, transport and logistics, tourism and events, health care, life sciences, digital and business services, educational services and financial services. Depending on progress achieved, it offers two scenarios with the targeted scenario achieving a 7.5 percent real growth rate by 2026 and the baseline scenario achieving a 4.8 percent growth rate.

43. **In order to implement Jordan 2025, the Government has formulated a medium-term development program, the 2016-2018 Executive Development Plan** (first phase of implementation of Jordan 2025). The estimated financial needs in the EDP amount to US\$14 billion, of which the Government has identified US\$2.47 billion in priority projects and programs across 13 sectors.

Table 2: Priority for EDP Financing (USD million)

Sector	Allocation 2016-2018
Local Development	1,336.5
Roads	262.7
Health	221.5
Water and Irrigation	163.0
Energy	125.1
Education and Training	110.5
Communications and IT	104.6
Investment	50.0
Transport	35.6
Agriculture	24.7
Legislation and Justice	18.8
Tourism	16.6
Environment	5.0
Grand Total	2,474.7

44. **The Jordan Response Plan (JRP) 2016-2018 is the Government's three-year program of high priority needs as a result of the Syria crisis.** It identifies the needs of US\$2.79 billion for 2016⁷ across the following areas: (i) direct refugee interventions; (ii) resilience-strengthening, including for host communities, service delivery systems and public authorities; and (iii) specific budget support needs to cover the costs and income losses induced by the crisis, for example the cost of subsidies and some security costs. The Government estimates its JRP-related financing needs for the coming three years at US\$8.25 billion (US\$2.79 billion for 2016; US\$2.74 billion for 2017; and US\$2.71 billion for 2018). The Bank will aim to support the JRP in relevant sectors during the CPF period (e.g., municipal services).

45. **The above-mentioned Jordan Compact adopted at the London Conference is based on the following pillars⁸:**

- a. Turning the Syrian refugee crisis into a development opportunity that attracts new investments and opens up the European Union market with simplified rules of origin, creating jobs for Jordanians and Syrian refugees whilst supporting the post-conflict Syrian economy;
- b. Rebuilding Jordanian host communities by adequately financing through grants the Jordan Response Plan 2016-2018, in particular the resilience of host communities; and
- c. Mobilizing sufficient grants and concessionary financing to support the macroeconomic framework and address Jordan's financing needs over the next three years, as part of Jordan entering into the new IMF EFF.

B. Proposed World Bank Group Country Partnership Framework

Lessons from Completion and Learning Review

46. **Jordan has maintained social stability even as the country experiences the aftershocks of regional conflict and unrest.** The challenge for the CPF will be to support Jordan in responding to immediate priorities while also making progress in addressing longstanding development challenges. The WBG has played an important role in helping Jordan respond rapidly to the refugee crisis by making good use of the available instruments and policy provisions to accelerate progress. One goal of the CPF will be to understand how successful emergent responses can be sustained and brought to scale. The progress made in the Second Education Reform for the Knowledge Economy (ERFKE II) project and in the ESSRP, underscores the importance of the Bank Group's role in helping align donors around shared priorities, the central significance of government ownership and commitment, and the value of clearly established metrics to monitor progress and inform course correction.

47. **Priorities for WBG support should be informed by a careful assessment of implementation capacity and institutional incentives.** The SCD illustrates the complexity of the political economy and the country's vulnerability to exogenous shocks. An important lesson from the previous CPS is that close alignment between the reforms supported and an appreciation of the state capability needed for their successful implementation are hallmarks of successful WBG-financed operations. By contrast where operational design has overestimated capacity or underestimated the organizational incentives to resist reform, they have not had the same impact. One approach may be to require operational teams to make explicit their assumptions as regards implementation capability, the level of government support and risks related to the achievement of the development objectives.

48. **Flexibility in response should encompass a willingness to acknowledge and support positive deviance in project outcomes.** The WBG has mainstreamed a flexible, twin-track approach in Jordan, one

⁷ <http://www.jrpsc.org/>

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/498021/Supporting_Syria_the_Region_London_2016_-_Jordan_Statement.pdf

that responds to emerging challenges while sustaining focus on medium-term reforms. The challenge for this CPF is to ensure that lessons from both immediate and medium-term interventions – what works and what does not – are captured and applied throughout the program. This is especially important in cases of positive deviance – where pilot initiatives or innovative approaches achieve unanticipated success that might be replicated at scale.

49. **Well-designed monitoring and evaluation arrangements are critical in a rapidly changing environment.** Project-level results frameworks in Jordan exhibit many of the limitations noted elsewhere across the World Bank. Indicators often skew towards measuring outputs rather than outcomes; project-level results frameworks do not support a clear intervention logic or reflect a well-developed theory of change making assessment and attribution especially challenging; monitoring arrangements appear to be given limited attention during preparation and implementation, thus the indicators are not always captured systematically. In a dynamic operating context, the absence of effective monitoring and evaluation severely limits the potential to gauge performance or provide an early warning of the need for attention, adjustment and course correction.

50. **Jordan's aspirations to promote a thriving private-sector-led economy will require sustained WBG support.** World Bank/IFC/MIGA collaboration has the potential to have a greater collective impact than could be achieved by either working alone. This is particularly evident in the case of renewable energy. Future efforts to embed a "One WBG" approach should also identify an expanded catalytic role for MIGA, for example in providing guarantees for specific private sector investments envisaged as part of the proposed WBG collaboration to support Special Economic Zones and foster employment opportunities for Jordanians and refugees.

51. **The performance and relevance of WBG activities need to be monitored continuously and adjustments made as rapidly as possible.** The temptation to give operational challenges additional time in the hope they can be resolved has sometimes proven to be ineffective in Jordan's dynamic, high risk environment. The CPS Progress Report provides a good example of the scale of change that may sometimes be required. Facing the profound shock of a refugee influx, the Progress Report made significant structural changes to the strategy, the program, objectives and results indicators in order to align the WBG program to an operating environment in flux.

Overview and Program

52. **The WBG's overarching goal will be to help renew Jordan's social contract and promote economic and social inclusion.** The WBG will support Jordan in undertaking key structural reforms and development programs which will provide a more solid basis for its sustainable growth and accelerate progress towards achieving the twin goals of eliminating extreme poverty and boosting shared prosperity in a sustainable manner. In its strategic engagement, the WBG will adopt a two-pronged approach aimed at simultaneously addressing Jordan's immediate needs in view of the fluid regional situation while maintaining a sharp focus on policy reforms needed for growth and job creation in the medium term. The Bank will be strategically opportunistic in engaging in sectors where reforms are ready for implementation, and at the same time will continue its policy dialogue with the Government on those areas where more time and efforts are needed.

53. **Underpinning this strategy is the sustained impact of the Syria crisis on the country.** Concessional financing will help finance investments in the most severely impacted sectors. As the WBG seeks to boost private-sector-led growth and job creation while improving the quality and equity of service delivery across the Kingdom, all residents will be targeted. The stress caused by the increase in population and the mounting costs required to meet larger volume of demand for infrastructure and public services have created significant development and financing challenges for Jordan. Some of these sectors were already underfunded prior to the Syria crisis and are under immense pressure, in particular in the North. In this context, the international

community has committed to providing Jordan with concessional financing – blending grant resources from donors with multilateral development banks lending (see Box 2) – to help the country cope with mounting pressures and finance part of its medium-term development programs. Jordan will need to prioritize existing and new projects in line with fiscal consolidation efforts and consistent with debt sustainability.

Box 2: The MENA Concessional Financing Facility (CFF)

The CFF is the result of a partnership between the WBG, the UN and the Islamic Development Bank Group to mobilize the international community to address the financing needs of countries in the MENA region impacted by the Syrian refugee crisis, with an initial focus on Jordan and Lebanon.

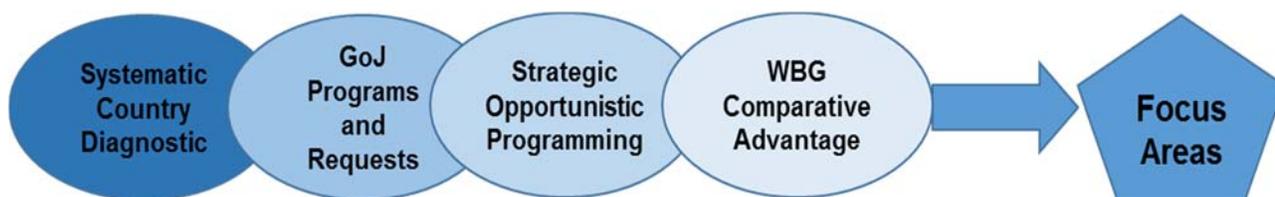
By combing donor grant contributions with multilateral development bank loans, the CFF will enable these countries to borrow from multilateral development banks at concessional terms. Importantly, the CFF represents a coordinated response by the international community to the Syrian refugee crisis, bridging the gap between humanitarian and development assistance and enhancing the coordination between the UN and multilateral development banks.

At a pledging conference that took place in April 2016 during the WBG-IMF Spring Meetings, donors pledged initial contributions of US\$140 million in grants and US\$1 billion in concessional loans, which will generate additional grant contributions, for the CFF.

54. **Building on the lessons from the 2011 World Development Report on Conflict, Fragility and Development, the WBG will place a particular focus on the prevention agenda.** Emphasis will be given to perceptions of unequal access to opportunities (services, jobs, disenfranchisement, and lagging regions) which can drive citizens away from productive participation in society. A fundamental challenge in this regard is the consistently high youth unemployment rate (30.8 percent) which poses a significant risk if left unaddressed and requires special attention. In addition, the Bank will be particularly mindful of growing social tensions between refugees and host communities.

55. **In prioritizing specific interventions areas, the CPF uses the following selectivity filters:** (i) focus on priority areas identified by the SCD as being critical for poverty reduction and shared prosperity; (ii) alignment with the Government’s own program and requests for WBG support, including on priority programs for concessional financing; (iii) strategically opportunistic programming which supports operations and private sector investment where there is a drive for reform and risk appetite from private sector players; and (iv) comparative advantage to deploy impactful expertise. The priorities for this CPF were ascertained in high-level consultations with the counterparts. The GoJ requested WBG support in implementing the Jordan Compact, in particular through concessional financing, an acceleration of investment climate reforms and support to private-sector-led growth. Governance and education were also seen as key priorities for the forthcoming WBG program.

Figure 4: Filtering process to define objectives



56. **In an effort to avoid spreading the program too thin and maximize impact, the CPF interventions in the near term will not cover all SCD priority areas.** While agriculture's role in the Jordanian economy as a source of employment for Jordanian and Syrian refugee workers, as well as diversification potential, needs to be recognized, there seems to be no appetite for a stand-alone intervention in this field at this stage. Similarly, transport is an important sector for Jordan's development prospects and has strong linkages to the jobs agenda, but it has not materialized in the WBG's tentative pipeline as other partners are currently financing the sector (in particular *Agence Francaise de Developpement* (French Development Agency), Saudi Fund for Development, and European Investment Bank). While the near-term pipeline does not include project financing in health at this stage, the Bank plans to analyze the impact of the Syria crisis on the sector, in particular with regard to its financial sustainability.

Focus Areas, Objectives supported by Program of Lending and Non-lending Activities

The first pillar of the strategy aims to foster the conditions for stronger private-sector-led growth and better employment opportunities for all.

57. **In response to key constraints identified in the SCD, the WBG will aim to catalyze the private sector's role as an engine for growth and job creation,** moving away from a model in which the bulk of formal employment is created in the public sector. This will be complemented by the forthcoming IMF program. An improved business environment has the potential to stimulate investments into Jordan and contribute to economic growth. Similarly, supporting access to finance in Jordan would also contribute to growth, especially through MSMEs which make up more than 90 percent of the economy and which have significant potential to generate employment opportunities.

58. **IFC will continue to play a key role in fostering greater private sector engagement in Jordan.** IFC has maintained a strong program in Jordan with long-term finance investments totaling around US\$1.2 billion, of which US\$470 million was mobilized from other investors since January 2011 to date. For example, IFC is leading the support of private sector participation in renewable energy in Jordan with landmark investments in wind and solar investments of around US\$430 million supporting the largest private sector initiatives in this strategic sector to date in the MENA region. IFC's portfolio in Jordan has more than doubled since 2010. Jordan is IFC's second largest portfolio in the MENA region. The spillover from the regional crisis has had marginal impact on IFC clients, and IFC teams are working to support those clients who have been affected.

59. **To date, MIGA has an outstanding gross exposure of US\$228 million in Jordan in four active projects in manufacturing, infrastructure (wastewater treatment), and renewable energy (solar).** This represents MIGA's largest exposure in MENA, both in terms of value and number of projects. MIGA will continue to support cross-border private investment in Jordan via its political risk insurance guarantees in eligible sectors⁹. MIGA will also work with IFC in a complementary fashion to offer political risk insurance guarantees to projects receiving IFC financing, and will continue to engage with investors already in Jordan and looking to expand operations. MIGA will also continue to offer political risk insurance guarantees to Jordanian investors seeking to venture overseas.

Objective 1.1: Improved Economic Opportunities for Jordanians and Syrian refugees

60. **The WBG will finance a PforR in support of the Jordan Compact.** The PforR specifically seeks to provide economic opportunities for Jordanians and Syrian refugees by: (i) improving Jordan's investment climate, leveraging the joint WB-IFC Trade and Competitiveness Global Practice; (ii) reforming its labor market to grant access to Syrian refugees and enable them to contribute to Jordan's economic growth; (iii) supporting the vocational training of both Jordanians and Syrian refugees in order to equip them with skills

⁹ These guarantees help protect investors against perceived political risks in relation to expropriation, breach of contract, transfer and convertibility restrictions, and war and civil disturbance, including terrorism.

that will improve their job and business creation prospects, including through IFC's Business Edge training programs; (iv) supporting trade facilitation and trade in services to foster the creation of jobs to which Jordanians aspire; (v) supporting the development of manufacturing in SEZs and developing investment promotion capabilities; and (vi) fostering Syrian entrepreneurship. The SEZ concept is to maximize use of available serviced industrial land in 13 zones which were identified to benefit from the simplified rules of origin with the European Union and are close to refugee camps and to pockets of rural Jordanian poverty. These zones could be upgraded and operations improved in some cases by bringing on board a private operator. Issues of home-based work, child care, and transportation will be critical to provide an enabling environment for women and youth. IFC and MIGA will step up their business development efforts, focusing in particular on foreign investors interested in setting up businesses in the SEZs and expected to benefit from the simplified rules of origin to access the European Union market. The WBG will draw from lessons learnt from experience in SEZs in Jordan and globally.

61. This operation's design will allow for adjustments to market demands and investor needs over the course of implementation. Different avenues could be explored with investments and job creation in sectors which go beyond manufacturing exports to the European Union, especially for activities where demand is expected to rise. For instance, future demand could include the construction sector, linked to the rise in housing demand in Jordan and possibly to the rise in demand for construction goods and materials needed for the reconstruction of war-torn areas. In support of job creation and local economic development, the international community and the Bank will also finance labor-intensive public works in municipalities. Finally, the proposed Social Contract DPL on governance, gender and youth will also support job creation efforts.

62. IFC will play a key role to help attract the private sector to design, operate, and invest in the SEZs. IFC will also try to identify PPP opportunities that will benefit both host communities and refugees in the areas of solid waste management, low income housing, landfills in areas close to refugee camps. In addition, the current IFC-International Labor Organization program "Better Work" could be strengthened in these zones to ensure that proper workers' rights and working conditions are enforced, in particular for women. Depending on investment appetite and market demand, other areas of IFC support to improve economic opportunities for both Jordanians and Syrian refugees could potentially include: (i) supporting firms that are responding to needs of refugees in partnership with UN agencies (e.g., firms that produce goods and services which are in demand by United Nations High Commissioner for Refugees and other agencies supporting refugees); (ii) developing mobile banking and other e-services; (iii) microfinance lending; (iv) leveraging existing IFC clients and potential new clients to deliver improved health and education services to host communities and refugees; and (v) fostering entrepreneurship by exploring partnerships with local and regional players active in the entrepreneurship, venture capital funds, start-ups, and incubator field in order to open up opportunities for employment in high-tech and high value-added sectors.

63. The SCD identified the competitiveness of Jordan's economy as one of the constraints to the country's growth. While elements of the above-mentioned engagement on SEZs will partly address the lack of competitiveness of Jordan's economy by providing incentives to attract firms to invest in these locations, the Bank will work in parallel with the Government on medium-term solutions to increase Jordan's competitiveness. For instance, the WBG is exploring potential support to the Government in its efforts to diversify the economy, as Jordan is losing its traditional export markets due to political instability in neighboring countries, particularly in Syria and Iraq. This strategy will identify opportunities to diversify the export product mix and improve qualities and standards, enhance market access in terms of transactions cost reductions (e.g., customs processes), opening of non-traditional markets and strengthening exporter capacities.

