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**The World Bank**

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Report No: PAD4552

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL LOAN

IN THE AMOUNT OF US\$290 MILLION

TO THE

HASHEMITE KINGDOM OF JORDAN

FOR AN

JORDAN EMERGENCY CASH TRANSFER COVID-19 RESPONSE PROJECT

JUNE 11, 2021

Social Protection and Jobs Global Practice  
Middle East and North Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective May 03, 2021)

Currency Unit = Jordanian Dinar (JOD)

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JOD 1= US\$1.41

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## FISCAL YEAR

January 1 - December 31

Regional Vice President: Ferid Belhaj

Country Director: Saroj Kumar Jha

Regional Director: Keiko Miwa

Practice Manager: Anush Bezhanyan

Task Team Leader(s): Khalid Ahmed Ali Moheyddeen, Cristobal Ridao-Cano

## ABBREVIATIONS AND ACRONYMS

|          |   |
|----------|---|
| AF       | Additional Financing                                  |
| COVID-19 | Novel coronavirus SARS-CoV2                           |
| CERC     | Contingent Emergency Response Component               |
| CPF      | Country Partnership Framework                         |
| CT       | Cash Transfer   |
| DFIL     | Disbursement and Financial Information Letter         |
| ESCP     | Environmental and Social Commitment Plan              |
| ESF      | Environmental and Social Framework                    |
| ESS      | Environmental and Social Standards                    |
| FHH      | Female-headed households                              |
| FM       | Financial Management                                  |
| GDP      | Gross Domestic Product                                |
| GOJ      | Government of Jordan                                  |
| GBV      | Gender-Based Violence                                 |
| GRM      | Grievance and Redress Mechanism                       |
| HH       | Households  |
| IBRD     | International Bank for Reconstruction and Development |
| ILO      | International Labor Organization                      |
| IPF      | Investment Project Financing                          |
| ISR      | Implementation Status and Results Report              |
| ISTD     | Income and Sales Tax Department                       |
| JOD      | Jordanian Dinar                                       |
| LMP      | Labor Management Procedure                            |
| MDTF     | Multi-Donor Trust Fund                                |
| MENA     | Middle East and North Africa Region                   |
| MIS      | Management Information System                         |
| MOH      | Ministry of Health                                    |
| MOITS    | Ministry of Information Technology Solutions          |
| MOL      | Ministry of Labor                                     |
| MOPIC    | Ministry of Planning and International Cooperation    |
| MOSD     | Ministry of Social Development                        |
| NGO      | Non-Governmental Organization                         |
| NPRP     | National Preparedness and Response Plan               |
| NAF      | National Aid Fund                                     |
| NSPS     | National Social Protection Strategy                   |
| NUR      | National Unified Registry                             |
| PBC      | Performance-Based Conditions                          |
| PDO      | Project Development Objective                         |
| PMU      | Project Management Unit                               |
| POM      | Project Operations Manual                             |
| SEP      | Stakeholder Engagement Plan                           |
| SSC      | Social Security Corporation                           |
| UNICEF   | United Nations Children's Fund                        |

|     |                           |
|-----|---------------------------|
| WFP | World Food Program        |
| WHO | World Health Organization |

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**BASIC INFORMATION – PARENT (Jordan Emergency Cash Transfer COVID-19 Response Project - P173974)**

|            |                              |                             |             |                          |
|------------|------------------------------|-----------------------------|-------------|--------------------------|
| Country    | Product Line                 | Team Leader(s)              |             |                          |
| Jordan     | IBRD/IDA                     | Khalid Ahmed Ali Moheyddeen |             |                          |
| Project ID | Financing Instrument         | Resp CC                     | Req CC      | Practice Area (Lead)     |
| P173974    | Investment Project Financing | HMNSP (9344)                | MNC02 (399) | Social Protection & Jobs |

Implementing Agency: National Aid Fund (NAF), Ministry of Planning and International Cooperation

|                                      |  |
|--------------------------------------|--|
| Is this a regionally tagged project? |  |
| No                                   |  |

|                        |
|------------------------|
| Bank/IFC Collaboration |
| No                     |

|               |              |                                    |  |
|---------------|--------------|------------------------------------|--|
| Approval Date | Closing Date | Expected Guarantee Expiration Date | Environmental and Social Risk Classification |
| 25-Jun-2020   | 30-Jun-2022  |                                    | Substantial                                  |

**Financing & Implementation Modalities**

|   |  |
|---|--|
| <input type="checkbox"/> Multiphase Programmatic Approach [MPA]         | <input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC) |
| <input type="checkbox"/> Series of Projects (SOP)                       | <input type="checkbox"/> Fragile State(s)  |
| <input checked="" type="checkbox"/> Performance-Based Conditions (PBCs) | <input type="checkbox"/> Small State(s)  |
| <input type="checkbox"/> Financial Intermediaries (FI)                  | <input type="checkbox"/> Fragile within a Non-fragile Country                      |
| <input type="checkbox"/> Project-Based Guarantee                        | <input type="checkbox"/> Conflict  |
| <input type="checkbox"/> Deferred Drawdown                              | <input checked="" type="checkbox"/> Responding to Natural or Man-made disaster     |
| <input type="checkbox"/> Alternate Procurement Arrangements (APA)       | <input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)           |

**Development Objective(s)**



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

**Ratings (from Parent ISR)**

|                                      | Implementation |             | Latest ISR  |
|--------------------------------------|----------------|-------------|-------------|
|                                      | 20-Oct-2020    | 26-Apr-2021 | 04-Jun-2021 |
| Progress towards achievement of PDO  | S              | MS          | MS          |
| Overall Implementation Progress (IP) | S              | MS          | MS          |
| Overall ESS Performance              | S              | MS          | MS          |
| Overall Risk                         | S              | S           | S           |
| Financial Management                 | S              | S           | S           |
| Project Management                   | S              | MS          | MS          |
| Procurement                          | S              | S           | S           |
| Monitoring and Evaluation            | S              | S           | S           |

**BASIC INFORMATION – ADDITIONAL FINANCING (Jordan Emergency Cash Transfer COVID-19 Response Additional Financing - P176807)**

|                                     |   |                           |                                     |
|-------------------------------------|---|---------------------------|-------------------------------------|
| Project ID                          | Project Name  | Additional Financing Type | Urgent Need or Capacity Constraints |
| P176807                             | Jordan Emergency Cash Transfer COVID-19 Response Additional Financing | Restructuring, Scale Up   | Yes                                 |
| Financing instrument                | Product line  | Approval Date             |                                     |
| Investment Project Financing        | IBRD/IDA  | 24-Jun-2021               |                                     |
| Projected Date of Full Disbursement | Bank/IFC Collaboration  |                           |                                     |



|                                      |    |  |  |
|--------------------------------------|----|--|--|
| 31-Dec-2023                          | No |  |  |
| Is this a regionally tagged project? |    |  |  |
| No                                   |    |  |  |

**Financing & Implementation Modalities**

|  |  |
|--|--|
| <input type="checkbox"/> Series of Projects (SOP)                                  | <input type="checkbox"/> Fragile State(s)                                      |
| <input checked="" type="checkbox"/> Performance-Based Conditions (PBCs)            | <input type="checkbox"/> Small State(s)  |
| <input type="checkbox"/> Financial Intermediaries (FI)                             | <input type="checkbox"/> Fragile within a Non-fragile Country                  |
| <input type="checkbox"/> Project-Based Guarantee                                   | <input type="checkbox"/> Conflict  |
| <input type="checkbox"/> Deferred Drawdown   | <input checked="" type="checkbox"/> Responding to Natural or Man-made disaster |
| <input type="checkbox"/> Alternate Procurement Arrangements (APA)                  | <input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)       |
| <input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC) |  |