Objective 1.2: Improved institutional and regulatory environment for private and public investments

64. **The WBG will support the Government in a range of investment climate areas encompassing legal and regulatory reform, implementation capacity and investor risk mitigation.** Private-sector-led growth requires a solid investment climate; yet arbitrary and uncertain regulations were cited by investors as major constraints. A key new initiative will entail the review of existing business legislation and related procedures, with a particular focus on innovative ways to enhance government capacity to implement reforms. Particular attention will be placed on engagement with the private sector, and facilitation of public-private dialogue. In addition to the above-mentioned PforR, this will be complemented by the following ongoing WBG activities: (i) strengthening Jordan's investment policy and promotion capacity by building the reform implementation capacity of selected institutions responsible for investment policy, promotion, and services; (ii) streamlining business inspections; and (iii) supporting the Government in the prioritization and implementation of reforms in areas measured by the Doing Business. These interventions have a strong governance dimension: stakeholder engagement, feedback on implementation quality and grievance mechanisms will be critical to maximize their impact. The business-government feedback loop on the quality of business inspections reform is a promising approach to address implementation and accountability issues and holds potential to be scaled up.

65. **Jordan is amongst the most advanced countries in the region for the implementation of infrastructure PPPs,** with an existing positive track record in water, wastewater treatment, transport and electricity. With technical assistance from the Bank, the Government has initiated a new framework to enhance its PPP investment program through the enactment of a new PPP Law and promulgation of associated regulations. For this initiative to lead to significant crowding in of private investment in infrastructure, the Government will need to activate an effectively staffed and championed PPP unit. IFC will play an important role in facilitating financing of debt and equity for mega projects that can be implemented through PPP schemes which can attract the private sector, while IBRD partial risk guarantees and MIGA political insurance guarantees would be available to help mitigate their risk profile.

66. **The Government is in the process of approving a Public Investment Management (PIM) system which is critical to improve Jordan's governance framework and was developed with technical assistance from the Bank.** In support of the 2016-2018 PIM Action Plan, the Bank is providing advice to the GoJ on a simplified methodology for economic appraisal of public investment projects, a manual for project selection and prioritization, and a PIM training plan to be implemented with the Institute of Banking Studies of the Central Bank. The Bank will also help set up a PIM Central Unit which will manage the development and operation of the Integrated Bank of Projects. These activities aim to strengthen Jordan's PIM system at the central and governorate levels, ensure an efficient investment process and maximize the expected return on investment projects¹⁰. The new PIM framework is expected to help support the implementation of the 2016-2018 EDP, and the project prioritization process for the forthcoming EDPs (2019-2021; 2022-2025).

Objective 1.3: Improved access to finance and skills development

67. **The Bank and IFC have an active portfolio of advisory services and operations targeting a more inclusive financial sector.** The SCD identified access to finance as a key constraint to the development of the private sector. In response, WB and IFC support will continue to enhance the legal and regulatory framework for access to finance, support banking and non-banking financial institutions to strengthen their capacity to offer finance to SMEs, support microfinance institutions to widen their target beneficiaries and reach underserved governorates, and improve the capacity of the Jordan Loan Guarantee Corporation to augment the market with loan guarantee products and services. The needs and obstacles facing women and men differ

¹⁰ A national PIM system seeks to improve the quality of national public investment (public investment program and PPP), allocating public resources to initiatives with the greatest social and economic returns.

with regard to access to finance. These differences will be taken into consideration to ensure that women participate on equal footing. The Bank al Etihad's Women's Market Program ("Shorouq") supported by the Global Banking Alliance for Women is an example of a program that seeks both to address internal banking culture constraints to serve female clients and tailor financial products to the specific needs of female entrepreneurs. The WBG will explore possible replication or scale-up of this approach.

68. **Legal and regulatory reforms on secured transactions and insolvency developed over the past few years with IFC advisory support have reached a critical stage.** Draft bills now pending Parliament approval will, once enacted, open up new lending opportunities for the MSMEs by unlocking the use of moveable assets as a collateral and simplifying procedures for bankruptcy. The modifications which are still required in the draft Insolvency Law to establish priority creditor rights in line with international best practices will also be key.

69. **The WBG will assess potential to contribute to the start-up equity market through an Innovative Start Ups and MSMEs project,** in recognition of the growing evidence that it is young, potential high-growth firms that generate the majority of new jobs. WBG support may entail financing for equity investments and technical assistance. The focus of this effort will likely be the upstream phase of financing - including early growth financing - to develop a bankable pipeline of new enterprises ready to absorb private equity funding, including starts up owned by women and youth.

70. **The WBG will draw lessons from its existing pilot support to skills for employment, and explore implications for targeting youth and women unemployment.** The ongoing Active Labor Market Program, an operation financed by the MENA Transition Fund, is under implementation and includes an on-the-job training voucher pilot with a gender component. The forthcoming evaluation of this pilot targeted to educated youth will assess its value-added in terms of improving employability of the youth, and will help generate knowledge on the effectiveness of selected labor market interventions. The voucher program will also help stimulate thinking on how to design effective employment programs specifically targeted to youth and women, and how to possibly scale the pilot up if proven effective. This could inform the design of the proposed Social Contract DPL which could focus on women and youth unemployment.

The second pillar of the strategy aims to improve the equity and quality of service delivery.

71. **The SCD found that growing inequalities and an erosion of quality in service delivery are key constraints to Jordan's development potential, including as a result of the Syrian refugee influx.** The WBG will target service delivery improvements in the water, energy, education, and municipal sectors and will promote the development of lagging regions. Fostering the role of the private sector in service delivery, where possible and at affordable prices for the population, will also help create the fiscal space for public financing in lagging regions and social sectors where catalyzing private investment will be difficult (recent progress on IFC-led private sector participation in the renewable energy field is a good example of this approach). Such measures would contribute to growth by enhancing subnational development, mitigating economic shocks to households (thereby improving disposable income and contributing to demand-side growth) and improving the quality of human capital.

72. **Given the unanticipated economic shocks facing households in Jordan, targeting appropriate social protection interventions to the poor and vulnerable remains a key challenge.** The Bank will continue to support the GoJ in creating a system of integrated data platforms to inform the design, operations and planning of social programs, and improve the connectivity and interoperability of potential databases as part of the National Unified Registry and Outreach Program. In light of recent developments (suspension of the cash compensation scheme due to lower oil prices and adoption of Jordan's e-Government strategy), the focus of this project will be re-directed towards the connectivity of government agencies for the targeting and

delivery of the National Aid Fund benefits. The Bank will also support the Department of Statistics in undertaking poverty studies and enhancing the Household Income and Expenditure Survey.

Objective 2.1: Improved management of the water and energy sectors

73. **The WBG will continue to place a high priority on targeting improvements in the efficiency and fiscal sustainability of the energy and water sectors, with a view to ensuring costs are spread equitably, infrastructure systems are operated sustainably, and resources are managed efficiently** through a programmatic series of two DPLs (first US\$250 million operation disbursed in 2015). These DPLs support a reform of the energy and water sectors, including *inter alia* improving the diversification of fuel sources for environmentally-friendly and sustainable power generation, increasing the efficiency in the electricity and water sectors (including reducing the rate of water losses in distribution), and optimizing water use by increasingly allocating supplies to higher economic value activities. Technical assistance and capacity building activities will accompany energy and water sector reforms, for instance advice on scenario planning to optimize Jordan's energy mix, NEPCO's institutional capacity strengthening and restructuring options, institutional modernization and performance improvements in water management and additional activities to address Jordan's extreme water scarcity. IFC has led the financing of private sector investments in renewable energy in Jordan, totaling around US\$430 million in wind and solar energy. In parallel, MIGA has issued political risk insurance guarantees for the development, construction and operation of photovoltaic power plants financed by IFC, fostering foreign private investment in renewable energy delivery, and will continue to offer support to cross-border private sector investors in the energy and water sectors.

74. **In light of depletion concerns which are compounded by fiscal costs, the SCD identified water as the new "frontier" for Jordan's economy.** It will therefore be a critical sector of engagement for this CPF, including at the regional level. Regional water management has an important peace-building dimension which the Bank will support through a number of activities. In addition to the above-mentioned second Energy and Water DPL, the WBG will support the development of Phase 1 of the Red Sea-Dead Sea Project through a Partial Risk Guarantee and potential IFC financing. This flagship project is the latest of broader bilateral and tripartite agreements that seek to promote regional water cooperation between Jordan, the Palestinian Authority, and Israel. It is intended to increase the quantity of clean water supply in Jordan and is expected to have a significant long-term impact on Jordan's economy. In addition, MENA Regional Water Security Initiative is being launched to strengthen the enabling environment for addressing water security issues through dialogue, knowledge exchange, policy reforms and technological innovations. Jordan has distinguished itself as an innovator in the region, and as such it could both contribute to, and gain from, this regional effort.

75. **The regional cooperation agenda also has significant potential in the energy sector.** Jordan has been in close dialogue with the Iraqi Government to develop an oil pipeline from southern Iraqi oil fields to the Jordanian Aqaba Port to export Iraqi oil to world markets through the Red Sea, and add a parallel line for natural gas domestic use and eventual Egyptian needs. The recent reverse of the Arab Gas Pipeline which allows Egypt to import LNG through Jordan has strengthened the country's pivot role for regional energy cooperation. Jordan is also keen to develop an electricity interconnection with Saudi Arabia which will increase opportunities of electricity trade between the two countries and with Egypt when the construction of the Egypt-Saudi transmission inter-connection is completed. In the medium term, the resolution of Syria conflict could also open new windows of opportunity in terms of natural gas transmission and electricity export to Syria where energy needs will be substantial. These projects will need a PPP scheme that can attract the private sector, with IFC playing a key role in facilitating financing of debt and equity. The Bank will also support the Ministry of Energy and Mineral Resources with analytical work on a regional energy integration program. In addition, the Bank will seek Jordan's active participation in the MENA Regional Energy Integration Platform supporting Arab countries to build regional energy integration institutions.

76. **The WBG will support activities which aim at mitigating climate change and protecting the environment.** The ongoing Jordan Ozone Depleting Substances (ODS3) project will continue to support technological updates in local private firms of refrigeration and air conditioning in order to contribute to global climate objectives. The Bank will also help further build Jordan’s capacity in greenhouse gas data monitoring, reporting and verification on the mitigation side of climate change management. The above-mentioned IFC support to private-sector-led renewable energy activities is a key contribution to Jordan’s Green Economy potential. Previous work on the cost of environmental degradation will be revisited in order to focus on monetizing the cost of the Syrian refugee crisis on environmental degradation. The Global Environment Fund (GEF) Badia Ecosystems and Livelihoods project will continue to help create jobs in one of the poorest poverty pockets through ecotourism and to protect the Badia’s ecosystems. Finally, the promotion of reuse of treated wastewater will be supported, building on the track record of the As Samra Wastewater Treatment Plant.

Objective 2.2: Improved delivery of education services

77. **A new Education PforR is envisaged to support the implementation of the new Government strategy in the sector.** The GoJ, through the High Level Committee on Human Resource Development appointed by the Royal Court, is preparing a new education strategy focused on quality and labor market relevance. The major pillars of the upcoming strategy will likely include, among others, the expansion of preschool, a curriculum reform featuring a strong ICT component, further measures to strengthen the teaching profession, the reform of the structure of secondary education – aiming at a better balance between academic and vocational tracks – together with a radical reform of the “*Tawjih*” examination. The broad objectives of the new Bank-financed operation will be to help Jordan improve the performance of its education system, and strengthen its resilience in response to the current Syrian refugee crisis. More specifically, this PforR will aim at: (i) institutionalizing ERfKE reforms in the areas of early childhood education, teacher professional development, and accountability; and (ii) supporting the reform of secondary education, including the increase in enrolment of Syrian students.

Objective 2.3: Improved delivery of municipal services

78. **In line with evolving needs on the ground, a possible extension of the WB-managed ESSRP will increase its focus on labor intensive works and investments that support local economic development.** The project was launched in October 2013 to help Jordanian municipalities and host communities address the immediate service delivery impacts of the Syrian refugee inflows, and is set up as a project-specific Multi-Donor Trust Fund. The ESSRP has mobilized a total of US\$52.7 million¹¹ in grants, and has disbursed a total of US\$40 million. In line with the Jordan Compact and Jordan Response Plan, the ESSRP will be scaled up to include labor intensive public works, employment opportunities for both Syrian and Jordanians and investments which support social cohesion and local economic development. The Bank will also help these municipalities improve their public financial management capacity.

79. **The Bank has also launched analytical work to better understand the profile, wellbeing and prospects of Syrian refugees and their host communities,** with a view to informing policy making. The Bank is carrying out multi-country surveys on both these populations in Lebanon, Jordan and Iraq, and has been working closely with the United Nations High Commissioner for Refugees (UNHCR) to help them better analyze their rich database on refugees, with a view to identifying the most effective policy measures for supporting refugees and host communities. This will include disaggregated data on women and youth which will help inform policymakers of their specific circumstances, vulnerabilities and needs. The recently released

¹¹ As of May 25, 2016, the funding sources include: WB State and Peace-building Fund, Canada, United Kingdom, Swiss Development Cooperation, Sweden. The Arab Fund for Economic and Social Development is providing complementary funding to support municipal services directly through the Government.

report “How Poor are Refugees”¹² explores the socioeconomic profile, poverty, and vulnerability of refugees, evaluates current policies and discusses prospects for policy reforms.

80. The WBG will support lagging regions and target improvements in local economic development through a subnational engagement. In order to address the inequity in the allocation of resources across different regions, the Bank could support the Government in formulating by-laws and regulations on the devolution of decision making to the local levels and in ensuring a transparent system of fiscal allocations. Building capacity at the governorate and municipal levels will also help improve the quality of service delivery and empower local authorities to allocate resources in a way that is responsive to local needs. The WBG will also consider an integrated approach to lagging regions by supporting labor intensive public work programs, promoting private sector investments (with strong potential IFC support), and improving transport connectivity to boost local economic development. MIGA will make available its political risk insurance guarantees to potential cross-border investors, supporting private sector projects and infrastructure projects in these lagging regions. Through its work on an updated housing strategy, the WBG will also help the Government address the shortage of supply in low-income housing, an issue which has become critical in view of the influx of refugees and increased demand for affordable housing. This support could include IFC’s advisory services on structuring PPP schemes to build new affordable housing for Syrian refugees in hosting cities and communities.

81. In the medium term, the Bank will explore potential improvements to transport connectivity through: (i) the upgrade and rehabilitation of regional and rural roads to improve connectivity and access which will also be labor intensive, contributing to creating jobs for the low skilled; and (ii) public transport support for regional and inter-city services to improve mobility and connectivity between local communities, and between the regions and Amman. Access to safe public transportation may help address a significant barrier for women (especially the poor) to access technical/tertiary education, jobs, and markets. The proposed public transport project would provide an opportunity to identify operational approaches to account for the different needs of potential male and female users. PPPs in the transport sector, including supporting the Bus Rapid Transit in Amman and between Amman and the city of Zarqa, are areas that IFC can support through its advisory and financing products. With regard to the regional cooperation agenda, the WBG is supporting the Governments of Jordan and Iraq in their dialogue on the Basra-Aqaba corridor. While progress on this initiative has temporarily slowed down due to border security challenges, both Governments have continuously expressed their interest in strengthening regional transport connectivity and in the upgrade of border crossings.

Governance, gender and youth will be embedded in the CPF as cross-cutting themes.

82. Governance. The SCD posits that governance provides an essential lens for understanding the complex role of the public sector in Jordan: the public sector is at once intrinsic to the social compact, through the provision of jobs and services, but its role has often been stifling, not least because the size of the public sector dilutes its ability to incentivize good performance. The SCD further stresses that implementation issues constitute a major constraint to Jordan’s development agenda. Citizen participation in the context of key sectoral reforms also remains a key challenge. To support an improved governance framework, the WBG program will aim to promote social accountability, including by fostering citizen engagement and supporting efforts towards performance-based delivery systems.

- a. **The WBG will aim at building citizen support for and engagement in difficult policy discussions, in particular in the sectors that are the most politically sensitive and opaque for the public.** This will foster the WBG’s role as an honest broker presenting robust analytical work to help strengthen the public’s understanding of the various trade-offs associated with policy choices and facilitating

¹² “The Welfare of Syrian Refugees, Evidence from Jordan and Lebanon”, WB-UNHCR, 2016.

consensus building amongst stakeholders, with a view to supporting implementation. The bi-annual dissemination of the Jordan Economic Monitor is recognized by the Government and valued as an important platform to inform and stimulate such debate. The Bank will also utilize a wide range of tools that allow citizens to be engaged at all stages of project design, implementation and monitoring. For example, youth groups will be mobilized as third party monitoring agents in selected projects. Including women in these processes will also be critical, as their perspectives on proposed reforms and operations may differ from those of men. WBG-financed operations will include a mechanism for social accountability, which will include grievance redress mechanisms. Citizen engagement and feedback on proposed reform measures will be particularly important in the context of prospective budget support operations, for instance regarding the proposed Social Contract DPL which may focus on women and youth. In the context of the GoJ's commitment to increase the integrity of the public sector through citizen-centric governance¹³, the WBG will explore options to support the GoJ in developing a centralized Grievance Redress Mechanism within the future Integrity and Anti-Corruption Commission. The Bank Group will also deepen its engagement with parliamentarians.

- b. **The Bank will promote social inclusion through activities aimed at improving access to justice for the poor.** With funding from the State and Peace-building Fund, the Bank will support the provision of legal aid services to poor Jordanians as well as Palestinians, Iraqis and Syrians in Jordan. Current programs are providing legal services (information, counseling and legal representation) for family, civil and criminal legal problems to poor Jordanians, Syrians, and Palestinians. To date, over 70 percent of beneficiaries are poor women, and the largest single case type is alimony/child support, which means women are getting access to financial transfers they otherwise were not receiving. Additional collaboration will expand legal services targeted to victims of gender-based violence and juveniles involved in criminal matters.
- c. **The Bank will work with the Government towards a performance-based health and education systems,** in line with the constraints identified in the SCD with regard to reform implementation. Paramount to Jordan's efforts to improve the overall quality of healthcare and education service delivery is a strong focus on the performance and accountability of healthcare providers and teachers. With a significant share of Jordan's health and education expenditure devoted to providers' salaries, ensuring that effective monitoring and incentives are in place could increase efficiency in the allocation of public resources while improving the quality of health and education services. This will be key to help bring Jordan to the forefront of performance-based systems along with some of the most advanced countries in the world. IFC will explore new opportunities to support private sector investments in the provision of private health services.

83. **Gender as a development driver.** The SCD identified gender as a key constraint to achieving the WBG twin goals and in turn as an intervention area with high potential. The rate of women's participation in the labor force is particularly low, even by regional standards, but data confirms that female students have been outperforming males in various assessments in all subjects and grades. This shows that a reverse gender achievement gap exists in Jordan. While women's high performance on standardized tests and at universities are positive attributes of educational development, the low performance of males combined with the low participation of women in the economic and political arenas are reasons for concern. More specifically, the stagnation of male educational attainment might be a precursor to low employment and weak earning opportunities in the future, particularly for those with lower socioeconomic backgrounds. The WBG will

¹³ In 2014, Jordan launched its National Integrity Charter and Executive Plan which seeks to serve its citizens, preserve their dignity and safeguard their assets through enforcing laws, regulations and instructions in effect based on transparency, justice and equality. The Ombudsman Bureau and Jordan Anti-Corruption Commission are expected to merge into the Integrity and Anti-Corruption Commission to further promote citizen-centric governance. The 2015 Integrity and Anti-Corruption Law will empower the Integrity and Anti-Corruption Commission to take necessary decisions on corruption-related complaints and grievances filed with the Commission.

mainstream gender in its operations with a view to enhancing its development outcomes, drawing from lessons from the previous CPS period and positive experience to date, in particular with access to finance. The WBG will also work directly with the Government and partners involved in this area to address key constraints, in particular when it comes to women’s participation in the labor force (e.g., Economic Opportunities for Jordanians and Syrian Refugees PforR, Social Contract DPL), access to finance (e.g., Innovative Start Ups and SMEs Project) and access to justice (e.g., Legal Aid Services Project). IFC’s access to finance support to financial institutions will continue to focus on helping SMEs owned by women.

84. **Youth.** The WBG will support a project funded by a Japan Social Development Fund (JSDF) that aims to improve the quality of life of vulnerable youth through the provision of integrated social services by local non-governmental organizations and youth centers. The project will be implemented in three communities – East Amman, Zarqa and Tafilah governorates. It will serve as a pilot and entry point for the WBG’s engagement on youth integration, as this continues to be a priority for the country’s stability. The Bank will also conduct analytical work on youth to inform its policy dialogue and operational activities, incorporate a youth ‘lens’ in upcoming operations where youth is considered as a potential driver of development interventions (e.g., Social Contract DPL), engage youth through the project lifecycle as a constituency to inform and provide feedback on development policies and operations (e.g., on labor intensive public works through the ESSRP). Different youth segments will also be targeted to support the enhancement of local service delivery, as engaging youth as partners in this context supports greater inclusion and job creation.

Table 3: Indicative Program – World Bank

I. Fostering the conditions for stronger private-sector led growth and better employment opportunities for all		II. Improving the equity and quality of service delivery	
ONGOING ENGAGEMENT			
IBRD:		IBRD:	
<i>Jordan MSME Development Project for Inclusive Growth</i>	120	<i>First Energy and Water Development Policy Loan</i>	250
Total	120	<i>Education Reform for Knowledge Economy II</i>	60
		Total	310
Diagnostic & Technical Assistance:		Grants**:	
<i>Jordan PPP (TA)</i>		<i>Emergency Services and Social Resilience Project (ESSRP MDTF)</i>	52.7
<i>Jordan Access to Finance Review (TA)</i>		Total	52.7
<i>Jordan MSME Development (TA)</i>			
<i>Jordan Competitiveness and Investment (TA)</i>		Diagnostic & Technical Assistance:	
<i>Jordan Doing Business Report (ESW)</i>		<i>Service Delivery in Health and Education (TA)</i>	
<i>Jordan Business Legislation Reform (TA)</i>		<i>Jordan National Housing Strategy Update (TA)</i>	
<i>Public Investment Management (ESW)</i>		<i>Support to the Jordan Water Sector (TA)</i>	
<i>Jordan Economic Monitor (ESW)</i>		<i>Jordan Poverty (TA)</i>	
		<i>Jordan Education PER (ESW)</i>	
		<i>Syrian Refugee Crisis Impact (3-Country Survey) (ESW)</i>	
		<i>Jordan Energy Sector Support for Reform (TA)</i>	
Total Ongoing	120	Total Ongoing	362.7
NEW PROGRAM (FY17-19)			
IBRD/IDA:		IBRD:	
<i>Economic Opportunities for Jordanians and Syrian Refugees Program for Results (FY17)*</i>	300 **	<i>Second Energy and Water Development Policy Loan (FY17)*</i>	250
<i>Social Contract Development Policy Loan (FY18)</i>	250	<i>Red Sea-Dead Sea Partial Risk Guarantee (FY18)</i>	100
<i>Innovative Start-Ups and MSMEs (FY18-19)</i>	50	<i>Education Program for Results (FY17-18)*</i>	200
Total	600	<i>Lagging Regions Operation (FY18-19)*</i>	200
		Total	750
Diagnostic & Technical Assistance:		Grants**:	
<i>Support to Youth Empowerment (TA)</i>		<i>Scale up of Emergency Services and Social Resilience Project (ESSRP MDTF) (FY17)</i>	50
<i>Export Diversification (TA)</i>		Total	50
<i>Secured Lending Insolvency (ESW)</i>			
<i>Syrian refugees: Reconstruction and Jobs (ESW)</i>		Diagnostic & Technical Assistance:	
<i>Jordan-On-the-Job-Voucher Program (IE)</i>		<i>Programmatic Technical Assistance to support DPL (TA)</i>	
<i>Reform implementation support (TA)</i>		<i>Jordan Household Expenditure and Income Survey 16 (TA)</i>	
		<i>Syrian Refugee Crisis Impact (3-Country Survey) (ESW)</i>	
		<i>Environmental Impact of the Syria Crisis in Jordan (ESW)</i>	
Total Planned	600	Total Planned	800
GRAND TOTAL Ongoing and Planned	720	GRAND TOTAL Ongoing and Planned	1162.7

Notes: Amounts in US\$ millions

*Candidate for Concessional Financing

** US\$50 million and above

***Of which US\$100 million IDA exceptional allocation

With IFC collaboration

C. Implementation

85. **The first two years of CPF program have been defined, leaving flexibility to respond to quickly evolving circumstances on the ground in the outer years.** The CPF defines two pillars of intervention which are deliberately kept broad, and presents strategic directions and indicative priority interventions for the short term. Within these pillars, the WBG will keep assessing the areas in which it is best placed to have an impact. The Performance and Learning Review expected in FY19 will provide an opportunity to take stock of progress and adjust as needed.

86. **Donor coordination and partnerships will be critical for the implementation of this CPF.** An increasing number of donors are active in Jordan, often with competing and disjointed intervention areas. The SCD notes that Jordan's development partners can contribute to divergent outcomes because of fragmented projects. This points to the need for a collaborative approach which promotes synergies and limits fragmentation. The WBG will build and nurture strong relationships with the UN agencies, donors, and a broad range of stakeholders to implement the strategy with a leveraging effect. The ESSRP and ERfKE projects have been successful multi-donor undertakings and good examples of donor harmonization. Similarly, the Bank's proposed new engagement in education will be designed in close partnership with the United Nations Children's Fund (UNICEF) and possibly other partners. This partnership will inform the work on secondary education reform, as the WBG and UNICEF are also collaborating under the Education for Competitiveness initiative on a MENA regional agenda for competency-based curriculum reform to mainstream 21st century skills and values in the junior and senior secondary curriculum.

87. **A continued focus on portfolio quality will be key.** The CPF will build on the ongoing program, which has been evolving over the past three years to respond to the rapidly changing country situation. As of June 6, 2016, the portfolio (IBRD and Recipient Executed Trust Funds) comprised active operations with net commitments of US\$511.8 million, of which US\$41.7 million remain undisbursed. Support to the energy and water sectors (US\$250 million DPL accounting for 48 percent of commitments) is the largest area of engagement, followed by MSME development, education, and emergency municipal services. The CPS Progress Report identified recommendations developed jointly by the WBG and GoJ to improve selectivity and implementation progress. The implementation of these recommendations has positively affected the focus and performance of the portfolio: the disbursement ratio now stands at 66.4 percent, the highest in the MENA region; and only two projects are in problem status (Jordan Ozone Depleting Substances HCFC Phase-out project, and National Unified Registry and Outreach Worker Program). Both projects are undergoing substantive restructuring following which their ratings will be reassessed.

88. **Given the CPF's focus on unleashing the private sector's potential for growth and job creation, an integrated WBG response will be critical, with complementary roles for IBRD, IFC, and MIGA.** IFC's role in mobilizing the private sector will be at the center stage of this strategy and will be key to foster investments, jobs, and growth. There are existing synergies between IBRD and IFC on business climate and access to finance, PPPs, and renewables. Further opportunities for joint engagement will be explored, in particular drawing on IFC and MIGA's respective comparative advantages and tools to attract investors to Jordan and its designated Special Economic Zones.

Financial envelope

89. **Country demand for the Bank's engagement is estimated to be at approximately US\$1.4 billion for the first two years of the CPF.** Of this amount, US\$100 million is IDA financing from an exceptional IDA allocation. Actual lending volumes will depend on evolving country demand, overall performance in the course of the CPF period as well as global economic developments, which affect IBRD's financial capacity and demand by other Bank borrowers. Concessional financing will be sought for the bulk of these operations which contribute to alleviating the stresses in country systems caused by the Syrian refugee influx (see Table

3 on page 24). IFC will continue to finance private sector investments, building on the strong track record of growing its portfolio in Jordan over recent years, and expects an annual investment pipeline in the range of US\$100-150 million, assuming no further deterioration in the operating environment.

Financial management and procurement

90. **Financial management.** During the CPF period, the transition to country systems is expected to accelerate, especially with the PforR under preparation. This acceleration is expected to cover the areas of budget preparation and execution, and external auditing. In recent years, the GoJ launched the Government Financial Information Management System in the public sector and Bank-financed projects were included in it for budget preparation and execution. Jordan's Supreme Audit Institute, the "Jordan Audit Bureau", has been responsible for annually auditing small grants accounts and its performance was satisfactory. Going forward, the Bank will explore continued support to the Jordan Audit Bureau that could eventually enable the Bureau to audit larger scale Bank-financed projects. After significant improvements in recent years, the Government continues to have public financial management reforms as a priority, and a number of issues need to be addressed to fully realize the benefits of recent reforms and restore fiscal sustainability. Improving the Audit Bureau's independence and strengthening internal controls would substantially improve the quality of external audits, leading to more effective assurance over the use of public funds. The new Audit Bureau Law is expected to address a number of bottlenecks but still awaits Parliament approval.

91. **Public procurement.** Despite reform efforts, public procurement remains fragmented in Jordan. The appeal function of the procurement system is limited, and there is no central oversight unit in charge of the common regulatory framework. This fragmentation has impeded progress towards establishing a central e-procurement platform. In addition, the current absence of measurements of procurement performance further hinders the prospects of reform, since the lack of information about how the system is performing makes it difficult for stakeholders to know if and where improvements are needed. Looking ahead, efforts are needed towards: (i) unification of the legal and policy framework; (ii) procurement performance monitoring; (iii) institutional development with the creation of a procurement policy and oversight function; (iv) establishment of a single portal procurement website towards a unified e-procurement system; (v) development of a robust procurement complaint and appeal mechanism; (vi) development of a capacity building strategy and sustainable training programs; and (vii) integration of procurement planning with budgeting.

V. Managing Risks

92. **The outcomes targeted by this CPF are subject to an overall risk rated as substantial, with the highest risk categories described below.**

93. **Geopolitical and regional context.** The volatility of the region and Jordan's high degree of integration with its neighbors remain a major risk to the country, and by extension to this strategy. The worsening of the Syria conflict, the rise of the Islamic State, ongoing violence in Iraq, escalating tensions between the region's major powers and in the Israeli-Palestinian conflict are all compounding the risks to Jordan in terms of potential destabilizing impact and toll on the economy. Given the magnitude of the challenges facing Jordan, and the overwhelming nature of the "neighborhood effect", one should recognize that traditional recipes and methods of engagement may not work alone. The geopolitical risk may be deemed too high for investors to mobilize at scale (Pillar 1), in particular when compounded with a largely sub-optimal investment climate. In order to get the economy to grow and create jobs, a more ambitious approach is needed, a "grand bargain" which draws on the trade deal with Europe, on Syria's future reconstruction potential, and on the full spectrum of WBG tools and instruments. Only such an approach would help mobilize investments at levels commensurate with the scale of the challenges. This strategy explicitly recognizes the upside risk that the situation in Syria could unwind over the next four years. Such a turn of events could have significant growth potential for Jordan and

boost the Bank’s efforts through this strategy. If the situation improves in the near term, the Bank will seek to help Jordan realize this potential and serve as a launching pad for Syria’s eventual reconstruction.

94. **Political and governance.** Heightened sensitivities about the international community’s perceived bias towards supporting Syrian refugees at the detriment of Jordanians constitute a key risk to the Bank’s engagement. The Bank will carefully examine such risks in all new operations and will put in place mitigation measures to foster social cohesion between communities, ensure that all operations benefit refugees and Jordanians alike, and communicate transparently about its engagement. The evolving domestic situation, popular expectations and the high uncertainty related to fluid regional situations could also lead to further erosion of political commitment for structural reforms which may be supported by prospective development policy operations. Partly due to spillovers from regional conflicts, but also as a reflection of the domestic situation, the scope for economic reforms may be limited in some of the most politically sensitive topics. The WBG will be strategically opportunistic in seizing windows of opportunities in select reforms areas, and aim to support those which strengthen Jordan’s resilience to shocks. Improving the equity and quality of service delivery (Pillar 2) is an ambitious agenda where reforms have been attempted in the past with limited success. Tangible results under this pillar may require a fundamentally different approach which, inter alia, leverages private sector and community-driven solutions and may be resisted. Acknowledging that there are many social and political forces at play, the WBG can support the process of reform, even in a difficult environment, by continuing to perform its development role as a relevant, trusted interlocutor, and by aiming to engage with a range of stakeholders (Parliament, civil society, private sector, youth and academia) on the trade-offs involved in the critical policy choices that lie ahead. It will also seek to ensure that the poor and marginalized benefit from reform efforts.

95. **Macroeconomic risk.** The balance of risks to growth is on the downside. Jordan will need to continue managing repercussions from the regional situation, and the challenges of the Syrian refugee influx. Additionally, persistently low oil prices are a risk for Jordan in the short and the medium term, as Jordan benefits from the GCC for remittances, exports, foreign direct investment and grants which constitute large sources of foreign exchange. Fiscal adjustment measures to contain the fiscal deficit and high debt-to-GDP ratio are likely to be difficult to implement given the population’s sensitivity to fiscal adjustment measures already taken. A rebound in global oil prices would negatively affect fiscal consolidation efforts (unless remedial reforms, such as an automatic electricity tariff adjustment mechanism, are implemented). Furthermore, the willingness and speed of reform implementation, particularly to improve the business climate, will be crucial to attract the investment Jordan aspires for. Finally, Jordan remains vulnerable to uncertain grant inflows that support its fiscal and current account position.