**Disbursement Summary (from Parent ISR)**

| Source of Funds | Net Commitments | Total Disbursed | Remaining Balance | Disbursed |       |
|-----------------|-----------------|-----------------|-------------------|-----------|-------|
| IBRD            | 350.00          | 43.26           | 306.75            |           | 12 %  |
| IDA             |                 |                 |                   |           | %     |
| Grants          | 24.17           | 24.16           | 0.01              |           | 100 % |

**PROJECT FINANCING DATA – ADDITIONAL FINANCING (Jordan Emergency Cash Transfer COVID-19 Response Additional Financing - P176807)****FINANCING DATA (US\$, Millions)****SUMMARY (Total Financing)**

|                           | Current Financing | Proposed Additional Financing | Total Proposed Financing |
|---------------------------|-------------------|-------------------------------|--------------------------|
| <b>Total Project Cost</b> | 374.17            | 290.00                        | 664.17                   |
| <b>Total Financing</b>    | 374.17            | 290.00                        | 664.17                   |





|                          |        |        |        |
|--------------------------|--------|--------|--------|
| <b>of which IBRD/IDA</b> | 350.00 | 290.00 | 640.00 |
| <b>Financing Gap</b>     | 0.00   | 0.00   | 0.00   |

**DETAILS - Additional Financing**

**World Bank Group Financing**

|  |        |
|--|--------|
| International Bank for Reconstruction and Development (IBRD) | 290.00 |
|--|--------|

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any other Policy waiver(s)?

Yes  No



**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

| E & S Standards   | Relevance              |
|---|------------------------|
| Assessment and Management of Environmental and Social Risks and Impacts                       | Relevant               |
| Stakeholder Engagement and Information Disclosure   | Relevant               |
| Labor and Working Conditions  | Relevant               |
| Resource Efficiency and Pollution Prevention and Management                                   | Not Currently Relevant |
| Community Health and Safety   | Relevant               |
| Land Acquisition, Restrictions on Land Use and Involuntary Resettlement                       | Not Currently Relevant |
| Biodiversity Conservation and Sustainable Management of Living Natural Resources              | Not Currently Relevant |
| Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities | Not Currently Relevant |
| Cultural Heritage   | Not Currently Relevant |
| Financial Intermediaries  | Not Currently Relevant |

**NOTE:** For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Social Protection & Jobs

**Contributing Practice Areas**

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**PROJECT TEAM****Bank Staff**

| <b>Name</b>                        | <b>Role</b>                                       | <b>Specialization</b>                | <b>Unit</b>     |
|------------------------------------|---|--------------------------------------|-----------------|
| Khalid Ahmed Ali Moheyddeen        | Team Leader (ADM Responsible)                     | Senior Social Protection Specialist  | HMNSP           |
| Cristobal Ridao-Cano               | Team Leader                                       | Lead Economist                       | HMNSP           |
| Samera Esmail Mohammed Al-Harethi  | Procurement Specialist (ADM Responsible)          | Procurement Specialist               | EMNRU           |
| Lina Fares                         | Procurement Specialist                            | Senior Procurement Specialist        | EMNRU           |
| Jad Raji Mazahreh                  | Financial Management Specialist (ADM Responsible) | Sr Financial Management Specialist   | EMNGU           |
| Amer Abdulwahab Ali Al-Ghorbany    | Environmental Specialist (ADM Responsible)        | Environmental Specialist             | SMNEN           |
| Deborah Beth Berger                | Social Specialist (ADM Responsible)               | Senior Social Development Specialist | SMNSO           |
| Anastasiya Denisova                | Team Member                                       | Payment Specialist                   | HSASP           |
| Carole Chartouni                   | Team Member                                       | Labor Economist                      | HMNSP           |
| Chaogang Wang                      | Team Member                                       |                                      | SMNSO           |
| Emeran Serge M. Menang Evouna      | Team Member                                       | Senior Environmental Engineer        | SMNEN           |
| Laura Kiku Rodriguez Takeuchi      | Team Member                                       | Economist                            | EMNPV           |
| Maiada Mahmoud Abdel Fattah Kassem | Team Member                                       | Finance and Disbursement             | WFACS           |
| Marie Agnes Ndour Huchard          | Team Member                                       | Program Assistant                    | HMNSP           |
| Matthew Grant Wai-Poi              | Team Member                                       | Sr. Economist                        | EEAPV           |
| Maya El-Azzazi                     | Team Member                                       | Operations Analyst                   | HMNSP           |
| Natalia Robalino                   | Team Member                                       | Senior Counsel                       | LEGAM           |
| Rada Nawwaf Nafe Naji              | Team Member                                       | Social Protection Specialist         | HMNSP           |
| Zeyad Abu-Hassanein                | Team Member                                       | Sr. Environmental Specialist         | SMNEN           |
| <b>Extended Team</b>               |   |                                      |                 |
| <b>Name</b>                        | <b>Title</b>                                      | <b>Organization</b>                  | <b>Location</b> |



## I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

1. **Jordan experienced a sharp increase in COVID-19 cases in the last quarter of 2020.** Jordan managed to keep cumulative infections and deaths low until the end of August 2020, as the Government of Jordan (GOJ) took decisive actions to contain and mitigate the impact of the COVID-19 outbreak.<sup>1</sup> As the situation improved, the GOJ began to lift restrictions on economic sectors. In October 2020, however, the country started experiencing a second wave of infections, which increased the daily infections and deaths exponentially. Some mobility restrictions were re-introduced in response to the second wave of infections. Since the end of January 2021, Jordan has been experiencing a third wave of COVID-19 cases, recording the highest new cases per million in the Middle East and North Africa (MENA) region since February 2021. The number of new cases peaked in March 2021, and as of June 10, 2021, 741,699 confirmed cases of COVID-19 and 9,561 deaths have been registered. The GOJ started its vaccination program in January 2021. Although vaccination rates have remained low due to vaccine supply shortages and vaccine hesitancy, rates have picked up since March 2021. As of June 8, 2021, 1.89 million doses have been given, and 594,835 people have been fully vaccinated (about 5.9 percent of the population).

2. **The COVID-19 pandemic has taken a toll on the country's small and open economy with strong linkages with the rest of the world.** Jordan's real Gross Domestic Product (GDP) contracted by 1.6 percent in 2020, compared to 2.0 percent growth in 2019. The pandemic has had particularly profound impacts on the service sector, travel receipts, and tourism, key sectors of growth for the Jordanian economy. The World Bank projects real GDP in 2021 to increase by 1.4 percent, mainly due to slower-than-anticipated global vaccination rollout and expected delays in travel and tourism recovery.<sup>2</sup> The COVID-19 pandemic added pressure on Jordan's finances, as domestic revenues declined sharply due to economic contraction. As a result, the central government's fiscal deficit (including grants) substantially widened from 4.6 percent in 2019 to 7.4 percent in 2020. Central government debt reached 106.5 percent of GDP in 2020 (compared to 97.4 percent in 2019).