Risk categories	Risk rating (H, S, M or L)
Political and governance	M
Macroeconomic	S
Sector strategies and policies	M
Technical design of project or program	M
Institutional capacity for implementation and sustainability	M
Fiduciary	M
Environment and social	M
Stakeholders	M
Other: geopolitical and regional context	H
OVERALL	S

Key: H-High; S: Substantial; M-Moderate; L-Low

Annex 1: CPF Results Framework

Pillar 1: Fostering the conditions for stronger private-sector-led growth and better employment opportunities for all	
Jordan's economy has slowed following four consecutive years of economic growth, largely a result of continuing regional insecurity. Growth is forecast to rebound in the near-term but expected to remain well below that needed to meet the demand for employment.	
Objective 1.1: Improved economic opportunities for Jordanians and Syrian refugees	
Intervention logic: After four years of growth, Jordan's economy slowed due to regional insecurity and an unprecedented influx of refugees. Growth is forecast to improve but will remain below the level needed to meet employment needs of host communities or refugees. The World Bank Group will help support a coordinated international response to the refugee crisis with a focus on expanding access to economic opportunities and jobs for Jordanians and refugees, addressing skills mismatches and encouraging increased labor force participation by women and youth.	
<p>Indicator 1: Number of work permits issued to Syrian refugees Baseline: 6,000 (2016) Target: 50,000 (2017)</p> <p>Indicator 2: Number of beneficiaries of new, reformed services for entrepreneurs and workers (entrepreneurship, capacity building and training programs) Baseline: 0 (2016) Target: 2,000 (2022)</p> <p>Indicator 3: Restrictions on home-based work lifted in specific sectors Baseline: No (2016) Target: Yes (2018)</p> <p>Indicator 4: Number of work-days created through labor-intensive public works Baseline: 0 (2016) Target: 30,000 (2017)</p>	<p>Proposed:</p> <ul style="list-style-type: none"> ❖ Economic Opportunities for Jordanians and Syrian Refugees Program-for-Results (IDA/IBRD/CFF) (FY17) ❖ Social Contract DPL (IBRD) (FY18) ❖ Scale up of Emergency Services and Social Resilience Project (MDTF) (FY17) ❖ Export diversification (ASA)

Objective 1.2: Improved institutional and regulatory environment for private and public investments	
<p>Intervention logic: Investors cite frequent changes in business regulations and their inconsistent application as factors explaining low investor confidence and disappointing levels of private investment in Jordan. The World Bank Group will support measures to enhance the predictability of the legislative environment around investment, as well as the adoption of a transparent and consistent approach to public investment management – addressing public and private investments. In the outer years of the CPF period, it may be possible to track increased private investment facilitated.</p>	
CPF Indicator	WBG Program
<p>Indicator 1: Publication of a decree introducing a predictability framework on the issuance of any business-related regulations Baseline: No (2015) Target: Yes (2016)</p> <p>Indicator 2: Share of new laws and regulations governing economic activities subject to an effective public notice and consultation process that includes a grievance mechanism Baseline: 0% (2016) Target: 50% (2022)</p> <p>Indicator 3: The regulatory and institutional environment governing businesses has improved in at least three areas, as measured by a 30 percent rise in a Composite Business Environment index¹⁴ Baseline: 100 (CBE index, 2016) Target: 130 (CBE index – 30% change, 2022)</p> <p>Indicator 4: Operationalization of an integrated database of projects under PIM framework Baseline: No (2016) Target: Yes (2019)</p>	<p>Ongoing:</p> <ul style="list-style-type: none"> ❖ Economic Legislation Reform (MENA Transition Fund) (approved FY16) ❖ Jordan Competitiveness and Investment (TA) (MENA Transition Fund) (approved FY14) ❖ Doing Business (ASA) ❖ Jordan Public-Private Partnership Country Diagnostic (TA) ❖ Public Investment Management (ESW) ❖ Inspection Reform (IFC/T&C GP) <p>Proposed:</p> <ul style="list-style-type: none"> ❖ Jordan Economic Opportunities for Jordanians and Syrian Refugees Program for Results (IDA/IBRD/CFF) (FY17)

¹⁴ Note: the CBE index will include a normalized composite measure of the business environment in the regulatory and institutional areas that the CPF will support—setting the baseline index at 100. The composite index will include, inter alia, (i) a measure of the burden imposed on businesses by inspections (reforms supported by T&C/IFC’s *Inspections reform TA project* and included in the Economic Opportunities PforR); (ii) a measure of the licensing burden imposed on businesses, including frequency of renewals, share of activities subject to undue licensing requirements and delays in obtaining licenses and/or a measure of compliance costs savings (reforms supported by *JELR Transition Fund TA project* and included in the Economic Opportunities PforR); (iii) an improvement in the distance to frontier measure of at least one Doing Business indicator (area(s) to be identified in the context of the *Doing Business reform advisory TA activity*).

Objective 1.3: Increased access to finance and skills development	
<p>Intervention logic: Insufficient access to finance has been consistently identified as a constraint to private-sector-led growth and job creation. The World Bank Group will work to strengthen the capacity of banking and microfinance institutions to provide increased access to finance for MSMEs and to offer new products in underserved markets – focusing specifically on female and young entrepreneurs. The World Bank Group will also explore potential future support for the start-up equity market and high-growth firms that show promise for job creation. Finally, the World Bank Group will draw lessons from its existing pilot support to skills for employment, and explore implications for targeting youth and women unemployment.</p>	
CPF Indicator	WBG Program
<p>Indicator 1: Volume of lending to MSMEs under WBG-financed interventions</p> <p>Baseline: \$890 million (2015) a) WB: \$70 million b) IFC: \$820 million</p> <p>Target: \$1.12 billion (2020) a) WB: \$120 million b) IFC: \$1.0 billion</p> <p>Indicator 2: Number of beneficiaries benefitting from MSME loans (of which women)</p> <p>Baseline: 9,172 (of which women: 7,979) (2015) Target: 13,758 (of which women: 11,969) (2020)</p> <p>Indicator 3: Youth-owned businesses served through bank line of credit</p> <p>Baseline: 4,924 (2015) Target: 8,254 (2020)</p> <p>Indicator 4: Number of microfinance loans after bringing microfinance institutions under Central Bank of Jordan</p> <p>Baseline: 0 (2015) Target: 1,500 (2018)</p>	<p>Ongoing:</p> <p><u>World Bank:</u></p> <ul style="list-style-type: none"> ❖ MSME Development Project for Inclusive Growth (IBRD) (approved FY13) ❖ Support to Building Active Labor Market (approved FY13) (MENA Transition Fund) ❖ Strengthening the Regulatory and Institutional Framework for MSME Development (approved FY14) (MENA Transition Fund) <p><u>IFC:</u></p> <ul style="list-style-type: none"> ❖ FINCA Jordan ❖ MEMCC ❖ Tamweelcom ❖ Bank al Etihad ❖ Capital Bank Jordan ❖ Secured Lending (F&M TA) ❖ Insolvency (F&M TA) ❖ Credit Bureau (F&M TA) <p>Proposed:</p> <ul style="list-style-type: none"> ❖ Social Contract DPL (IBRD) (FY18) ❖ Innovative Start-ups and MSMEs (IBRD) (FY18/19) ❖ Equity Startups (TA) ❖ IFC investments in Financial Institutions (where feasible)

Pillar 2: Improving the equity and quality of service delivery	
Growing inequalities in access and deteriorating quality of service delivery are significant constraints to Jordan’s development. These challenges have been exacerbated by the influx of Syrian refugees. The WBG will support the Government to improve the equity and quality of public services while also addressing imbalances in regional development – all core aspects of a renewed social contract.	
Objective 2.1: Improved management of the water and energy sectors	
Intervention logic: The Syria crisis has exacerbated pre-existing concerns over access to water and energy and the quality of service provision. Additional demand has resulted in intermittent water supply, community dissatisfaction and unsustainable levels of groundwater extraction. Reflecting the gravity of the issue of water scarcity, the WBG is supporting a potentially transformative regional project that would increase Jordan’s water supply. The WBG will continue to support a number of reforms in the energy and water sectors, aiming to ensure that resources are managed efficiently and costs spread equitably. IFC will support increased private investment in generation capacity from renewable resources to help diversify the energy mix.	
CPF Indicator	WBG Program
<p>Indicator 1: Volume of treated wastewater used for non-domestic uses [in million cubic meter (MCM)] Baseline: 110 MCM of treated wastewater used for non-domestic uses (2013) Target: 135 MCM of treated wastewater used for non-domestic uses (2017)</p> <p>Indicator 2: Diversification of energy sources in the electricity generation mix Baseline: (2014) Natural Gas: 7 percent of fossil fuel electricity generation supplied by natural gas Renewables: Renewable power generation is 1 percent of the generation mix Target: (2017) Natural Gas: 70 percent of fossil fuel electricity generation supplied by natural gas Renewables: Renewable power generation is 10 percent of the electricity mix</p> <p>Indicator 3: Cost recovery of the end-user electricity tariffs Baseline: Cost recovery level 56% (2014) Target: Cost recovery level 100% (2018)</p> <p>Indicator 4: Red Sea-Dead Sea Phase 1 BOT reaches financial closure Baseline: No (2016) Target: Yes (2022)</p> <p>Indicator 5: Reduction of emission of CO₂ equivalent from renewable energy Baseline: 28,147 tCO₂ (2015) Target: 122,912 tCO₂ (2020)</p>	<p>Ongoing: <u>World Bank:</u> ❖ First Energy and Water Development DPL (IBRD) (approved FY16)</p> <p><u>IFC:</u> ❖ Tafila Wind (IFC) ❖ Jordan Renewable Energy - 7 Solar plants (IFC)</p> <p>Proposed: ❖ Red Sea-Dead Sea Partial Risk Guarantee (IBRD) (FY18) ❖ Second Energy and Water Development DPL (IBRD/CFF) (FY17) ❖ Second Jordan Renewable Energy Program (IFC) ❖ Al-Hussain repowering plant (IFC)</p>

Objective 2.2: Improved delivery of education services

Intervention logic: The influx of Syrian refugees is straining the capacity of the public education system, affecting both access and quality. The introduction of double shifts to accommodate a large number of Syrian refugees, the need for additional classrooms, schools and basic learning materials risks a protracted deterioration in educational outcomes. The WBG will support measures addressing delivery of education services.

CPF Indicator	WBG Program
<p>Indicator 1: Number of students with access to learning in a safe and well-managed physical environment Baseline: 859,867 (2008) Target: 945,000 (2016)</p> <p>Indicator 2: Increase in scores on national assessments aligned with the knowledge economy Target: An average increase between Year 4 and Year 6 of one score point for Math, Science, and Arabic (2016)</p> <p>Indicator 3: Number of school reports produced by Education Quality and Accountability Unit Baseline: 0 (2015) Target: 50 (2017)</p>	<p>Ongoing: <u>World Bank:</u> ❖ Second Education Reform for the Knowledge Economy (IBRD) (approved FY09) ❖ Education Quality and Accountability (MENA MDTF)</p> <p><u>IFC:</u> ❖ E4E Initiative for Arab Youth (Luminus project) ❖ ICT Jordan</p> <p>Proposed: ❖ Education Program for Results (IBRD/CFF) (FY17/18) ❖ Potential investments in private higher education (IFC)</p>

Objective 2.3: Improved delivery of municipal services

Intervention logic: The influx of Syrian refugees has significantly affected the capacity and quality of service delivery in Jordanian municipalities and host communities. WBG support aims to ensure that municipalities can sustain service delivery standards as they accommodate growing refugee populations and promote social cohesion and local economic development.

CPF Indicator	WBG Program
<p>Indicator 1: Total number of priority service delivery or community infrastructure projects implemented by participating municipalities Baseline: 69 (2015) Target: 90 (2017)</p> <p>Indicator 2: Share of participating municipalities that implement/facilitate at least two priority local economic development subprojects identified in local economic development plans Baseline: 33 percent (2015) Target: 75 percent (2017)</p> <p>Indicator 3: Number of municipalities with capital investment plans Baseline: 0 (2016) Target: 16 (2019)</p>	<p>Ongoing: <u>World Bank:</u> ❖ Emergency Services and Social Resilience Project (MDTF) (approved FY14) ❖ National Housing Strategy Update (TA)</p> <p>Proposed: ❖ Lagging Regions Operation (IBRD) (FY18/19) ❖ Scale up of Emergency Services and Social Resilience Project (MDTF) (FY17) ❖ Strengthening municipal financial management systems to sustain service delivery in municipalities affected by the refugee crisis (ASA) ❖ Sub-national Finance to GAM (IFC)</p>

Annex 2: Selected Indicators of Bank Portfolio Performance and Management

As of June 6, 2016

Indicator	FY13	FY14	FY15	FY16
Portfolio Assessment				
Number of Projects Under Implementation (incl. Small RETFs) ^a	14.0	16.0	13.0	12.0
Average Implementation Period for IBRD Projects (years) ^b	4.0	2.7	2.6	2.8
Percent of Problem Projects by Number (incl. Small RETFs) ^{a, c}	28.6	12.5	23.0	16.6
Percent of Problem Projects by Amount (incl. Small RETFs) ^{a, c}	42.4	19.1	13.4	2.4
Percent of Projects at Risk by Number (incl. Small RETFs) ^{a, d}	28.6	12.5	30.8	20.0
Percent of Projects at Risk by Amount (incl. Small RETFs) ^{a, d}	15.7	1.3	15.5	1.6
Disbursement Ratio for Investment Projects (%) ^e	23.6	71.0	46.7	66.4
Portfolio Management				
CPPR during the year (yes/no)	No	No	No	No
Supervision Resources (in total US\$ thousands)	1,060.0	1,380.0	1,320.0	1,414.0
Average Supervision (US\$ thousands/project)	96.0	86.0	88.0	94.0

Memorandum Item	Since FY80	Last Five FYs
Projects Evaluated by OED/IEG by Number	75	13
Projects Evaluated by OED/IEG by Amount (US\$ millions)	2,716.6	760.2
% of OED/IEG Projects Rated U, MU or HU by Number	22.2	53.8
% of OED/IEG Projects Rated U, MU or HU by Amount	22.7	54.5

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 3: IBRD/IDA Indicative Program Summary
As of June 6, 2016

Fiscal year	Project ID	US\$(M)
FY17	Economic Opportunities for Jordanians and Syrian Refugees Program for Results *	300**
	Energy and Water Development Policy Loan*	250
FY17/FY18	Education Program for Results*	200
	Red Sea-Dead Sea Partial Risk Guarantee	100
	Social Contract Development Policy Loan	250
FY18/FY19	Innovative Start-Ups and MSMEs	50
	Lagging Regions Operation*	200
	Result	1,350
Total		1,350

* Candidate for Concessional Financing

**Of which US\$100 million IDA exceptional allocation

Annex 4: Operations Portfolio (IBRD and Grants)
As of June 6, 2016

Closed Projects 86

IBRD:

Total Disbursed (Active)	408.4
of which has been repaid	1.3
Total Disbursed (Closed)	1,456.0
of which has been repaid	1,307.3
Total Disbursed (Active + Closed)	1,864.5
of which has been repaid	1,308.6
Total Undisbursed (Active)	21.1
Total Undisbursed (Closed)	0.0
Total Undisbursed (Active + Closed)	21.1

Active Projects											Difference Between Expected and Actual Disbursements^a	
Project ID	Project Name	Last ISR		Fiscal Year	Original Amount in US\$ Millions					Orig.	Frm Rev'd	
		Supervision Rating			IBRD	IDA	Grants	Cancel.	Undisb.			
		<u>Development Objectives</u>	<u>Implementation Progress</u>									
IBRD:												
P154299	JO-Energy/Water Sector Reforms DPL	S	S	2016	250.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P105036	JO - ERfKE II	MS	MS	2009	60.0	0.0	0.0	0.0	6.9	6.9	6.9	6.9
P132314	JO MSME Dev. Project for Inclusive Growth	S	S	2013	120.0	0.0	0.0	0.0	14.2	0.0	0.0	0.0
Sub-total IBRD (US\$ millions):					430.0	0.0	0.0	0.0	21.1	6.9	6.9	
Grants:												
P157861	Piloting Delivery of Judicial Services	NA	NA	2016	0.0	0.0	2.6	0.0	2.5			
P147689	JO-Emergency Services & Social Resilience	S	S	2014	0.0	0.0	52.7	0.0	1.7			
P147875	Jordan MSME Development	MS	MS	2014	0.0	0.0	3.0	0.0	2.1			
P127861	JO-Badia Ecosystem & Livelihoods	MS	MS	2013	0.0	0.0	3.3	0.0	0.9			
P127702	JO: ODS III - HCFC Phase-out Project	S	MU	2013	0.0	0.0	2.8	0.0	2.0			
P154047	Education Quality & Accountability	NA	NA	2015	0.0	0.0	0.6	0.0	0.4			
P144832	National Unified Registry & Outreach	MS	MU	2014	0.0	0.0	9.5	0.0	7.7			
P145241	Support to Building Active Labor Markets	MS	MS	2014	0.0	0.0	4.8	0.0	3.2			
P128689	Enhancing Community-Driven Legal Aid	S	S	2012	0.0	0.0	2.6	0.0	0.0			
Sub-total Grants (US\$ millions):		81.8			0.0	0.0	81.8	0.0	20.6			
Total Commitments IBRD & Grants (US\$ millions):		511.8										
Total Undisbursed IBRD & Grants (US\$ millions):		41.7										

* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

Annex 5: Statement of IFC'S Held and Disbursed Portfolio

MIS International Finance Corporation Report Run Date: 06/13/2016
Statement of IFC's Committed and Outstanding Portfolio
Amounts in US Dollar Millions
 Accounting Date as of : 05/31/2016 Page 1