3. **The contraction of economic activity has negatively affected household living conditions through the labor market—and women and youth have been hit the hardest.** After the pandemic-induced jump in the second quarter (Q2) of 2020, the unemployment rate continued to increase during the year, and in Q4-2020, reached 24.7 percent, 5.7 percentage points higher than the rate in Q4-2019. Women and youth, who already have structurally high unemployment rates, have been hit the hardest by the crisis. Female unemployment, which had been declining between 2017 and 2019, from 27.6 percent in Q4-2017 to 24.1 percent in Q4-2019, rose to 32.8 percent in Q4-2020, a much larger increase than for men (from 17.7 percent in Q4-2019 to 22.6 percent in Q4-2020). Women in the private sector earn less than men and are at a higher risk of both losing their jobs and not being able to return to work given specific constraints they face during economic shocks and subsequent shrinking of the job market.<sup>3</sup> In

<sup>1</sup> These actions included the activation of Defense Orders and the enforcement of stringent nationwide and geographically targeted lockdowns, night-time curfews, school closures, mask wearing, and social distancing.

<sup>2</sup> Preliminary forecast for the upcoming Jordan Economic Monitor, Spring 2021.

<sup>3</sup> The majority of working women are concentrated in the public sector, and according to a World Bank study (2020), the private sector gender wage gap in Jordan is estimated to be about 17 percent, making private employment less desirable than working for the government. Therefore, the impact of the pandemic on women in the private sector is particularly concerning, given female workers represent only 16 percent of the private workforce in Jordan (Winkler and Gonzalez 2019). In addition to wage disparities, extensive studies have highlighted the multidimensional constraints Jordanian women face in accessing the labor



addition, they are likely the ones who will bear the greatest responsibilities for child care during school closures as well as family members who may fall sick. Moreover, youth unemployment (15-24 years) jumped significantly—from 40.6 percent in 2019 to an unprecedented 50 percent in Q4-2020.

4. **Households relying on informal work have been more affected, pushing many of them into poverty.** Informal workers, who account for 33 percent of the Jordanian workforce, have been more impacted than formal sector workers, particularly during the initial lockdown. This is because informal workers are more concentrated in sectors that have been more affected by the pandemic (e.g., services) and are not protected by Defense Order No.6, which temporarily prevents private companies from laying off formal sector workers and limiting wage cuts to a maximum of 50 percent. Since informal workers were disproportionately concentrated in poor and near-poor households before the pandemic—informal workers account for about half of the workers among the poorest 20 percent, the pandemic pushed many of these households into poverty or further away from the poverty line. Initial Bank estimates suggest that poverty could have increased by up to 11 percentage points during the initial lockdown in the absence of any mitigating measures. However, the actual poverty impact is likely to be less because of the subsequent opening of most economic sectors, the lower than expected economic impact of the pandemic<sup>4</sup>, and the introduction of mitigation measures by the GOJ.

5. **Women in poor and near-poor households are particularly vulnerable.** While the poverty rate among female-headed households (FHH) is lower than male-headed households (MHH) at 12.4 percent and 16.1 percent, respectively, FHHs are more likely to have fewer resources and assets, making them highly vulnerable. Additionally, poor and vulnerable households may be resorting to negative coping strategies, such as reducing female food consumption to feed other members, or women taking on risky jobs to acquire food as a result of having limited access to assets and markets, and fewer pathways out of the crisis compared to their male counterparts. Domestic violence is also likely to be more widespread among vulnerable households, given increased stress and anxiety levels due to the COVID-19 crisis. Providing households in need with additional resources would reduce levels of Intimate Partner Violence by decreasing household poverty and poverty-related stress and reducing intra-household conflict.

6. **Many private sector formal workers have experienced significant wage cuts.** Defense Orders No.6 and No.1 prevented private firms from laying off formal sector workers and temporarily lowering social security contribution rates. However, many workers have experienced significant wage cuts as their companies struggle with reduced activity, while others stopped receiving payment altogether as their companies ceased operations.<sup>5</sup> Shortly after Defense Order No.6 was issued, around 3,700 firms applied to the Ministry of Labor (MOL) to reduce their workers' wages by 50 percent, affecting over 100,000 workers. A World Bank survey of 564 firms in Jordan conducted in August 2020, indicated that 5.1 percent of firms have permanently closed since the COVID-19 pandemic. The survey

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market and returning to work during times of job scarcity. In the World Value Survey 2014, 81 percent of respondents in Jordan agreed with the statement “When jobs are scarce, men have more right to a job than women.”

<sup>4</sup> World Bank. April 2020. Jordan Macro Poverty Outlook. <https://pubdocs.worldbank.org/en/914661554825485360/mpo-jor.pdf>.

<sup>5</sup> Employers who are unable to pay wages may request to suspend work in their establishments and stop paying wages. Requests to suspend work are submitted to a joint committee formed by each of the Ministers of Industry, Trade, Supply and Labor. All financial and contractual obligations of the business owner remain in effect during the suspension period, excluding employees' wages.



also confirmed that 92.5 percent of firms experienced decreased liquidity/cash flow. A United Nations Development Programme (UNDP) and International Labour Organization (ILO) survey of 1,190 enterprises<sup>6</sup> showed that half of the enterprises could only pay wages for, at most, a month. Nearly 40 percent of the enterprises stated that they stopped paying social security contributions<sup>7</sup>. The situation is more dire today, as economic activity is not picking up, particularly in sectors most affected by the pandemic. To date, a total of 1,528 firms, employing 4,678 workers, of whom 63 percent are women, are not authorized to operate. Furthermore, 19,429 firms, employing 201,734 workers, of whom 45 percent are women, have been categorized as operating in sectors most affected by the pandemic.

**7. Women-owned businesses represent only a small share of private firms in Jordan, and the majority, including home-based businesses, have been struggling to pay salaries due to the pandemic.** Similar to other countries in MENA, female entrepreneurship is limited in Jordan with only eight percent of firms having majority female ownership (Enterprise Survey 2019). The pandemic has added to the challenges female entrepreneurs already face. The UNDP-ILO survey shows that many women-owned enterprises, the majority of which are home-based, did not have savings or cash reserves to continue business beyond one month. A majority (63 percent) of the 150 businesses surveyed indicated that they could pay salaries only for less than a month, and 24 percent - for 1 to 3 months. Several respondents noted that the relatively young age of the enterprises (average of businesses surveyed is under four years) and lack of business experience to deal with periods of uncertainty compound this situation.

**8. The impacts of the COVID-19 outbreak are compounded by Jordan's high vulnerability to climate change, which will increase going forward.** It is critical to increase the country's resilience to climate change to mitigate health, economic, and social impacts. Over 80 percent of the country is unpopulated due to desert conditions, where annual precipitation falls under 50 millimeters. Aridity and water scarcity render Jordan environmentally sensitive to climate change. Climate-related hazards in Jordan include droughts, extreme temperature, and flash floods. These hazards are becoming more intense and frequent due to climate change, posing serious constraints on development. Poor and near-poor households, particularly households with children, youth, and women, are highly vulnerable to climate-related shocks, as they tend to live in low-quality housing in more exposed areas, are more vulnerable to changes in food and water prices caused by climate-related shocks, are economically dependent, and have limited access to safety nets. This leads to several add-on vulnerabilities, including a potential lack of access to food, healthcare, and education. Children, youth, and women (particularly pregnant and lactating women) are vulnerable to inadequate access to food resulting from climate-related crises—child stunting can cause negative long-term impacts on their development, health, and economic prospects. Inadequate access to healthcare can exacerbate health conditions, especially chronic ones, which could prove critical for future crises. In contrast, lack of access to education results in reduced future economic opportunities and economic resilience.

**9. In response to the first wave of the pandemic, the GOJ introduced various programs to support workers.** The Social Security Corporation (SSC) introduced temporary wage subsidies, financed by unemployment insurance funds, for workers that had been put on temporary leave by firms that had partially or entirely discontinued

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<sup>6</sup> Tewodros Aragie Kebede, Svein Erik Stave, Maha Kattaa, and Michaela Prokop, "Impact of the COVID-19 pandemic on enterprises in Jordan", ILO-UNDP, June 2020.



operations, including informal workers—provided their employers retain them and make a one-time payment of JOD 140 (equivalent to about US\$197) and a monthly contribution to their benefits of JOD 50 (equivalent to about US\$70). Altogether, about 121,000 workers benefited from various schemes, including 14,000 informal workers. In addition, 136,000 self-employed workers who were registered in the SSC and experienced reduced income were able to withdraw a limited amount from their retirement benefits.

**10. The GOJ also provided cash support to poor and vulnerable households affected by the first wave of the COVID-19 outbreak.** The GOJ cash support package also provided 246,000 households of informal workers affected by the pandemic temporary cash transfers (Takaful-2) in Q2-2020. Additionally, the GOJ continues to support 155,000 beneficiaries of regular cash transfer (CT) programs implemented by the National Aid Fund (NAF): 101,000 from the regular monthly CT program and 54,000 from the Takaful CT program (Takaful-1). Takaful-1 was launched in 2019, covering 25,000 beneficiaries, and was expanded to 50,000 beneficiaries in 2020, and to 85,000 in 2021. Takaful-1 also introduced significant improvements in targeting relative to the regular monthly CT program, as well as a state-of-the-art delivery platform, which included automated processes for online registration, data verification, selection of households for field verification, as well as selection, enrollment, and digital payment to beneficiaries through bank accounts and e-wallets.

**11. The Emergency Cash Transfer COVID-19 Response Project has been supporting the GOJ cash support package to poor and vulnerable households.** The parent loan was approved on June 25, 2020, and became effective on November 11, 2020.

12. The parent project's development objective (PDO) was to provide cash support to poor and vulnerable households affected by the COVID-19 pandemic in Jordan. The project included the following components: Component 1—Cash support to poor and vulnerable households affected by COVID-19; Component 2—Project management, monitoring, and evaluation; and Component 3— Contingent emergency response (CERC). Component 1 supports temporary CTs to 200,000 vulnerable households (Subcomponent 1.1), Takaful-1 CT program (PBCs) (Subcomponent 1.2), and temporary benefit top-up for Takaful-1 beneficiaries (Subcomponent 1.3). The project was intended to benefit approximately 270,000 households (about 1.2 million individuals).

**13. Project implementation status.** The last Implementation Status and Results Report (ISR) (June 4, 2021) rated progress towards achievement of the PDO and implementation progress Moderately Satisfactory. Environmental and Social (E&S) performance was upgraded to Moderately Satisfactory following a downgrade in April 2021 as the Project Management Unit (PMU) had not recruited a Social Officer, and because there were some delays in updating the Stakeholder Engagement Plan (SEP) and conducting consultations. The project has appointed social focal points in NAF and SSC who will cover the functions of the PMU Social Officer in the short term, until a Social Officer is recruited and in place. The Environmental and Social Commitment Plan (ESCP) and SEP have been revised, and disclosed in-country and on the Bank's website as of May 24, 2021. The Rapid Social Assessment and Labor Management Procedure (LMP) have also been consulted on and will be updated, and redisclosed by the first disbursement under the AF, as per the ESCP. Project disbursements stand at US\$43.26 million out of the loan amount of US\$350 million and US\$24.16 million out of the grant amount of US\$24.17 million, bringing the total disbursement percentage to 18 percent.



14. **Component 1 (Cash support to poor and vulnerable households affected by COVID-19):** To date, two out of the three subcomponents under this component are under implementation, and US\$66.35 million (including both the loan and the grant) has been disbursed and committed out of the original component allocation of US\$370.29 million.

- Subcomponent 1.1 (Temporary CTs to vulnerable households). A total of 246,000 households received emergency CTs (Takaful-2), during the Q2 of 2020, for a total amount of about US\$114 million. While it was intended that the project would retroactively finance this entire amount, the GOJ was able to mobilize US\$103 million in grant financing through a national charity account. Thus, the project financed only US\$11 million in line with the legal agreements. Following the completion of the first phase of subcomponent 1.1 (three months), and in light of the improved epidemiological situation at the time, the GOJ began re-opening most economic sectors and requested the World Bank, on July 26, 2020, to postpone the implementation of the second round of temporary CTs, in anticipation of a potential second wave of COVID-19 later in the year. The second wave materialized in Jordan during the last quarter of 2020. In close collaboration with the Bank, the GOJ prepared a new temporary CT program - Takaful-3 for 2022 - partly financed under subcomponent 1.1 through the restructuring of the parent project.
- Subcomponent 1.2 (Takaful-1 CT Program). NAF enrolled and paid 54,000 Takaful-1 CT beneficiary households out of the 55,000 households initially targeted under the original Performance-Based Condition (PBC) 1.1: "55,000 eligible households are enrolled in Takaful-1 Cash Transfer Program and paid in 2020". Under PBC 1.1 (US\$40 million allocated), the amount of US\$32 million was disbursed to date. Under PBC 3.1 (NAF digitizes payments to Beneficiaries under Regular Monthly Cash Transfer Program) (US\$20 million allocated), US\$5 million was disbursed to date for the digitization of payments to over 14,000 beneficiary households under the regular monthly CT program who were previously paid through the Post Office. With the introduction of Takaful-2, the GOJ renamed the original Takaful CT program, Takaful-1.
- Subcomponent 1.3 (Temporary benefit top-up for Takaful-1 beneficiaries). No project funds have been disbursed against the original Subcomponent 1.3. Upon signature of the Loan and Grant Agreements in October 2020, the government's programmatic priorities shifted, and the GOJ requested a reallocation of the subcomponent amount (US\$28 million) to cover the financing gap of Takaful programs as outlined in Section II (description of AF). This reallocation will be included as part of the restructuring under the proposed Additional Financing (AF).

15. **Component 2 (Project management, monitoring, and evaluation)**. Under the parent project, a Project Management Unit (PMU) was to be established no later than 30 days after effectiveness in line with the Loan Agreement. Establishment of the PMU has experienced delays due to procedural issues within the Ministry of Planning and International Cooperation (MOPIC). As of May 1, 2021, the recruitment process for PMU staff is ongoing. To ensure effective project management of the project, hiring of the PMU Manager in accordance with the terms of reference, qualifications and resources satisfactory to the Bank, is an effectiveness condition of the proposed AF. For the PMU to be fully functional, no later than 30 days after AF effectiveness, MOPIC will hire a Social Officer to be placed within the PMU, and a Technical Coordinator within MOPIC to be responsible for monitoring and reporting activities under the new Component 4 of the project in coordination with the SSC; and no





later than 60 days from the AF effective date, MOPIC will hire a financial management officer and a procurement officer to be placed within the PMU. This component has also supported the collection of high-frequency survey (HFS) data to understand the impact of COVID-19 and the mitigating effect of response programs. The first round of data collection was concluded for a sample of about 4,000 respondents. Initial results will be available by the end of June 2021.