Region(s) : Middle East and North Africa
 Country(s) : Jordan

Commitment Fiscal Year	Institution Short Name	LN Cmt'd - IFC	LN Repayment - IFC	ET Cmt'd - IFC	QL + QE Cmt'd - IFC	GT Cmt'd - IFC	RM Cmt'd - IFC	ALL Cmt'd - IFC	ALL Cmt'd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2012	ACWA PowerJordan	0	0	0.97	6.33	0	0	7.30	0	0	0.97	6.33	0	0	7.30	0.00
2014/ 2008	AIG Company	81.05	10.15	0	50.00	0	42.59	173.84	178.84	79.16	0	50.00	0	42.59	171.74	174.39
2015	Adenium 2	11.32	0	0	0	0	0.93	12.25	12.12	9.81	0	0	0	0.83	10.63	10.49
2015	Adenium 3	11.32	0	0	0	0	0.92	12.24	12.12	9.83	0	0	0	0.82	10.65	10.52
2015	Adenium Holdco	0	0	0	12.60	0	0	12.60	0	0	0	12.60	0	0	12.60	0.00
2015	Arabia One Solar	10.53	0	0	0	0	1.41	11.94	0	7.42	0	0	0	1.29	8.71	0.00
2009/ 2010/ 2013/ 2014/ 2011/ 2015/ 2016/ 2008/ 2012	Bank of Jordan	0	0	0	0	0.09	0	0.09	0	0	0	0	0.09	0	0.09	0.00
2009/ 2013/ 2008	CTI Group	8.72	10.54	0	4.05	0	0	12.77	0	8.72	0	4.05	0	0	12.77	0.00
2013/ 2014/ 2000/ 2011/ 2015/ 2016/ 2012	Cairo Amman Bank	0	0	0	0	6.19	0	6.19	0	0	0	0	1.67	0	1.67	0.00
2010/ 2013/ 2009/ 2014/ 2007/ 2011/ 2015/ 2016/ 2008/ 2012	Capital Bank Jor	0	0	16.52	11.11	15.49	0	43.13	0	0	16.52	11.11	15.48	0	43.11	0.00
2014	FINCA Jordan	1.00	1.00	0	0	0	0	1.00	0	1.00	0	0	0	0	1.00	0.00
2015/ 2016	Falcon Maan	9.98	0	0	2.50	0	1.64	14.11	15.50	7.89	0	2.50	0	1.54	11.93	12.25
1993/ 1995/ 1990/ 2003/ 2004/ 1991/ 2012	Hikma Jordan	86.43	45.20	0	0	0	0	86.43	0	86.43	0	0	0	0	86.43	0.00
2012	Hikma UK	0	0	23.09	0	0	0	23.09	0	0	23.09	0	0	0	23.09	0.00
2014/ 2011	JIFCO	115.62	9.38	0	0	0	2.52	118.14	128.37	115.62	0	0	0	2.52	118.14	83.37
2010	JPMC PLC	22.50	27.50	0	0	0	0	22.50	27.00	22.50	0	0	0	0	22.50	27.00
2015	JSO	14.41	0.02	0	0	0	2.39	16.80	11.49	12.13	0	0	0	2.16	14.29	9.67
2014	JWPC	53.30	1.43	0	13.04	0	19.85	86.89	58.30	53.30	0	13.94	0	19.30	86.54	58.30
2014	Luminus	0	0	11.09	0	0	0	11.09	0	0	8.83	0	0	0	8.83	0.00
1999	MAICO	0	0	0.25	0	0	0	0.25	0	0	0.00	0	0	0	0.00	0.00
2013	MEMCC	0.86	1.14	0	0	0	0	0.86	0	0.86	0	0	0	0	0.86	0.00
2015	Shamsuna	6.86	0.13	0	1.01	0	0.63	8.51	8.48	6.51	0	0.96	0	0.61	8.08	8.05
2015	Zahrat	11.32	0	0	0	0	0.93	12.25	12.12	9.85	0	0	0	0.83	10.68	10.55
1997/ 2010/ 2008	Zara	11.63	32.11	1.23	0	0	0	12.86	0	11.63	1.23	0	0	0	12.86	0.00
Total Portfolio		456.87	138.59	53.15	101.53	21.78	73.58	706.92	464.14	442.65	50.64	101.48	17.25	72.47	684.49	404.59

Annex 6: Statement of MIGA's Exposure in Jordan As of May 5, 2016

Host Country: Jordan

A. Issuances

	FY12	FY13	FY14	FY15	FY16 YTD
Number of Projects	1	1	0	2	0
Number of Guarantees	1	5	0	4	0
Gross Exposure (\$M)	200	13	0	16	0
Current Exposure (\$M)	144	10	0	16	0
Net Exposure (\$M)	120	13	0	16	0

B. Runoff

	FY12	FY13	FY14	FY15	FY16 YTD
Cancellations (\$M)	0	4	0	0	0
Reductions (\$M)	0	0	0	0	0
Expires (\$M)	0	0	0	0	0

C. Priority Areas - Issuances

	FY12	FY13	FY14	FY15	FY16 YTD
South South	0	0	0	0	0
Conflict Affected	0	0	0	0	0
Complex	0	13	0	0	0
IDA	0	0	0	0	0
Priority Area	0	13	0	0	0

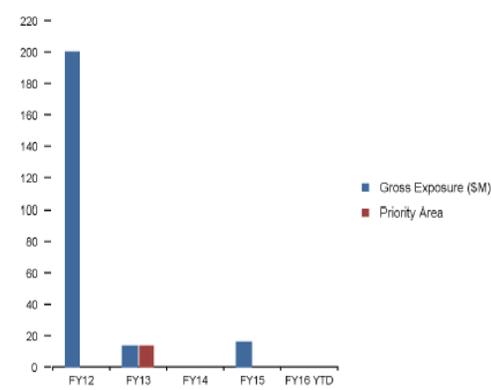
D. Outstanding Exposure

	FY12	FY13	FY14	FY15	FY16 YTD
Number of Projects	2	2	2	4	4
Number of Guarantees	5	6	6	10	10
Gross Exposure (\$M)	204	213	213	228	228
Adjusted Net Exposure (\$M)	124	133	133	149	149

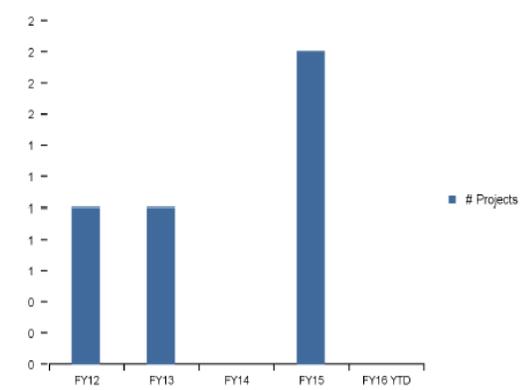
E. Risk Profile (Gross Exposure)

	FY12	FY13	FY14	FY15	FY16 YTD
Transfer Restriction	200	200	200	215	215
Expropriation	200	200	200	215	215
War & Civil Disturbance	200	200	200	215	215
Breach of Contract	4	13	13	29	29
NHSFO	0	0	0	0	0

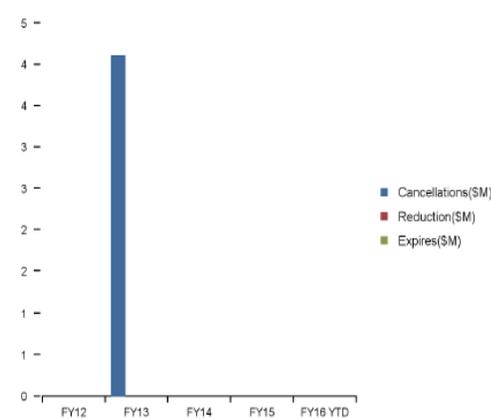
Issuances - Volume



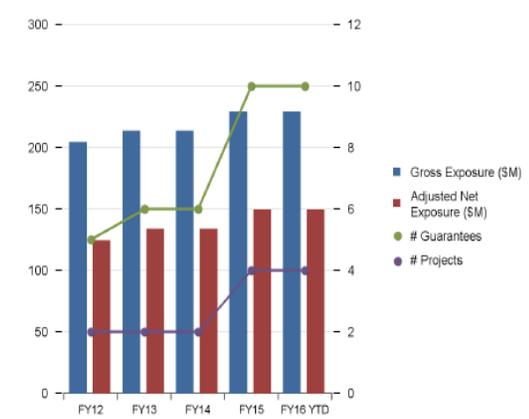
Issuances - Project Count



Runoff



Outstanding Exposure



Host Country: Jordan

F. Active Guarantee Detail

Management Sector	Contract	Effective Date	Expiry Date	Investor Name	Project Name	Business Sector	Region Name	Host Country	Investor Country	Priority Area	Risk Covers	Gross Exposure (\$USD)	Adjusted Net Exposure (\$USD)
AGS	11471-01	06/15/2012	06/14/2027	Albemarle Corporation	Jordan Bromine Company	Manufacturing	Middle East and North Africa	Jordan	United States		TR;EXP;WCD	199,800,000	120,000,000
EI	13761-01	06/17/2015	06/16/2035	Adenium Solar Jordan Limited	Adenium Jordan - 1	Infrastructure	Middle East and North Africa	Jordan	Cayman Islands		TR;EXP;WCD;BOC	3,150,000	3,150,000
EI	13760-01	06/17/2015	06/16/2035	Adenium Solar Jordan Limited	Adenium Jordan - 1	Infrastructure	Middle East and North Africa	Jordan	Cayman Islands		TR;EXP;WCD;BOC	3,150,000	3,150,000
EI	13761-01	06/17/2015	06/16/2035	Adenium Solar Jordan Limited	Adenium Jordan - 1	Infrastructure	Middle East and North Africa	Jordan	Cayman Islands		TR;EXP;WCD;BOC	3,150,000	3,150,000
EI	13845-01	06/17/2015	06/16/2035	Adenium Solar Jordan Limited	Jordan Solar One	Infrastructure	Middle East and North Africa	Jordan	Cayman Islands		TR;EXP;WCD;BOC	6,120,000	6,120,000
INF	11955-01	06/27/2013	06/26/2033	The Morganti Group Inc.	As Samra	Infrastructure	Middle East and North Africa	Jordan	United States	Complex	BOC	6,300,000	6,300,000
INF	12053-01	06/27/2013	06/26/2033	Inflico Degreemont, Inc.	As Samra	Infrastructure	Middle East and North Africa	Jordan	United States	Complex	BOC	2,070,000	2,070,000
INF	12053-02	06/27/2013	06/26/2033	Inflico Degreemont, Inc.	As Samra	Infrastructure	Middle East and North Africa	Jordan	United States	Complex	BOC	2,025,000	2,025,000
INF	12054-01	06/27/2013	06/26/2033	Suez Environnement SAS	As Samra	Infrastructure	Middle East and North Africa	Jordan	France	Complex	BOC	1,377,000	1,377,000
INF	12054-02	06/27/2013	06/26/2033	Suez Environnement SAS	As Samra	Infrastructure	Middle East and North Africa	Jordan	France	Complex	BOC	1,350,000	1,350,000
Grand Total	10 Contracts											226,492,000	146,692,000

Annex 7: Country Partnership Strategy Completion and Learning Review

Date of CPS (FY12-FY15): Dated February 1, 2012 (Report number 58114-JO)

Date of CPS Progress Report: Dated June 23, 2014 (Report number 87054-JO)

Completion and Learning Review prepared by: Piers Merrick (MNADE) with input from Wael Afifi (CBCD1) and May Ibrahim (MNC02)

I. INTRODUCTION

1. *This Completion and Learning Review (CLR) evaluates the performance of the joint International Bank of Reconstruction and Development (IBRD)/International Finance Corporation (IFC) Country Partnership Strategy (CPS) for Jordan FY12-15.* The CLR assesses the achievement of CPS program outcomes and the World Bank Group's (WBG) own performance before discussing the alignment of the CPS with the World Bank Group's strategic goals. The overall aim of the CLR is to present lessons from implementation that will inform the next Country Partnership Framework (CPF) for Jordan as well as to identify those with broader applicability.

2. *The CPS was discussed by the World Bank Group's Board of Directors on January 14, 2012.* The CPS aimed to support Jordan in its efforts to lay the foundations for creating inclusive growth through: (i) strengthening fiscal management and increasing accountability to support public financial management; (ii) strengthening the foundations for sustainable growth with a focus on competitiveness; and (iii) enhancing inclusiveness through social protection and local development.

3. *The CPS Progress Report (87054-JO; June 23, 2014) affirmed the broad relevance of a country strategy explicitly intended to be flexible and responsive to emerging priorities.* In the more than two years since the CPS was launched, the escalation of the Syrian conflict and the extent of spillover effects on Jordan and its neighbors became fully apparent. The impact was most visible in a large and sustained influx of refugees displaced by the conflict, but also in the direct effects on macroeconomic and fiscal stability and service delivery for both Jordanians and refugees.

4. *The Progress Report provided an opportunity to revisit the principal elements of the CPS in a changed and dynamic environment.* The strategy of engagement was refocused with the original objectives complemented by three additional themes intended to support a country now increasingly impacted by large, exogenous shocks expected to persist over the remaining CPS period: (i) strengthening resilience to economic shocks; (ii) seeking opportunities to enhance competitiveness and achieve shared prosperity; and (iii) efforts to reduce poverty.

5. *A turbulent regional political and security environment saw economic growth stall as authorities struggled to address high unemployment and the effects of the ongoing refugee crisis.* Negative spillovers have affected Jordan's economy, notably tourism, construction, investment and exports with the result that growth slowed for the first time since 2010. The rate of unemployment – already high – increased by 1.4 percent since 2014 reaching 13.1 percent. Estimates from the United Nations High Commissioner for Refugees indicate that Jordan is hosting over 635,000 refugees (January 2016), but public records suggest that the actual number may be closer to 1.2 million. In addition to the severe pressures placed on Jordan's economy and that of host communities, fiscal

conditions and the public services, the conflict in Syria and Iraq has resulted in the closure of important trade routes to both countries.

6. ***The World Bank Group (WBG) program was reoriented to respond more directly to the immediate impacts of the refugee crisis while keeping a focus on medium term reforms.*** In effect, the Progress Report instituted a more formal “twin track” approach that tries to strike a balance between addressing the immediate and urgent consequences of the Syrian conflict while also addressing essential structural reforms supporting private sector competitiveness and job creation. The continuing conflict suggests that this approach remains valid and should be adopted for the forthcoming CPF. The Progress Report provided an important opportunity to revise the results framework to reflect the adjustments in the engagement and program. The CPS objectives and targets were recalibrated in line with the emerging realities and, overall, the framework was simplified to provide a more focused and pragmatic basis for assessing results. This CLR uses the revised results framework to assess achievement.

II. SUMMARY OF EVALUATION FINDINGS

7. ***The rating for Development Outcome is Moderately Satisfactory, an assessment based on the fact that progress¹⁵ was made towards the majority of expected outcomes, the effective response to the refugee crisis represented an area of exceptional impact and there were no major shortcomings.*** WBG Performance is rated as **Good** in terms of the design and implementation of the Country Partnership Strategy (CPS). The CPS results frameworks (original and as revised in the CPS Progress Report) were closely aligned with government priorities and responsive to changing circumstances.

8. ***The WBG made good use of a flexible CPS design to respond to the impact of the Syrian conflict.*** Two emergency operations were launched to respond to the influx of refugees and the Jordanian communities that hosted them. These projects were among the first to make use of OP.10.00 paragraph 12: (i) The operations were prepared rapidly (The first of these was prepared in six weeks), and (ii) explicitly designed to be scalable (i.e. to allow rapid expansion in operational scope in response to changing conditions on the ground). The WBG response to the impact of the Syria crisis reflects an important lesson from IEG validations of previous Jordan country strategies, namely that they need to consider the risks stemming from the political economy and to outline possible alternative approaches should those risks materialize. Both projects have performed satisfactorily and the first project was evaluated as Moderately Satisfactory by Independent Evaluation Group (IEG).

9. ***The WBG took full advantage of the Progress Report to undertake substantial course correction.*** This was in response to a rapidly changing and deteriorating operating environment with the escalation of the impact of the Syria crisis. However, the Progress Report also provided an opportunity to confront longstanding challenges related to implementation capacity and government commitment. The CPS Progress Report emphasized the need to: structure a more focused portfolio with fewer projects; secure upstream commitment from the Ministry of Finance and line ministries that projects would receive sufficient attention and resources; consolidate the success of proven project

¹⁵ Of the 13 CPS objectives, 8 were Achieved; 1 was Mostly Achieved; 1 was Partially Achieved, and 3 were Not Achieved. Of the 20 indicators monitored, 14 were either Achieved or Mostly Achieved, 1 was Partially Achieved and five were Not Achieved.

designs; and adopt a more coordinated and programmatic approach to reform by helping to generate consensus around common reform objectives.

10. ***Steady progress was made in resolving issues affecting implementation during the CPS period although some challenges persist.*** The Progress Report identifies recommendations developed jointly by the World Bank Group and the Government of Jordan to improve selectivity and implementation performance. Since their introduction, there is evidence that the principles have been adopted and that the aim of “*working together differently*” is positively affecting the focus and performance of the portfolio: disbursement increased to 58 percent, the highest in the Middle East and North Africa (MENA) region; and only two projects in the portfolio are flagged as at risk (Jordan Ozone Depleting Substances HCFC Phase-out project, and National Unified Registry and Outreach Worker Program).