**16. In response to the deteriorating situation, the GOJ announced two new programs in December 2020 to support households and workers affected by the pandemic and reaffirm its commitment to Takaful-1.** The first program, Takaful-3 (duration of 12 months), aims to support 100,000 households of informal workers affected by the pandemic. Takaful-3 was designed in close collaboration with the World Bank and will be implemented by NAF. The second program, *Istidama*, aims to subsidize wages and social security contributions of 100,000 formal workers employed in firms most affected by the COVID-19 pandemic over six months. The program was also designed in close collaboration with the World Bank and will be implemented by the SSC. In March 2021, the GOJ announced a new set of COVID-19 response measures, including: (i) the expansion of Takaful-3 to about 60,000 additional households; and (ii) the extension of *Istidama's* program duration period from May 2021 to December 2021. The budget for Takaful-3 (JOD 150 million, US\$211 million) will be financed through grants from donors and the GOJ budget, while *Istidama's* budget (JOD 313 million, US\$441 million) will be financed by the GOJ budget, SSC, and donor grants. In addition, the GOJ has committed to continue the implementation of the Takaful-1 in 2021 and 2022, with a budget of JOD 100 million (US\$141 million) annually. NAF will begin to reallocate resources from NAF's regular monthly CTs to Takaful-1 as beneficiaries of the former are certified into the latter.

**17. The Takaful-3 and *Istidama* aim to mitigate the impact of the pandemic crisis on formal and informal workers.** *Istidama* provides wage subsidies to formal workers in firms severely affected by the pandemic and thus at risk of closing down and having to lay off workers. The program partially covers wages and social security contributions of formal workers employed in firms that are not authorized to work. It also partially covers wages of formal workers employed in firms that are still operational but severely affected by the pandemic crisis. Firms need to apply to receive benefits and, provided they qualify, commit to paying their share of wages—workers receive the subsidies only after the firm deposits its payment in a dedicated account. Takaful-3 aims to support households of informal workers who have seen their incomes reduced as a result of the pandemic to the point these households have fallen below the poverty line. The application, data verification, and beneficiary selection processes are based on the Takaful-1 platform, and payments are made electronically. Both programs have strong grievance redress mechanisms in place to address complaints and both programs have a clear exit strategy as they are conceived and presented to the public as temporary schemes until December 2021. Depending on how the COVID-19 situation evolves, however, the programs may be exceptionally extended with the proper authorizations.

**18. Implementation of Takaful-3 and *Istidama* to date.** As of April 30, 2021, about 100,000 beneficiaries have been enrolled in Takaful-3 and paid through e-wallets. About 50 percent of individuals in beneficiary households are females, and around 14 percent of households are female-headed. All household heads in beneficiary households are either informally working in one sector that has been affected by the pandemic (e.g., tourism, retail)



or work informally as daily laborers without a specific sector. As of May 8, 2021, 105,148<sup>8</sup> formal workers have benefited from *Istidama* for at least one month, accounting for 8 percent of workers registered with SSC. These workers are employed in 6,755 firms in 106 different sub-sectors. Beneficiaries are mostly low earners, where 44 percent were earning below JOD 300 per month, and only 7 percent were earning above JOD 1,000.<sup>9</sup> About half of the beneficiaries are women, as many were employed in sectors that are severely affected by the COVID-19 crisis. For instance, around 32 percent of firms availing to *Istidama* were in the education sector, which employed 40 percent of Jordanian women in 2020.<sup>10</sup>

## II. DESCRIPTION OF ADDITIONAL FINANCING

19. **The GOJ requested an additional financing in the amount of US\$290 million and a restructuring of the parent project to support the Government’s COVID-19 response programs.** The proposed AF and restructuring of the parent project will entail the following changes: (i) revision of the PDO to include “workers”; (ii) revision to project components, including the cancelation of subcomponent 1.3 (Temporary benefit top-up for Takaful-1 beneficiaries); (iii) addition of a new component (Component 4) “Support to workers in firms affected by COVID-19”; (iv) addition of MOPIC as a new implementing agency, with SSC as implementing partner, to implement Component 4; (v) reallocation of loan proceeds across categories and components; and (vi) extension of the original loan closing date by 18 months (from June 30, 2022 to December 31, 2023) to align it with that of the AF.

20. **The proposed AF responds to the evolving needs arising from the COVID-19 crisis.** The Takaful-3 program responds to the reality that the COVID-19 crisis and its impact on households relying on informal work are lasting longer than originally expected. The GOJ’s decision to secure the financing of, and continue the Takaful-1 in 2021 and 2022 despite the challenging fiscal situation reflects the GOJ commitment to protect the poor during the COVID-19 crisis and beyond. The *Istidama* program is a reflection of the protracted effects of the COVID-19 crisis on firms and their ability to continue to pay wages and even stay open, as well as the need to bring in substantial government resources to finance wage subsidies. The three programs cover a substantial portion of households and workers in need: poor households (mostly relying on informal work) who have become even poorer as a result of the pandemic (Takaful-1), near-poor households relying on informal work that have become poor as a result of the pandemic (Takaful-3), and formal workers (and their families, many of whom are low income) in firms most affected by the pandemic (*Istidama*).

21. **The proposed AF contributes to the new Pillar 3 of the World Bank Group (WBG) Country Partnership Framework (CPF) for Jordan (FY17-22), which was introduced in the 2021 Performance and Learning Review,** namely, supporting an effective COVID-19 crisis response and resilient recovery. The proposed AF will contribute to the first objective under Pillar 3 to mitigate the immediate health and socioeconomic impacts of the crisis by providing cash support to poor and vulnerable households and formal workers who were affected by the pandemic. The project complements other Bank-funded operations in support of the GOJ crisis response approach, including

<sup>8</sup> The number and composition of beneficiaries may change each month depending on firms’ eligibility to avail to *Istidama* program. The number of workers who benefited for all five months since program inception was 62,388.

<sup>9</sup> The minimum wage in 2020 was JOD 220, and in 2021 was JOD 260.

<sup>10</sup> Jordan Department of Statistics (DOS).



the COVID-19 Emergency Health Project, the Inclusive and Transparent Business Regulatory Environment for Investment Program-for-Results (PforR), and the Economic Opportunities for Jordanian and Syrian Refugees PforR.

**22. The proposed AF complements other Bank-financed projects and activities in Jordan to build a stronger system post COVID-19.** Through the support to Takaful-3 and *Istidama*, the project is helping to build a strong shock-responsive social protection system for the future. It is also supporting government efforts to enhance the protection of poor households cost-effectively by securing the financing of and supporting reforms to Takaful-1, including improvements in its targeting methodology—also used for other poverty-targeted programs, and the consolidation of NAF CTs around Takaful-1—the most cost-effective programs in the GOJ budget to reduce poverty and inequality. Through technical assistance, the Bank is also supporting the GOJ’s Economic Empowerment Program, which aims to support the transition of poor households out of poverty through the labor market. A number of Bank-financed operations (including those under preparation)<sup>11</sup> will support job creation and increased access to jobs for vulnerable groups, particularly youth and women.

**23. The project is also aligned with the strategic objectives of the WBG including the response to the COVID-19 pandemic.** The project provides cash support to poor and near-poor households in response to the COVID-19 pandemic, thus contributing to the WBG’s twin goals of eliminating extreme poverty by 2030 and boosting shared prosperity in a sustainable manner. The project also contributes to the implementation of the WBG MENA enlarged strategy, particularly its pillars on renewing the social contract and strengthening resilience to shocks through modernizing social protection systems, digitizing payments, and human capital. It is also in line with the WBG Gender Strategy (FY16-23) and contributes to its pillar of improving human endowments. The project activities are aligned with two of the four pillars of the WBG COVID-19 Crisis Approach Paper (June 2020),<sup>12</sup> namely: Pillar 2, focusing on the immediate and emergency needs, through the provision of cash transfers to mitigate the continuing impact of the COVID-19 crisis and supporting CTs that protect the human capital of children; and Pillar 4, strengthening the national SP system to respond to future crises. It is also aligned with the MENA-wide COVID-19 response platform. The Bank is using the MENA country platform to mobilize and coordinate support to vulnerable Jordanian and non-Jordanian households through the Takaful-1 Taskforce and the Humanitarian Development Partners Group (HDPG).

**24. Revision of PDO.** The current PDO will be revised as follows: to provide cash support to poor and vulnerable households **and workers** affected by the COVID-19 pandemic in Jordan.

**25. Revision of Project Components.** Under the proposed AF, subcomponent 1.3 will be canceled. A new Component 4 (Support to workers in firms affected by COVID-19) will be introduced, additional funds will be added, and existing project funds will be reallocated across components. The revised components and their allocated amounts are presented in the table below.

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<sup>11</sup> Youth, Technology and Jobs (P170669), Innovative Startups Project (P161905), Economic Opportunities for Jordanian and Syrian Refugees PforR (P159522), COVID-19 Private Sector Recovery and Resilience Project (under preparation), and Inclusive and Transparent Business Regulatory Environment for Investment PforR.

<sup>12</sup> World Bank Group. 2020. Saving Lives, Scaling-up Impact and Getting Back on Track. World Bank Group COVID-19 Crisis Response Approach Paper. Washington DC. Link [here](#).



Table 1. Budget reallocation of parent project and additional financing

| Component  | Parent Project<br>(original allocation) |                   | Reallocation of Parent<br>Project |                   | Additional<br>Financing<br>IBRD only | Parent<br>Project + AF<br>IBRD + MDTF |
|--|---|-------------------|-----------------------------------|-------------------|--------------------------------------|---------------------------------------|
|  | IBRD                                    | MDTF              | IBRD                              | MDTF              |                                      |                                       |
| <b>Component 1: Cash support to poor and vulnerable households affected by COVID-19 pandemic</b> | <b>346,275,000</b>                      | <b>24,020,000</b> | <b>246,275,000</b>                | <b>24,020,000</b> | <b>224,275,000</b>                   | <b>494,570,000</b>                    |
| • Subcomponent 1.1:<br>Temporary CTs to vulnerable households (Takaful-2 and Takaful-3)          | 192,945,000                             | 21,350,000        | 82,945,000                        | 24,020,000        | 0                                    | 106,965,000                           |
| • Subcomponent 1.2: Takaful-1 Cash Transfer Program (PBCs)                                       | 128,000,000                             | 0                 | 163,330,000                       | 0                 | 224,275,000                          | 387,605,000                           |
| • Subcomponent 1.3:<br>Temporary benefit top-up for Takaful-1 beneficiaries                      | 25,330,000                              | 2,670,000         | 0                                 | 0                 | 0                                    | 0                                     |
| <b>Component 2: Project management, monitoring and evaluation</b>                                | <b>2,850,000</b>                        | <b>150,000</b>    | <b>2,850,000</b>                  | <b>150,000</b>    | <b>0</b>                             | <b>3,000,000</b>                      |
| <b>Component 3: Contingent Emergency Response Component (CERC)</b>                               | <b>0</b>                                | <b>0</b>          | <b>0</b>                          | <b>0</b>          | <b>0</b>                             | <b>0</b>                              |
| <b>Component 4: Support to workers in firms affected by COVID-19</b>                             | <b>0</b>                                | <b>0</b>          | <b>100,000,000</b>                | <b>0</b>          | <b>65,000,000</b>                    | <b>165,000,000</b>                    |
| Front-end Fee (0.25%)  | 875,000                                 | 0                 | 875,000                           | 0                 | 725,000                              | 1,600,000                             |
| <b>Total</b>   | <b>350,000,000</b>                      | <b>24,170,000</b> | <b>350,000,000</b>                | <b>24,170,000</b> | <b>290,000,000</b>                   | <b>664,170,000</b>                    |

**26. Revisions to Component 1 (Cash support to poor and vulnerable households affected by COVID-19)**

**(US\$494.57 million).** Under the AF, the amount for Component 1 will be increased from the original amount of US\$370.295 million to US\$494.57 million and distributed across subcomponents, as described below.

**27. Subcomponent 1.1: Temporary CTs to vulnerable households (US\$106.965 million).** Subcomponent 1.1 will be reduced from the original amount of US\$214.295 million to US\$106.965 million, and the difference will be reallocated to Component 4 and subcomponent 1.2. This subcomponent finances the following programs:

(i) Takaful-2 (US\$11.20 million). The project retroactively financed part of the GOJ's contribution to Takaful-2 in Q2-2020 in line with the legal agreements. The program implementation followed the guidelines stipulated in the Operations Manual, which was approved by NAF and shared with the Bank. The Operations Manual covered detailed design features and implementation protocols.

(ii) Takaful-3 (US\$95.761 million). The project will finance the GOJ's contribution to the cost of Takaful-3 (US\$95.761 million, or 45 percent of the total cost) over the 12 months of 2021. This temporary CT program will reach 100,000 households with informal workers affected by the pandemic. The rest of the budget for Takaful-3 will be financed by donor grants. The design and implementation features of Takaful-3 are similar



to those of Takaful-2 with some adjustments made to the eligibility criteria and benefit amounts. The key design features of Takaful-3 are described below.

## 28. Design and implementation features of Takaful-3 under subcomponent 1.1.

- **Household registration.** NAF will open registration for Takaful-3 through the online platform to enable households who are already registered in the Takaful platform to update their data and to enable those who did not register to submit a new application. The Takaful database already includes administratively verified and most up-to-date data for over one million households who applied earlier through the Takaful platform for social assistance. To facilitate the registration of applicants, NAF will reach out to poor and vulnerable households in remote areas using mobile registration centers.
- **Beneficiary selection.** Beneficiary households will be identified using a similar targeting mechanism used for Takaful-2.<sup>13</sup> The mechanism will be first used to identify households for field verification, which will be conducted virtually (under the observance of the World Health Organization (WHO) and the Ministry of Health (MoH) guidelines) using an online application. Households that face challenges in using the virtual visits online application will receive a face-to-face visit. The targeting formula is then applied again to the verified data to select the poorest 100,000 households according to the formula score.<sup>14</sup>
- **Beneficiary enrollment and payment.** Selected households will be notified via SMS and through the Takaful online portal. Enrollment will be done online and through phone sessions. Beneficiaries will be paid using the available digital payment modalities (basic bank accounts or e-wallets). Adopting and expanding the use of digital payments in these cash support programs would boost vulnerable women's financial inclusion. This is especially the case in Jordan, where the share of women who have financial accounts or a mobile payment provider is less than half that of men.<sup>15</sup>
- **Benefit level.** NAF will use the benefit amount calculation formula of Takaful-1, which ranges between JOD 39 and JOD 136 (US\$55 and US\$192 equivalent), to define the benefit amount (by welfare layers) per beneficiary household. Payments will be made every other month until the end of 2021.
- **Grievance Redress Mechanism (GRM).** Grievances will be received through multiple channels that include an online GRM form and NAF's call center. Received complaints and grievances are documented, in a sex-disaggregated way, on NAF's Management Information System (MIS), which allows for case tracking, documentation of changes made by each staff member, and resolution of cases (including feedback) based on a pre-set timeframe. NAF has established processes and protocols for GRM that have been updated to include the new categories under the project and are handled based on clear protocols described in the Project Operations Manual which will be amended, on the terms satisfactory to the Bank, no later than 30

<sup>13</sup>A household qualifies for Takaful-3 if: (i) the household head is not working in the formal sector (in Takaful-2, the household could not receive pensions either); (ii) the formal income of any household member other than the household head does not exceed JOD 493; (iii) household formal income per capita is below JOD 100 per person per month; (iv) the monetary value or number of assets owned by the household is below set thresholds; and (v) the household is among the poorest 100,000 households meeting criteria (i) through (iv) according to the formula score for Takaful-1.