11. ***Both problem projects are undergoing substantive restructuring following which their ratings will be reassessed.*** The proactivity rating, currently 50 percent, is expected to return to 100 percent once the restructuring of the National Unified Registry and Outreach Worker Program is completed (expected FY16 Quarter 4). IEG evaluated nine projects exiting the portfolio (FY13-15), 55 percent of which were rated Moderately Satisfactory or above, slightly below the regional average of 63 percent. Jordan portfolio also evidences a significant Candor Gap of 25 percent (compared with the MENA regional average of zero). Improving both the candor and outcome ratings of Bank projects in Jordan will be a priority in the upcoming CPF implementation period.

12. ***The Bank lending program.*** As of March 2016, the Jordan portfolio (IBRD and Trust Funds) comprised active operations with net commitments of US\$515.3 million, of which US\$56.3 million remain undisbursed. The IBRD-financed operations are complemented by trust funded operations, a mix that reflects Jordan’s preference for grant financing in areas that address the direct socioeconomic impact of the crisis on refugees and host communities. Support to the energy and water sectors (US\$250 million DPL accounting for 48 percent of net commitments) is the largest area of IBRD/Trust Fund engagement, followed by micro, small and medium enterprises (MSME) development (28 percent), education and emergency municipal services (12 percent each).

13. ***The IFC program in Jordan has doubled since 2010 and IFC and IBRD programs are highly complementary.*** As of end-April 2016, IFC’s committed portfolio stands at US\$751 million with 24 companies and is focused on the transport, renewable energy, financial markets, manufacturing and chemical sectors. Over the CPS period (FY12-15), IFC’s total commitments in Jordan reached US\$797 million (of which US\$440 million was mobilization) across a number of landmark and high impact investments. Some notable investments include US\$221 million in Tafila Wind- the first privately-owned renewable energy facility, US\$208 million in ‘Seven Solar Sisters’¹⁶ – largest private sector-led solar PV initiative of its kind in the MENA region, US\$11 million in Luminus, a leading private vocational and technical training provider, and several investments in microfinance institutions (FINCA, MEMCC, Tamweelcom) to increase access to finance, especially women. IFC’s investments were complemented with a strong advisory program which focused on strengthening financial infrastructure, particularly access to finance, and improving the investment climate.

14. In addition, IFC committed a total of US\$192.5 million in FY12 in Hikma Pharma, a longstanding IFC client, to support its expansion in MENA and emerging markets. In FY14, IFC

¹⁶ FY15 – IFC invested US\$208 million in Jordan’s renewable energy: Shamsuna (35460); Falcon (35483); Adenium (35467); Arabia One (35474); Jordan Solar One (35479).

mobilized US\$45 million in B-loans for Jordan India Fertilizer Company (JIFCO) to support its manufacturing and export operations.

15. ***MIGA’s support to foreign private investors sends a strong signal that Jordan remains an attractive investment destination.*** MIGA’s outstanding gross exposure in Jordan stands at US\$228 million. In FY15, MIGA issued guarantees amounting to US\$15.6 million for investments by Adenium Solar and Jordan Solar One.

16. ***The enhanced impact that can result from WBG coordinated support remains central to the WBG value proposition.*** Past IEG validations of Jordan CPSs noted the benefits of a well-designed joint country strategy with a clearly defined division of labor, specifically the ability of each institution to contribute to common objectives in the areas of their comparative advantage. During the CPS implementation, collaboration between IFC and IBRD has intensified, with a specific emphasis on renewable energy and support to MSMEs. **Attachment 1** provides details of the overall portfolio, including both active and closed lending operations organized by CPS engagement area.

III. CPS OBJECTIVES AND OUTCOMES

Pillar 1 – Strengthen Resilience to Economic Shocks: Mostly Achieved.

17. Overall this Pillar was ***Mostly Achieved***. Activities under this pillar included the First and Second in a series of Programmatic Development Program Lending (DPLs) complemented by Advisory Services and Analytics (ASA) in areas including fiscal consolidation, distributional analysis, statistical capacity building and public procurement reform. A grant from the Middle East and North African Transition Fund was mobilized to strengthen targeting of social protection mechanisms in response to the growing impact of the Syria crisis.

18. Initial policy-based interventions focused on enhancing Jordan’s capacity and performance in the areas of governance, fiscal management, public sector efficiency and private sector led growth. A growing imperative to address the refugee crisis compounded the challenges facing Jordan and made the targeting of this intervention increasingly complex, as the government’s focus shifted to issues of fiscal consolidation and improved social protection. A second in the DPL series supported improving fiscal transparency and fiscal management. The pivot towards the emerging priority of social protection was mediated through the use of a small grant from the MENA Transition Fund, a multi-donor mechanism developed to provide catalytic technical assistance to initiatives with transformational potential.

1.1 Improved basis for targeting of subsidies: Not Achieved.

A national unified registry is in place and can be used by other agencies for targeting social assistance; Baseline – no (2013); Target – yes (2015)

19. The establishment of a National Unified Registry (NUR) remains a foundational element of a more effective and efficient social protection system and the project objective “to improve the targeting of social safety net programs” remains valid. However, a marked drop in international oil prices during the CPS period beneath the US\$100/barrel threshold triggered the suspension of the Government’s Fuel Subsidy Cash Compensation Scheme affecting the ongoing subsidy reform dialogue and blunting the immediate relevance of this Bank-financed activity. Once the originating purpose of collecting the

data (fuel subsidy payments) was removed, the database slid into disuse and the target of having the Registry in place by 2015 was not met. The project will be substantially restructured.

1.2 Strengthened effectiveness of Audit Bureau: Achieved.

Question 59 of Jordan's Global Integrity Country Score – "Is the supreme audit institution effective?" Baseline – 63 (2009); Target – 75 (2015)

20. This results area was directly supported through the Second Programmatic DPL for Jordan and measured by the respective score on the *Global Integrity* indicator scale. The country met its target score of 75 in 2015. The target focused mostly on strengthening the effectiveness and independence of the Audit Bureau. The Audit Bureau draft Law was approved by the Council of Ministers, but has not yet been adopted by Parliament despite the fact that it was submitted two years prior. Nonetheless, in line with international best practice, the Audit Bureau has withdrawn from performing ex-ante (pre-expenditure) audits in 98 out of 148 public entities (66 percent).

1.3 Increased public access to information: Achieved.

Jordan's Global Integrity Score Indicator 1.3 (public access to government information). Baseline – 64.6 (2011); Target – 75 (2015)

21. This results area was directly supported through the Second Programmatic DPL and is measured by Jordan's score on the *Global Integrity* indicator relating to public access to information. Jordan took active steps to increase the level of public access to new legislation and documentation in order to improve transparency. Requests for information from citizens were addressed within a specified timeframe and the country was able to meet the target score of 75 for 2015, representing a significant improvement over the 2011 baseline score (64.6).

Pillar 2 – Seek Opportunities to Enhance Competitiveness and Shared Prosperity: Mostly Achieved.

22. The adjustments made in the Progress Report to address the growing impact of the Syria crisis on Jordan were *Mostly Achieved* while also providing an opportunity to align the program more explicitly with the World Bank Group corporate objectives. This pillar emphasized a focus on shared prosperity as measured by the income of the bottom 40 percent in Jordan and addressed through the combined use of three approaches: addressing the bottom 40 percent directly (e.g. through the MSME activities targeting female entrepreneurs); addressing the needs of the bottom 40 percent indirectly by aiming to enhance growth (an example would include the activities to improve the investment climate for public private partnerships (PPPs)); and supporting localized effects that are neither directly targeted nor intended to affect the economy as a whole (for example, efforts to increase the efficiency of transport between the international airport and the main industrial city of Zarqa).

23. IFC advised the Government of Jordan on introducing comprehensive reforms on the inspection on business in the country. This included establishing a higher committee for inspection reforms, developing inspection operational manuals and standard operating procedures for nine inspectorates, providing on-going training and capacity building to inspectors on newly developed procedures and skills, conducting a legal review with the aim of eliminating the duplications in laws and regulations, and introducing full automation

2.1 Improved transport: Not Achieved.

Travel time between GAM to Zarqa improved through use of Amman Ring Road: Baseline 60 minutes (2010); Target – 40 minutes (2014)

24. This objective was supported through the Amman Development Corridor project. IBRD support focused on improving efficiency of transport and logistics services and the IBRD-financed section of the ring road was completed in contrast to some of the sections funded by other financiers. At the time of project closing, Sections 2 and 3 of the ring road (funded by IBRD and EIB respectively) were fully completed while Section 1 was 60% complete so that Phase 1 was 85 percent complete. Other project aspects, including achieving greater efficiency in the logistics sector and providing land for productive investment and urban development, were not achieved.

25. IFC's repeat investment of US\$94 million (of which US\$72.6 million was mobilization) in FY14 for the expansion of the Queen Alia International Airport provided critically needed long-term financing for transport infrastructure in Jordan, and supported the growth of the tourism industry, a strategically important sector for the Jordanian economy.

2.2 Improved electricity generation, with a focus on renewable energy: Achieved.

Added renewable power generation capacity: Baseline – 1.4MW (2011); Target – minimum of 70MW of New Generation Capacity from renewable sources under construction (2015)

26. This objective was supported through the GEF-funded Promotion of Wind Power Market project. The project achievement of PDO was rated at moderately satisfactory at the time of the ICR review in March 2016. The operation supported relevant legislation and regulations, established a relevant financing mechanism for wind power operations, and put in place a model pilot operation. The target of 70 MW of New Generation Capacity was surpassed and almost doubled at the time of project closing in June 2015, reaching 118.45 MW.

27. IFC is leading the support of private sector participation in the power sector in Jordan, especially with a growing program in renewable energy. Over the CPS period, IFC has invested in three projects in the energy sector: in FY12, IFC invested US\$10 million equity ACWA Jordan to increase installed capacity and strengthen platform power-related investments in the country. ACWA power is currently producing 7,964.3 GWh and serving 1.3 million customers; in FY14, IFC committed a US\$221 million debt package to support development of a 117 MW wind farm in Jordan – the country’s first commercial-scale renewable power project; and in FY15, IFC committed a US\$208 million financing package, more than half of which was mobilized from other investors to develop 91 MW of solar PV projects.

2.3 Improved solid waste services: Achieved.

Disposal capacity at Al Ghabawi landfill: Baseline – 6 million tons (2010); Target – 8 million tons (2015)

28. This objective was principally supported through the Amman Solid Waste Management Project – an innovative and technically demanding project that represented the first Bank engagement with the City of Amman in two decades. The project closed on June 30, 2014 fully meeting the landfill disposal capacity target. The project did experience delays in the start of the US\$25 million landfill gas collection and renewable energy production contract. Lessons relating to project design and implementation informed Progress Report recommendations.

2.4 Improved environmental sustainability: Achieved.

(i) Production system managed sustainably in protected areas: Baseline – 15,500 ha (2011); Target – 23,000 ha (2014); (ii) Annual consumption of hydrochlorofluorocarbons (HCFC): Baseline – 83 tons p.a.; Target – 74.4 tons p.a.

29. Indicator (i), drawn from the Progress Report, is not measured directly by the Badia Ecosystems grant that contributes to this objective. However, progress towards a similar indicator from the project’s Results Framework, “*New areas outside protected areas managed as biodiversity friendly (ha). Baseline – 0; Current – 3,000 ha; Target – 3,000 ha*” is being measured, has been achieved and has been used in this Review as the basis for the rating.

30. The Jordan Ozone Depleting Substances HCFC Phase-Out Project (GEF-financed) aims to help Jordan meet its Montreal Protocol HCFC phase-out obligations and contributes to the CPS objective through indicator (ii). The project provides grants to three beneficiary firms to help them

transition to using substances with a reduced ozone-depleting impact. Jordan remains on track to meet its Montreal Protocol obligations and the World Bank has received a request from Government to serve as lead agency in the next round of Montreal Protocol phase-outs. The project is undergoing restructuring that will also include a more ambitious final target for HCFC reductions. When restructured, it is expected that the project status will be upgraded and work will start on providing additional financing to address the next round of Montreal Protocol obligations.

2.5 Improved access to finance for MSMEs: Achieved.

(i) MSME beneficiaries under the line of credit: Baseline – 0 (2013); Target – 1,000 with women-owned businesses to represent 35 percent (2015); (ii) Number of micro-loans outstanding; Baseline – 90,289 (2011); Target – 108,000 (2015)

31. This results area was supported in part through the Second Programmatic DPL for Jordan and its agreed target of establishing of a Credit Bureau and also through the Jordan MSME Development Project for Inclusive Growth lending operation. IFC led the establishment of the first private credit bureau, the most advanced in the MENA region, which became operational in line with the agreed target date of September 2015.

32. The MSME Development Project was fully disbursed within 18 months of approval, and, in light of steady progress, the Bank approved additional financing. The original target of 1,000 MSME beneficiaries was exceeded, reaching 9,172. Furthermore, the percentage of female beneficiaries reached 87 percent, surpassing the original target of 35 percent. In the period 2012-2015, the financial institutions supported by IFC investment increased their outstanding MSME portfolio from US\$253 million to US\$820 million. The number of microloans outstanding also increased substantially from 73,866 (with a value of US\$33 million) to 109,979 (with a value of US\$76 million) achieving the target for this indicator.

33. Between FY12-15, IFC invested a total of US\$6 million in three microfinance institutions¹⁷, which helped substantially increase the number of microloans outstanding from 73,866 (with a value of US\$33 million) to 109,979 (US\$76 million). In addition, the financial institutions supported by IFC investment increased their outstanding MSME portfolio from US\$253 million to US\$820 million during the same period. On the advisory front, IFC has engaged with Bank al Etihad to increase the Bank's capacity to cater to SMEs banking needs, including women-owned enterprises.

34. IFC provided in-depth, tailored, advisory services to several medium and small enterprises. Together with the Jordan Institute of Directors, IFC delivered workshops and seminars catering to small and medium enterprises, reaching out to over 500 companies, and providing more than 1,000 directors and senior managers with training on corporate governance practices. IFC helped dozens of companies implement governance reform and improve performance. IFC also supported the Jordanian Companies Control Department at the Ministry of Industry and Trade, in drafting and publishing the corporate governance code of practice for SMEs and, with the Jordan Institute of Directors, jointly published a comparative study of corporate governance regulations relevant to SMEs, publicly listed companies and banks. IFC initiated discussions on gender diversity in company boards and conducted research on the highly positive impact of gender diversity on company financial performance.

¹⁷ FY13 invested US\$2 million in MEMCC II (#31262) and US\$2 million in Tamweelcom II (#32606); in FY14 invested US\$2 million in FINCA Jordan (#31217)

2.6 Suitable legal environment to regulate Public-Private Partnerships (PPP): Mostly Achieved.

The new PPP Law applies to all new PPP transactions and the PPP Unit has identified an initial pipeline of five potential PPP projects, subject to validation: Baseline – No PPP Law and no PPP unit (2011); Target – Effective application of the new PPP Law and effective use of the Ministry of Finance PPP Unit (2015)

35. This results area was supported through the Second Programmatic DPL for Jordan and its results objective that focused on a strengthened PPP framework. The Government took active steps in meeting this results area. A PPP Unit was put in place and fully staffed, as required, within the Ministry of Finance. While a comprehensive PPP legal framework was approved, it has not yet been possible to determine the extent to which the law has been applied in practice.

2.7 Improved learning environment: Achieved

(i) Schools that are implementing improvement plans (number): Baseline –789 (2008); Target – 3,000 (2015); (ii) Number of full-time equivalent students in IFC client’s various programs: Baseline – 5,663 (2013); Target – 6,491 (2015)

36. Support to this results area is linked to the Bank-financed Jordan Second Education Reform project, as well as to the IFC support to the education sector in the country. The first indicator is measured by the number of schools that continue to implement improvement plans. The target of 3,000 was surpassed in 2015 reaching 3,027. The IFC, under its Education for Employment (E4E) Initiative for Arab Youth, has invested US\$11 million equity in *Luminus* Jordan’s leading private vocational and technical training provider. This investment has provided 7,033 students with training in 2014 of which 1,628 were female. This investment complements IFC’s advisory work to promote a sustainable and coordinated approach that equips young Jordanians with the skills needed in Jordan’s growing information and communication technology industry.

Pillar 3 – Mitigate Vulnerability to Reduce Poverty: Partially Achieved

37. This pillar reflects an explicit focus on the corporate goal of poverty reduction in a context where Jordan’s existing vulnerabilities were exacerbated by the Syria crisis. The Bank’s assistance under this pillar has already informed the international dialogue on refugees and internally-displaced persons (IDP) in the MENA region as well as providing the implementation experience that defines an approach to resilience that has since been embedded in MENA Strategy. The WBG response in Jordan – increasingly cited as a response that successfully spans the “humanitarian-development nexus” – brings together three important features with potential for wider application: (i) rapid response to emerging crises; (ii) creative use of instruments and partnerships; and (iii) effective signaling and crowding in of donors.

38. The emergency response to the increasing numbers of Syrian refugees fleeing to Jordan was one of the first to make use of the newly introduced provisions under OP/BP10.00. This shortened preparation at a time when timely assistance was critical to maintain systems under severe stress and at imminent risk of collapse. In addition, the ability to provide an increased share of retroactive financing and use of a positive list of goods eligible for streamlined procurement materially improved both the timeliness and scope of assistance provided.

39. The Bank policy also permits greater flexibility in operating with partners including United Nations (UN) agencies. The Bank, through its initial responses to the refugee crisis, has developed a strong and effective partnership with the United Nations system. This partnership has improved the coordination and impact of the response and established a model for activities at the humanitarian-development nexus. Finally, the example of a rapid and effective response has helped identify areas where donor resources can be targeted. Both emergency operations in Jordan have leveraged substantial donor resources and, perhaps more importantly, helped define the issue of refugees as a global public good requiring exceptional support from the international community. This principle underpins the successful launch of the MENA Concessional Financing Facility (2016) established to provide middle-income countries hosting refugees access to concessional financing.

3.1 Improved access to safety nets and social services: Partially Achieved

(i) Beneficiaries in safety net programs (subsidies): Baseline – 0 (2014); Target – 2,500,000 (2016), of which 48.5 percent women; (ii) Population of workers covered by SSC: Baseline 810,000 (2010); Target – 1,000,000 (2014); (iii) Vulnerable households reached by social outreach workers hired by NGOs: Baseline – 0 (2013); Target – 6,000 (2015)

40. Indicator (i) was achieved in 2015 through the Emergency Project to Assist Jordan to Partially Mitigate the Impact of Syrian conflict. This rapid response to the impact of the Syrian conflict on host communities underscored the value of existing channels of social assistance in times of emergency. Indicators (ii) and (iii) are also linked to result area 1.1, and supported by the National Unified Registry and Outreach Worker Program. However, the targets were not met.

3.2 Improved capacity of municipalities and communities to cope with impact of Syrian refugee inflow: Achieved.

(i) Beneficiaries of efforts to address immediate service delivery impacts of Syrian refugee inflows in targeted municipalities: Baseline – 0 (2014); Target – 545,000 (2016), of which women 245,250; host population – 395,000, refugees – 150,000; (ii) Municipalities most affected by the influx of Syrian refugees ensuring pre-crisis levels of per capita investments in at least two of the following areas: solid waste, local roads, street cleaning, parks/recreational space, community services. Baseline – 0 (2014); Target – 50 percent (2016); (iii) Number of children immunized (0-6 years) to remain at or above baseline: Baseline – 1.1 million (2012); Target – 1.1million (2015)

41. Contributions to this results area were provided in large part by the Jordan Emergency Services and Social Resilience project. This activity supports Jordanian municipalities and host communities in addressing the immediate service delivery impacts of Syrian refugee inflows. The impact of large refugee populations placed significant stress on urban infrastructure and services affecting both Jordanians and refugees. The aim of the operation was to help maintain pre-crisis levels of basic services. The number of beneficiaries reached was exceeded, reaching over three million in 2016. In addition, the target of reaching 45.8 percent female beneficiaries was reached and maintained. The percentage of municipalities maintaining pre-crisis levels of per capita investments surpassed the target of 50 percent, reaching 100 percent. The immunization target was supported through the Emergency Project to Assist Jordan to Partially Mitigate the Impact of Syrian Conflict. The target of maintaining immunization at the pre-crisis baseline was achieved.

3.3 Improved protection of poor and transient poor households in a cost-effective matter. Not Achieved.

Number of poor and transient poor people benefitting from improved cash transfer targeting
Baseline – 0 (2012); Target –36,000 (2015). Not measured.

42. To develop a deeper understanding of poverty dynamics in Jordan – and to use these data to improve the targeting of social assistance – the Bank worked with the Government to analyze poverty data to assess those at high risk of falling into poverty. Taking advantage of Jordan’s quarterly surveying methodology, it was possible to identify those whose annual consumption exceeded the poverty level but who nonetheless experienced episodes of poverty throughout the year – a group termed the “transient poor”. Including the transient poor in poverty estimates significantly expanded the population that might be eligible for social assistance. Including the transient poor in poverty estimates, the poverty rate in Jordan increased from 14.4 percent to 33 percent (poverty rate including the transient poor). It was anticipated that repeat surveys would help target social assistance more effectively. In any event, it was not possible to generate comparative data and this fact, combined with a lack of progress in developing in the National Unified Registry, reduced opportunities to inform Bank-supported activities.

IV. WORLD BANK GROUP PERFORMANCE

43. ***The performance of the WBG in designing, adjusting and supporting implementation of the CPS program is rated Good.*** This assessment is based on several factors including: (i) continuing high relevance of the CPS objectives; (ii) effective implementation of the program including a joint (World Bank and Government) analysis of implementation challenges; (iii) an agile and innovative response to an emerging crisis (influx of Syrian refugees); (iv) extensive recalibration of the CPS results framework to address changing circumstances at the time of the Progress Report; (v) effective coordination with IFC; and (vi) an emphasis on partnership and aid coordination.

44. ***CPS objectives remained highly relevant to Jordan’s development goals.*** Even by the standards of the region, the Jordan CPS was implemented during a particularly challenging period. Few anticipated the intensity or duration of the Syrian conflict and the forced displacement of millions of Syrians that has resulted. The World Bank response to these circumstances was rapid and, rather than try to work around these challenges, the Bank tried to confront them directly. The refocusing of CPS objectives, priorities and results at the time of the Progress Report helped ensure that World Bank Group support remained well-aligned with country priorities and also provided an opportunity to bring the CPS in line with the World Bank Group’s strategy and country engagement approach. In particular, the emphases on poverty and boosting prosperity of the bottom 40 percent offered a strategic frame of reference that usefully informed World Bank Group support to Jordan.

45. ***Implementation challenges were addressed frankly and joint actions undertaken to enhance the impact of World Bank support.*** Performance issues affecting the World Bank’s portfolio in Jordan were exacerbated by the Syria crisis. The Progress Report provided an opportunity to discuss these with government counterparts, to jointly signal the importance of improving performance (and impact) of IBRD- or grant-financed activities, and to develop a shared approach to address these challenges systematically. The lasting impact of this joint commitment is expected to inform the approach taken in the next CPF (see for example lessons learned relating to institutional capacity and incentives) although there has already been some improvement in the portfolio performance with disbursements

(excluding Development Policy Financing) increasing from an average of US\$44 million (Fiscal years 2011- 2015) to US\$71 million in fiscal year 2016 to date.

46. ***An agile and innovative response to the impact of the Syria crisis underscores the need to retain flexibility.*** World Bank Group experience in Jordan and throughout MENA, has consistently reinforced the need for flexibility in implementation. The influx of refugees into a Middle Income Country sparked institutional reflection on how to address global public goods without access to sufficient grant financing and with no established model to apply. The World Bank’s initial response in the two emergency projects – making good use of the newly-introduced policy provisions for activities in cases of urgent need – demonstrated that the World Bank can pivot quickly and successfully to address emerging priority needs. The response is informing innovative operations in Jordan such as the support provided to Special Economic Zones for job opportunities for Jordanians and Syrians, as well as in other countries hosting large populations of those forcibly displaced.

47. ***The Bank and IFC took advantage of the Progress Report to make significant changes in the scope and focus of the CPS.*** In less volatile operating contexts, the Progress Report is often limited to reconfirming the relevance of the original strategic objectives. In Jordan, fundamental changes in the operating context required a systematic reassessment of priorities, the scope and scale of the World Bank Group program. In this sense, the Progress Report emerges as an integral tool in the implementation of a “flexible” approach.

48. ***Collaboration between the World Bank and IFC has been a notable aspect of this and past CPSs and will be of increasing significance as Jordan seeks to promote private sector-led growth.*** A clear division of labor based on strong coordination and comparative advantage has helped realize the potential of a “One World Bank Group” approach in Jordan. The coordination in the energy sector provides a good example where the World Bank provided support to policy reform (including the withdrawal of energy subsidies) and IFC supported the first private sector investments in renewable energy.

49. ***The centrality of partnerships and effective aid coordination was underscored by the response to the Syria crisis.*** The Syria crisis blurred the distinction between humanitarian and development assistance. Jordan, given its geopolitical significance, has received a significant share of external assistance, and the Bank was able to draw effectively on these relationships in galvanizing coordinated action and in catalyzing international support. The Bank has also developed strong working collaboration with United Nations agencies particularly those with a humanitarian mandate. As the response to the Syria crisis in Jordan gains international attention, the World Bank will be expected to support effective donor coordination to help avoid duplication and to enhance development impact. IFC will play a key role in introducing private sector solutions and financial products to support the hosting communities. IFC clients in Jordan have also started to contribute to national efforts addressing the Syrian refugee crisis.

ALIGNMENT WITH CORPORATE GOALS

50. ***The CLR finds the Jordan CPS closely aligned with the World Bank Group’s goals of eradicating extreme poverty and boosting shared prosperity in a sustainable manner.*** Recent implementation experience in Jordan has helped outline an approach to advance WBG goals in fragile middle-income settings, and the lessons from implementation during this CPS period have since been firmly embedded in the MENA Strategy. The MENA Strategy includes a pillar specifically focused

on strengthening resilience to shocks caused by IDPs/Refugees and is framed at more directly addressing the causes and consequences of violence in the region – strategic decisions that reflect key lessons from the Bank’s engagement in Jordan.

V. MAIN LESSONS

51. ***Jordan has maintained social stability even as the country experiences the aftershocks of regional conflict and unrest. The challenge for the CPF will be to support Jordan in responding to immediate priorities while also making progress in addressing longstanding development challenges.*** The WBG has played an important role in helping Jordan respond rapidly to the refugee crisis by making good use of the available instruments and policy provisions to accelerate progress. One goal of the next strategy should be to understand how successful emergent responses can be sustained and brought to scale. The progress made in the Second Education Reform for the Knowledge Economy (ERFKE II) project and in the Emergency Social Services and Resilience Project, underscores the importance of the Group's role in helping align donors around shared priorities, the central significance of government ownership and commitment, and the value of clearly established metrics to monitor progress and inform course correction.

52. ***Priorities for WBG support should be informed by a careful assessment of implementation capacity and institutional incentives.*** The Systematic Country Diagnostic illustrates the complexity of the political economy and the country's vulnerability to exogenous shocks. An important lesson from the CPS is that close alignment between the reforms supported and an appreciation of the state capability needed for their successful implementation are hallmarks of successful WBG-financed operations. By contrast where operational design has overestimated capacity or underestimated the organizational incentives to resist reform, they have not had the same impact. One approach may be to require operational teams to make explicit their assumptions as regards implementation capability, the level of government support and risks related to the achievement of the development objectives.

53. ***Flexibility in response should encompass a willingness to acknowledge and support positive deviance in project outcomes.*** The WBG has mainstreamed a flexible, twin-track approach in Jordan, one that responds to emerging challenges while sustaining focus on medium-term reforms. The challenge for the next CPF is to ensure that lessons from both immediate and medium-term interventions – what works and what does not – are captured and applied throughout the program. This is especially important in cases of positive deviance – where pilot initiatives or innovative approaches achieve unanticipated success that might be replicated at scale.

54. ***Well-designed monitoring and evaluation (M&E) arrangements are critical in a rapidly changing environment.*** Project-level results frameworks in Jordan exhibit many of the limitations noted elsewhere across the World Bank. Indicators often skew towards measuring outputs rather than outcomes; project-level results frameworks do not support a clear intervention logic or reflect a well-developed theory of change making assessment and attribution especially challenging; monitoring arrangements appear to be given limited attention during preparation and implementation with the result that indicators are not always captured systematically. In a dynamic operating context, the absence of effective monitoring and evaluation severely limits the potential to gauge performance or provide an early warning of the need for attention, adjustment and course correction.

55. ***Jordan's aspirations to promote a thriving private sector-led economy will require sustained WBG support.*** World Bank/IFC/MIGA collaboration has the potential to have a greater collective impact than could be achieved by either working alone. This is particularly evident in the case of renewable energy (Objective 2.2). Future efforts to embed a "One WBG" approach should also identify an expanded catalytic role for MIGA for example in providing guarantees for specific private sector investments envisaged as part of the proposed WBG collaboration to support Special Economic Zones and foster employment opportunities for Jordanians and refugees.

56. ***The performance and relevance of WBG activities need to be monitored continuously and adjustments made as rapidly as possible.*** The temptation to give operational challenges additional attention and time in the hope they can be resolved has sometimes proven to be ineffective in Jordan's dynamic, high risk environment. The CPS Progress Report provides a good example of the scale of change that may sometimes be required. Facing the profound shock of a refugee influx, the Progress Report made significant structural changes to the strategy, the program, objectives and results indicators in order to align the WBG program to an operating environment in flux.

57. ***The MENA Strategy provides a strong strategic foundation for the WBG program in Jordan.*** Developed in response to the socioeconomic and political ferment in the region, the strategy is organized around four pillars that aim to promote economic and social inclusion for peace and stability in the region by: (i) renewing the social contract; (ii) promoting regional cooperation; (iii) increasing resilience to IDP/refugee shocks; and (iv) supporting recovery and reconstruction) and provides a strong basis for organizing the World Bank Group program. Striking the appropriate balance between short and medium-term activities and between instruments and sectors has proven challenging in the current environment. Adopting relevant aspects of the MENA Strategy will help focus World Bank Group support in Jordan in ways that reflect the intersection between country priorities, World Bank Group comparative advantage and progress towards the goals of eradicating extreme poverty and boosting shared prosperity in a sustainable manner.

ATTACHMENT I: CPS (FY12-15) - COMPLETION AND LEARNING REVIEW- STATUS AND EVALUATION SUMMARY

*[Note: Indicators marked with * include a gender dimension]*

STRATEGIC GOAL 1 - STRENGTHEN RESILIENCE TO ECONOMIC SHOCKS – MOSTLY ACHIEVED			
Country Development Goals			
1.1 Improved basis for targeting of subsidies 1.2 Strengthened effectiveness of audit bureau 1.3 Increased public access to information			
Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of April 2016)	WBG Activities that Contributed to the Outcome	Lessons Learned
1.1 Improved basis for targeting of subsidies: Not Achieved			
-A National Unified Registry (NUR) is in place and can be used by other agencies for targeting social assistance. <i>Baseline: No [2013]</i> <i>Target: Yes [2015]</i>	<p>Not achieved.</p> <p>Events on the ground undermined the original project design and the NUR is not yet in place. The World Bank is in discussion with the Government with the aim of restructuring the project.</p> <p>Changes in design that reflect current good international practice would ensure a more flexible registry, easier to maintain, better able to integrate data and target a wider range of social benefits. Some progress was made in improving fiscal management and government transparency.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> • First Programmatic DPL • Statistical Capacity Building (TFSCB) • Fiscal Consolidation Study (ESW) • Distributional Analysis (ESW) 	<ul style="list-style-type: none"> • In a dynamic environment design assumptions informing temporary solutions can quickly become binding constraints. Project design should distinguish short-term interventions from longer-term institutional development activities that need to be initiated quickly but can be sustained over the longer-term. • The need for sudden and substantive changes in project focus or design impose burdens on capacity that is already overstretched or that may be ill-equipped to assume new responsibilities.