<sup>14</sup>The Takaful targeting formula uses 57 socioeconomic indicators, including the gender of the household head, recognizing the additional vulnerabilities FHHs face.

<sup>15</sup>The proposed project will include evaluation of gender differentiated use of funds and access to digital payments (by FHH/MHH) as well as of the gender dimensions of the targeting methodology.



days after the AF effectiveness. The GRM system enables individuals to submit inquiries, complaints, grievances, and comments for each program, including complaints around inclusion and exclusion, targeting feedback, benefit amount, and access to benefits. This is the same system used for Takaful-1 and Takaful-2. More than 60 percent of a sample of NAF GRM users stated they trust that their complaints will be addressed in a discreet, transparent, and nondiscriminatory manner.

29. **Subcomponent 1.2: Takaful-1 Cash Transfer Program (PBCs) (US\$387.605 million).** This subcomponent will be increased from the original allocation of US\$128 million to US\$387.605 million. The additional funds will finance the entire Takaful-1 program in 2021 and 2022 to over 85,000 poor households. The project has already financed Takaful-1 CTs for 50,000 households in 2020. The project aimed to finance Takaful-1 CTs for 25,000 out of 85,000 beneficiaries in 2021. However, due to the difficult fiscal situation, the GOJ requested the Bank to finance the entire Takaful-1 program in 2021 and 2022. Disbursements under this subcomponent will be linked to project PBCs, revised under the proposed AF, related to: (i) the enrollment and payment of Takaful-1 beneficiaries in 2020, 2021, and 2022; (ii) improvements in Takaful-1: improved targeting methodology and recertification of beneficiaries; and (iii) ‘migration’ of beneficiaries of NAF monthly CT program into Takaful-1: digitization of payments, no new enrollment into the NAF monthly CT program, and recertification of beneficiaries using Takaful-1 targeting methodology.

30. **Subcomponent 1.3: Temporary benefit top-up for Takaful-1 beneficiaries (US\$0 million).** This subcomponent will be canceled, and the allocated amount of US\$28 million under the parent project will be reallocated to Component 4. This subcomponent aimed to finance temporary top-up benefits for households receiving Takaful-1 in 2020. However, upon the signature of the Loan and Grant Agreements in October 2020, the GOJ priorities shifted, and the GOJ requested the reallocation of these funds (US\$28 million) to *Istidama*, which is supported under the new Component 4 in the proposed AF.

**Table 2. Description of NAF Takaful-1, 2, and 3 Programs**

| Program Name                         | Project sub-component                                    | Description and Target Group   | Duration  | Number of Beneficiaries                | Benefit Amount  |
|--------------------------------------|--|--|---|--|---|
| Takaful-1 (NAF Expansion CT Program) | Subcomponent 1.2: Takaful-1                              | Regular CT program targeting the poorest 85,000 households in Jordan   | Ongoing program, launched in 2019. Project will finance Takaful-1 in 2021 and 2022. Payment is made quarterly | 85,000 poor households                 | Calculated based on a benefit-calculation formula with a cap of US\$192 |
| Takaful-2 (Emergency CT 2020)        | Subcomponent 1.1: Temporary CTs to vulnerable households | Emergency CT in response to wave-1 of COVID-19 in 2020, targeting households with informal workers who have been pushed into poverty by the pandemic | Q2, 2020. Payments were made on a monthly basis   | 246,000 households of informal workers | US\$70-US\$192  |



| Program Name                  | Project sub-component                                    | Description and Target Group   | Duration   | Number of Beneficiaries                | Benefit Amount  |
|-------------------------------|--|--|--|--|-----------------|
| Takaful-3 (Emergency CT 2021) | Subcomponent 1.1: Temporary CTs to vulnerable households | Emergency CT in response to COVID-19 wave-2 in 2020, targeting households with informal workers that have been pushed into poverty by the pandemic | January to December 2021. Payment is made every two months | 100,000 households of informal workers | US\$55 -US\$192 |

31. **Component 2: Project management, monitoring, and evaluation (US\$3 million).** In addition to the support provided to NAF through financing a fully staffed and equipped Project Management Unit, this component will also support MOPIC and the SSC to implement Component 4 of the project. The PMU will support MOPIC to comply with fiduciary, environmental and social, and monitoring and evaluation (M&E) related requirements. This will be achieved through the PMU staff and by hiring additional staff as needed at MOPIC to undertake the required tasks. This component will also finance communication and awareness activities associated with the process of migrating the regular monthly cash transfer program beneficiaries (the old caseload of NAF) to Takaful-1 program after applying the Takaful-1 formula.

32. **Component 3: Contingent Emergency Response Component (CERC) (US\$0 million).** No change is envisioned under this component.

33. **Component 4: Support to workers in firms affected by COVID-19 (US\$165 million).** This new component under the restructured parent project and AF will finance *Istidama*. MOPIC will implement Component 4 with the SSC as the implementing partner. This component will be implemented following *Istidama* Program Guidelines prepared by the SSC. It will finance temporary wage subsidies and social security contributions (up to JOD 1,000) (US\$1,410 equivalent) in 2021, covering formal Jordanian workers in eligible private sector firms. The objective is to protect workers while keeping firms solvent and operational. The project will support approximately 100,000 workers. Eligible private sector firms whose formal workers will be supported under the project are those that: (i) are not authorized to operate (Category 1); (ii) operate in sectors specified by the SSC as most affected (Category 2a) or continuing to be severely affected by the crisis such as tourism (Category 2b); or (iii) operate in sectors not specified by the SSC as severely impacted but can demonstrate they have been considerably affected financially (Category 2c). The lists of most affected sectors and firms that are not authorized to work set by the SSC and the Ministry of Labor (MOL) in coordination with the Ministry of Industry, Trade, and Supply (MOITS) guides the specification of sectors in Categories 1, 2a, and 2b. The lists of affected sectors<sup>16</sup> are based on an analysis of the Department of Customs data and the Income and Sales Tax Department (ISTD) data and updated regularly throughout the pandemic. SSC may require financial documentation from some firms in categories 2a and 2b despite operating in sectors listed as most affected.

<sup>16</sup> Closed and severely affected sectors including: entertainment industry; education (kindergarten); and tourism, among others.



34. Design and implementation features of *Istidama* under Component 4

- Beneficiary selection.** Firms under all three categories need to apply electronically to the program every month<sup>17</sup>. This is an important feature of the program because beneficiary companies must commit to paying their contribution of workers’ salaries to benefit from the program. Therefore, only companies that expect to be operational in the near future will apply to the program. Companies that are not under Category 1 or Category 2a/2b and want to be considered under Category 2c need to provide financial evidence showing reduced production, collection, and unit price between 2019 and 2020, as indicated in the program instructions of the SSC. Financial data related to the eligibility criteria is reviewed by technical committee reviews financial data related to the eligibility criteria in the SSC, then sent to a higher committee (Defense Order Implementation Committee at SSC) that endorses the decision<sup>18</sup>. All Jordanian workers that work in selected firms will be automatically covered under the program, provided they have contributed for at least one month to the SSC during the period March 2020-October 2020 (subject to change to account for new hires).
- Beneficiary payment.** SSC will pay the wage subsidy to workers, provided the beneficiary firm has deposited its contribution to workers’ wages in the same account.
- Benefit level:** Wage subsidies will be set as a share of monthly wages. Table 3 provides details on wage subsidies and SSC contributions for firms in each category.<sup>19</sup> Since women earn less than men,<sup>20</sup> and their salaries are more concentrated around the minimum wage (JOD 268), the setting of a minimum and maximum subsidy per worker (JOD 220 and JOD 500) means that the subsidy rate is higher for female workers than male workers. More generally, the subsidy rate is higher for low-wage workers.