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of April 2016)	WBG Activities that Contributed to the Outcome	Lessons Learned
1.2 Strengthened effectiveness of audit bureau – Achieved			
<p>-Question 59 of Jordan’s Global Integrity Country Score: “Is the supreme audit institution effective?”</p> <p><i>Baseline: 63 [2009]</i></p> <p><i>Target:75 [2015]</i></p>	<p>Achieved. Steps have been taken towards strengthening internal controls:</p> <ul style="list-style-type: none"> • Developing a unified financial controls by-law that is applied to all government institutions; • A new Audit Bureau Law • An MoU between MoF and the Audit Bureau that articulates a roadmap to strengthen the capacity of internal control units in the line ministries and agencies to allow the Audit Bureau to withdraw from ex-ante control activities (pre-audit) and focus on ex-post audits. 	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> • Strengthening Capacity & Efficiency of Jordan Supreme Audit (IDF) • Jordan Association of Certified Public Accountants (JACPA) Capacity Building (IDF) 	
1.3 Increased public access to information – Achieved			
<p>-Jordan’s Global Integrity Country Score indicator 1.3 (public access to government information).</p> <p><i>Baseline: 64.6 [2011]</i></p> <p><i>Target: 75 [2015]</i></p>	<p>Achieved. The GoJ issued amendments to the by-laws governing the work of the Legislative Bureau. The amendments have been adopted by the CoM. As a result, all draft laws and by-laws have to be published on a website for a minimum period of ten days for public consultation. This bylaw has been in effect since February 2013.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> • Regional Program on Public Sector Complaints Mechanisms (TA) • Governance Reform (TA) • Public Procurement Reform (IDF) • Ombudsman Capacity Building Support (IDF) 	

STRATEGIC GOAL 2: SEEK OPPORTUNITIES TO ENHANCE COMPETITIVENESS AND SHARED PROSPERITY

– MOSTLY ACHIEVED

Country Development Goals

2.1 Improved transport

2.2 Improved electricity generation, with a focus on renewable energy

2.3 Improved solid waste services

2.4 Improved environmental sustainability

2.5 Improved access to finance for MSMEs

2.6 Suitable legal environment to regulate PPPs

2.7 Improved learning environment in targeted schools

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of April 2016)	WBG Activities that Contributed to the Outcome	Lessons Learned
2.1 Improved transport – Not Achieved			
-Travel time from GAM to Zarqa improved through use of Amman Ring Road. <i>Baseline: 60 minutes [2010]</i> <i>Target: 40 minutes [2014]</i>	<i>Not Achieved.</i> The travel time from GAM to Zarqa improved from 60 minutes (2010) to 48 minutes (2014).	<u>Ongoing or Completed Financing/AAA:</u> <ul style="list-style-type: none"> • Amman Development Corridor (IBRD) • IFC investment in Queen Alia Airport II 	

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of April 2016)	WBG Activities that Contributed to the Outcome	Lessons Learned
2.2 Improved electricity generation, with a focus on renewable energy – Achieved			
<p>-Added renewable power generation capacity.</p> <p><i>Baseline: 1.4 MW [2011]</i></p> <p><i>Target: Minimum of 70 MW of New Generation Capacity from renewable sources under Construction [2015]</i></p>	<p>Achieved. The target of minimum 70MW of added renewable power generation capacity was exceeded reaching 118.45MW (2016)</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> • Second Programmatic DPL • Energy Efficiency Investment Support (GEF) • Energy Sector (TA) • Smart Grids for Green Growth (TA) • Jordan Energy Sector Support for Reform (TA) • Amman East Power Plant (PRG) • Promotion of a Wind Power Market (GEF) • IFC ACWA Jordan • IFC Tafila: total financing package of \$221 million with included a mix of A, B and C-loans • IFC “Seven Solar Sisters” (IFC/R2014-0296) 	<ul style="list-style-type: none"> • Well-defined coordination between IBRD and IFC allowed more to be achieved in areas such as renewable energy than either could have achieved separately.
2.3 Improved solid waste services - Achieved			
<p>-Disposal capacity at Al Ghabawi landfill.</p> <p><i>Baseline: 6 million tons [2010]</i></p> <p><i>Target: 8 million tons [2014]</i></p>	<p>Achieved. The target of 8 million tons of disposal capacity at Al Ghabawi landfill was met.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> • Amman Solid Waste Management Project (IBRD) 	

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of April 2016)	WBG Activities that Contributed to the Outcome	Lessons Learned
2.5 Improved access to finance for MSMEs – Achieved			
<p>-MSME beneficiaries financed under the line of credit;</p> <p><i>Baseline: 0 [2013];</i></p> <p><i>Target: 1,000 with women-owned businesses to represent 35% * [2015]</i></p> <p>-Number of microloans outstanding</p> <p><i>Baseline: 90,829 [2011]</i></p> <p><i>Target: 108,000 [2015]</i></p>	<p>Achieved. The original target of 1,000 MSME beneficiaries was exceeded, reaching over 9,000. The percentage of female beneficiaries reached 87 percent, far exceeding the original target of 35 percent.</p> <p>Achieved. The number of microloans outstanding increased substantially to 109,979.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> • Strengthening the Regulatory & Institutional Framework for MSME Development (MNAISA) • MSME Development Project for Inclusive Growth (IBRD) • MSME Development (TA) • SME Investment Climate Assessment (TA) • Payment Systems (TA) • IFC working with CB in establishing first credit bureau • Insolvency Reform IFC TA with USAID • IFC Doing Business Reforms Advisory Services • IFC investment climate advisory services activities: regulatory streamlining and fairness; strengthening of FDI rules and regulations and investment service provision and capacity • IFC Investments in MSME three MFIs (MEMCC II, Tamweelcom II, FINCA Jordan) • IFC advisory with Bank al Etihad 	

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of April 2016)	WBG Activities that Contributed to the Outcome	Lessons Learned
2.6 Suitable legal environment to regulate PPPs – Mostly Achieved			
<p>- The new PPP Law applies to all new PPP transactions and the PPP Unit has identified an initial pipeline of five potential PPP projects, subject to validation.</p> <p><i>Baseline: No PPP law and no PPP Unit [2011]</i></p> <p><i>Target: Effective application of the new PPP Law and effective use of the Ministry of Finance’s PPP Unit [2015]</i></p>	<p>Mostly Achieved. Cabinet approval of adequate PPP by-laws and implementing regulations of the PPP law in line with international best practice. A pipeline has yet to be identified.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> • Jordan PPP (TA) • Institutional Policy Support Development of PPP Program (TA) • Competitiveness & Innovation Partnership (TA) • Jordan Competitiveness and Investment (TA) 	
2.7 Improved learning environment in targeted schools –Achieved			
<p>- Schools that are implementing improvement plans (number).</p> <p><i>Baseline:789 [2008]</i></p> <p><i>Target: 3,000 [2015]</i></p> <p>-Number of full time equivalent students in IFC client’s various programs</p> <p><i>Baseline: 5,663 [2013]</i></p> <p><i>Target: 6,491 [2015]</i></p>	<p>Achieved. To date 3,716 schools are implementing improvement plans</p> <p>Achieved. 7,033 students received vocational/technical training</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> • ERfKE II (IBRD) • Jordan Education PER (ESW) • IFC E4E initiative for Arab Youth; First investment committed in FY14 (Luminus) and advisory support to Int@j 	

Revised CPS Outcomes and Indicators	Status and Evaluation Summary (As of April 2016)	WBG Activities that Contributed to the Outcome	Lessons Learned
3.2 Improved capacity of municipalities and communities to cope with impact of Syrian refugee inflow - Achieved			
<p>- Beneficiaries of efforts to address immediate service delivery impacts of Syrian refugee inflows in targeted municipalities (number).</p> <p><i>Baseline: 0 [2014];</i></p> <p><i>Target: 545,000 of which: (i) women: 245,250; (ii) host population: 395,000; (iii) refugee:150,000 *[2016]</i></p> <p>- Municipalities most affected by the influx of Syrian refugees ensuring pre-crisis levels of per capita investments in at least two of the following areas: (i) solid waste; (ii) local roads; (iii) street cleaning; (iv) parks/ recreational space; (v) community services.</p> <p><i>Baseline: 0 [2014];</i></p> <p><i>Target: 50 percent [2016]</i></p> <p>- Number of children immunized (0-6 years) to remain at or above baseline.</p> <p><i>Baseline: 1.1 million [2012]</i></p> <p><i>Target: 1.1 million [2015]</i></p>	<p>Achieved.</p> <p>Achieved. 100 percent of the affected municipalities targeted have met this threshold.</p> <p>Achieved.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> • Emergency Services and Social Resilience Project (ESSRP MDTF) • Mitigating Impact of Syrian Displacement on Jordan (IBRD) • Displaced People in Jordan (SPBF) <p>Syrian Refugee Crisis Impact (3-Country Survey) (ESW)</p>	

3.3 Improved capacity of GoJ to accurately measure and monitor poverty - Not Achieved

<p>- Number of poor and transient poor people benefitting from improved cash transfer targeting.</p> <p><i>Baseline: 0 [2012]</i> <i>Target: 36,000 [2015]</i></p>	<p><i>Not Achieved.</i> It was not possible to generate comparative data to inform Bank-supported activities.</p>	<p><u>Ongoing or Completed Financing/AAA:</u></p> <ul style="list-style-type: none"> • Jordan Poverty (TA) • National Unified Registry and Outreach Worker Program (MENA Transition Fund) 	
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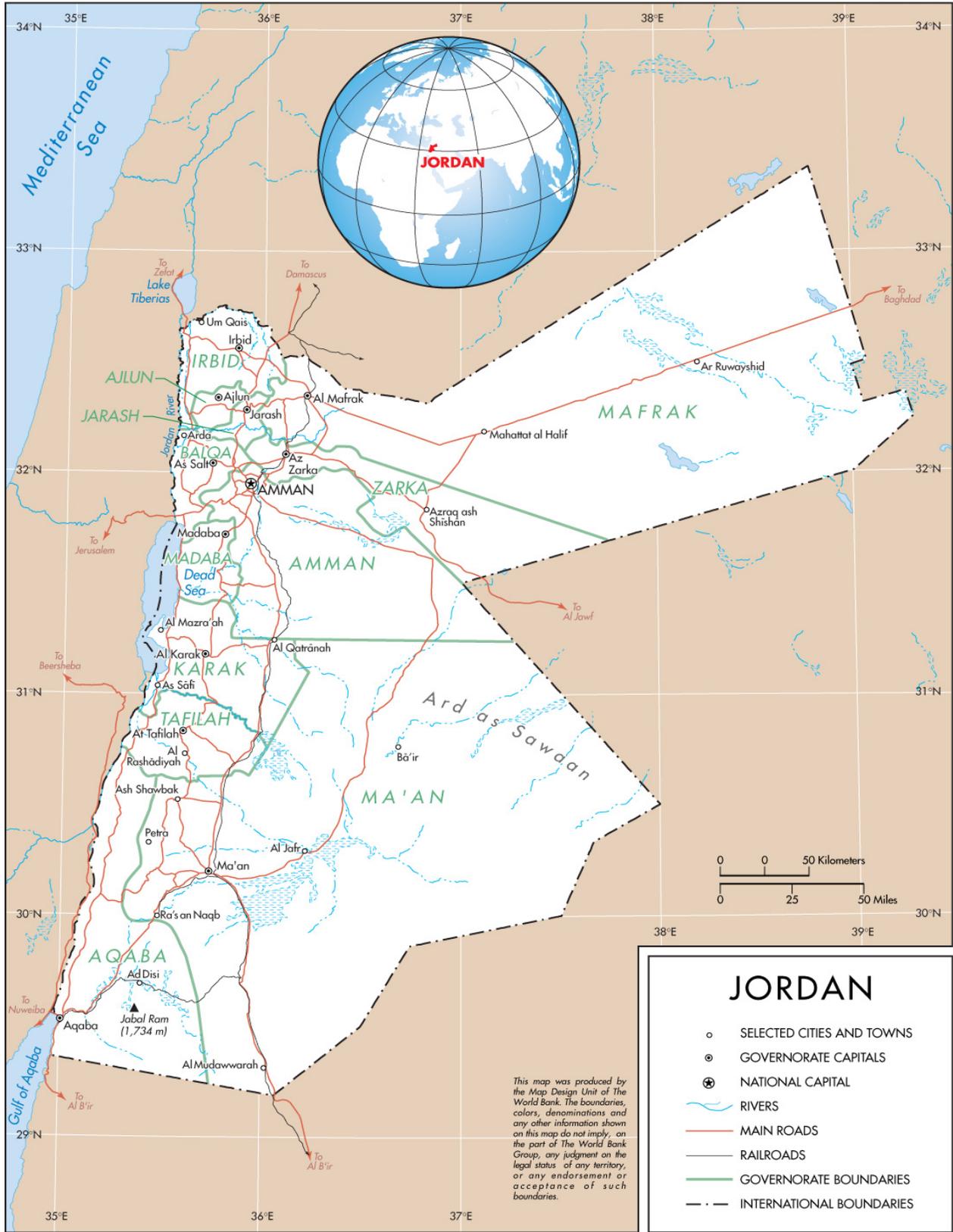
Attachment 2: Planned Lending and Non-lending Program and Actual Deliveries

Loans		Loans		Advisory Services and Analytics	
Planned	CPS Est.	Actual	Actual	Planned	Actual
INVESTMENTS	US\$ m	INVESTMENTS	US\$ m	Analytical and Advisory Activities	
FY12 Jordan First Programmatic DPL	250	FY12 Jordan First Programmatic DPL	250	FY12 Fiscal Consolidation Study (ESW)	FY12 Options for Immediate Fiscal Adjustment and Longer Term Consolidation (ESW)
FY13 Independent Power Producer Project - Partial Risk Guarantee (PRG - IPP3 & IPP4)	100	FY13 JO MSME Dev. Project for Inclusive Growth	70	Development Policy Review (ESW)	Development Policy Review (ESW)
Jordan Second Programmatic DPL	100	FY14 Mitigate the Impact of Syrian Displacement on Jordan	150	Poverty Reduction Prog. (TA)	Jordan Housing Finance (TA)
FY14 Third Development Policy Loan	TBD	JO Second Programmatic DPL	250	Youth & Inclusion Poverty & Social Impact Analysis (TA)	Jordan Youth and Inclusion PSIA (ESW)
FY15 Regional Cross Border Trade Facilitation & Infrastructure	TBD	FY15 JO-MSME Development for Inclusive Growth	50	Subsidies Targeting (TA)	Jordan Health Policy Dialogue (TA)
Micro, Small & Medium Ent. Facility	TBD	FY16 Ongoing JO-Energy/Water Sector Reforms DPL (FY16)	250	Competitive Industries, SME Growth (TA)	Jordan Strengthening Solvency Supervision (TA)
Arab Financing for Infrastructure	TBD	Ongoing Education Reform for Knowledge Economy II	60	Gender Assessment / Gender Action Plan (ESW)	Jordan Country Gender Assessment (ESW)
		Under Preparation Economic Opportunities for Jordanians and Syrians (IDA & Concessional Financing)-US\$300m (FY17)		Regional Program on Public Sector Complaints Mechanisms (TA)	FY13 JO-FM Support to Country Level Activity
		Energy and Water Development Policy Loan-US\$250m (FY17)		National Employment Strategy (TA)	Jordan Distributional Analysis
Total Investments:	450	Total Investments:	1080	Social Security Law-Employment Opportunities for Women (ESW)	Jordan Competitiveness and Investment (TA)
				Enterprise Survey / Financial Review (TA)	FY14 Jordan Gender Assessment/Action Plan (TA)
Planned	CPS Est.	Actual	Actual	Tourism Dev't. Prog. for the Irbid Historic City Center & Tafileh (TA)	Jordan National Employment Strategy (TA)
GRANTS	US\$ m	GRANTS	US\$ m	Nationally Appropriate Mitigation Actions (TA)	Jordan Programmatic Poverty Analysis (PA)
FY12 Amman Green Growth Program	0.6	FY12 Regional Coordination on Improved Water Resources Management and Capacity Building in Cooperation with NASA (GEF)	1.05	Broadband Policy for ICT (TA)	Payment Systems Reforms (TA)
Capacity Building for the Promotion of Treated Wastewater Reuse in the Mediterranean (GEF)	TBD	Jordan Public Procurement Reform Support (IDF)	0.25	Pricing Irrigation Water in the Jordan Valley (TA)	JO-Transport Sector (TA)
Jordan Asso. of Certified Public Accountants (JACPA) Capacity Building (IDF)	0.25	Jordan Anti-Corruption Commission Improvement (IDF)	0.25	Jordan Health Financing (TA)	Smart Grids for Green Growth and Regional Integration (TA)
Enhancing Legal Aid Services to Iraqi and Palestinian Refugees (SPF)	1.8	Legal Aid Services to Iraqis and Palestinians (SPBF)	1.83	Community-Driven Development of Legal Aid Services (JSDF)	Competitiveness and Innovation Partnership (TA)
Community-Driven Development of Legal Aid Services (JSDF)	2.6	Ombudsman Capacity-Building Support (IDF)	0.25		

FY13: Red Sea & Gulf of Aden Strategic Ecosystem Mgt. (REGIONAL - GEF)	TBD	JACPA Capacity Building	0.25		Investment Climate (TA)
Badia Ecosystem & Livelihoods (GEF)	3.3	FY13 JO-Badia Ecosystem and Livelihoods	3.3		FY15: Jordan- Follow up to the Study on Enabling Procurement Reform
		Jordan Ozone Depleting Substances HCFC Phase-Out Project (OTF)	2.78		Poverty and Vulnerability - Phase 1 (ESW)
		Desert Ecosystems and Livelihoods Knowledge Sharing and Coordination Project (GEF)	1		Distributional Impact of Reform Phase 1 (ESW)
		Jordan Statistical Capacity Building (TFSCB)	0.23		Public Investment Management (TA)
		Displaced People in Jordan (SPBF)	0.9		Jordan Gender Assessment/Action Plan (TA)
		FY14: Emergency Services and Social Resilience Project (ESSRP MDTF)	52.7		Ongoing: Service Delivery in Health and Education (TA)
		Red Sea and Gulf of Aden Strategic Ecosystem Management GEF Project	3		Jordan National Housing Strategy Update (TA)
		Strengthening the Capacity and Effectiveness of Jordan Supreme Audit Institute (IDF)	0.25		Support to the Jordan Water Sector (TA)
		JO MSME Development (MENA Transition Fund)	3		Jordan Poverty (TA)
		National Unified Registry and Outreach (MENA Transition Fund)	9.5		Jordan Education PER (ESW)
		Strengthening the Regulatory and Institutional Framework for MSME Development	3		Jordan Energy Sector Support for Reform (TA)
		FY15: Education Quality and Accountability (MENA MDTF)	0.6		Jordan Follow up to Procurement Reform (TA)
Total Grants:	8.6	Total Grants:	84.1		
Grand Total (Investments & Grants):	458.6	Grand Total (Investments & Grants):	1164.1		

Annex 8: Map

IBRD 33424



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