**Table 3. Wage subsidies and social security (SS) contributions of Istidama program categories**

| Firm category                                  | % of wage covered by the program <sup>21</sup> | % of wage covered by employer                           | SS contribution covered by the program                          | SS contribution covered by employers               | SS contribution covered by the workers                          |
|--|--|---|---|--|---|
| Category 1: Firms in sectors not authorized to | 50% with a maximum of JOD 500 (US\$705) and    | Remaining amount to reach 50% of a wage that is greater | 21.75% of up to basic wage that is up to JOD 1,000 (US\$1,410). | 14.25% of the remaining basic wage above JOD 1,000 | 7.5% of the remaining f basic wage above JOD 1,000 (US\$1,410). |

<sup>17</sup> A hotline is available for companies who do not have the digital expertise of applying online. The hotline will be advertised through different modes of communication to ensure the widest reach. According to a World Bank study (2020), there is a gender gap of 10 percent when it comes to Internet use, to the disadvantage of women.

<sup>18</sup> The Director General of SSC forms one or more technical committees. Each committee is headed by one of the SSC employees, but may include staff as well from other government entities.

<sup>19</sup> The categories and parameter in Table 3 are subject to adjustments by SSC in response to changing circumstances, in consultation with the World Bank and reflected in the Program Guidelines.

<sup>20</sup> In Jordan, the private sector gender wage gap is estimated to be about 17 percent, after controlling for observable characteristics (Kasoolu et al. 2019). Women’s salaries tend to be more concentrated around the minimum wage (JOD 268).

<sup>21</sup> Two thirds of the program costs will be covered by government funds and one third by SSC.





| Firm category   | % of wage covered by the program <sup>21</sup>  | % of wage covered by employer  | SS contribution covered by the program   | SS contribution covered by employers                               | SS contribution covered by the workers   |
|---|---|--|--|--|--|
| <i>work</i>   | minimum of JOD 220 (US\$310) (minimum wage of 2020).  | than JOD 1,000 (US\$1,410).  |  | (US\$1,410).   |  |
| Category 2a:<br><i>Firms in affected sectors</i>                          | 37.5% with a maximum of JOD 500 (US\$705) and minimum of JOD 220 (US\$310) (minimum wage of 2020).        | 37.5% and any remaining amount to reach 75% of a wage that is greater than JOD 1,335 (US\$1,880).  | None. Firms have possibility to fully or partially suspend old age pension, decreasing contribution rates. | % depends on whether firms suspend old age pension <sup>22</sup> . | % depends on whether old-age pension is suspended/workers voluntarily contributing to SSC. |
| Category 2b:<br><i>Firms in severely affected sectors</i>                 | 56.25% with a maximum of JOD 500 (US\$700) and a minimum of JOD 220 (US\$310) (the minimum wage of 2020). | 18.75% and any remaining amount to reach 75% of a wage that is greater than JOD 1,335 (US\$1,880). | None. Firms can fully or partially suspend old age pension, decreasing contribution rates.                 | % depends on whether firms suspend old age pension.                | % depends on whether old-age pension is suspended/workers voluntarily contributing to SSC. |
| Category 2c:<br><i>Firms that can demonstrate they have been affected</i> | 37.5% with a maximum of JOD 500 (US\$705) and minimum of JOD 220 (US\$310) (minimum wage of 2020).        | 37.5% and any remaining amount to reach 75% of a greater wage than JOD 1,335 (US\$1,880).          | None. Firms have possibility to fully or partially suspend old age pension, decreasing contribution rates. | % depends on whether firms suspend old age pension.                | % depends on whether old-age pension is suspended/workers voluntarily contributing to SSC. |

- **GRM:** SSC has an automated GRM system in place, which will monitor grievances under Component 4. Complaints and grievances will be submitted through the SSC e-service platform, which utilizes a user-friendly form that includes two categories: one for firms that fall under the “unauthorized category” and another for “the affected firms.” Each applicant firm can review the status of their application (accepted or

<sup>22</sup> If old age pension is fully suspended, firms pay 4.25% and workers 1% of the wage in SSC contributions. In that case, workers have the option to voluntary contribute and pay 16.5% of their wage. If partial suspension is requested, firms pay 13.5% and workers 8.25% of the wage.



rejected), then choose to submit a grievance if they have been rejected. Grievances are categorized on the GRM form so that each firm can check the grievance category applicable to them. Received grievances are handled through various committees, depending on the type of grievance: i) those related to the eligibility variables and revised through a technical committee; ii) a classification committee reviews complaints related to the ISIC (International Standard Industrial Classification), which is used to determine the sectoral category a firm is considered under; iii) a higher committee, Defense Order Implementation Committee at SSC is responsible for approving the decisions of the Technical and Classification Committee, in addition to reviewing and amending the regulatory instructions. An escalation policy is available from either of the mentioned committees to the Director-General in case the technical and classification committees disagree with the DOC's final decision. Feedback around the status of the grievance is provided to each firm. A summary report of cases will be shared with the World Bank on a bi-monthly basis by the SSC. The report will include a summary of received cases per category and status.

35. **Climate co-benefits.** By providing cash support to poor and vulnerable households and workers, the project is making these households more resilient to climate-related shocks by helping them build human capital through investments in education and trainings, and building up productive assets and by providing a safety net against climate-related shocks. CTs do so by providing households with capital in excess of that needed to meet their basic needs and allow them to dedicate more of their time to developing human capital rather than working in order to make ends meet. Especially children, youth, and women stand to benefit from this CT support, with a net positive long-term adaptation effect, given their vulnerability context. CTs further provide the resources for beneficiaries to access health services that might otherwise fall short, for instance, for chronic conditions, allowing beneficiaries to improve their foundational health, treat, contain and cure their ailments, thus increasing their resilience to future shocks. They would also unlock health savings in the future, as ailments are cured or see their severity decreased, and unlock future financial resources that would otherwise have been committed to maintaining health, boosting resilience further. Cash support also reduces the pressure to engage in coping mechanisms that weaken the long-term adaptive capacity to climate change and other risks, like food and water insecurity. The project is also making use and improving upon existing platforms, namely Takaful and SSC, to quickly respond to future shocks, including climate-related shocks.

36. **The project is setting up the basis for making CTs responsive to climate-related shocks.** The project is using the CT platform to support new households and existing CT beneficiaries affected by COVID-19. The experience will provide valuable lessons and allow the GOJ to mitigate the adverse effects of climate-related shocks on poor and vulnerable households. This is because the Takaful database already has information on poor and vulnerable households in Jordan, including specific information on exposure to natural hazards and climate change-related risks. This information can be quickly updated and verified automatically. The Takaful targeting mechanism can be adjusted to fit the needs of a climate shock response. And this response can also involve supporting new households and existing social assistance beneficiaries affected by the climate shock. This response would also benefit from digital payment infrastructure and the GRM that the project is improving upon. By strengthening cash support to poor and vulnerable households, the project is making these households more resilient to climate-related shocks, by providing a safety net against adverse climate impacts.



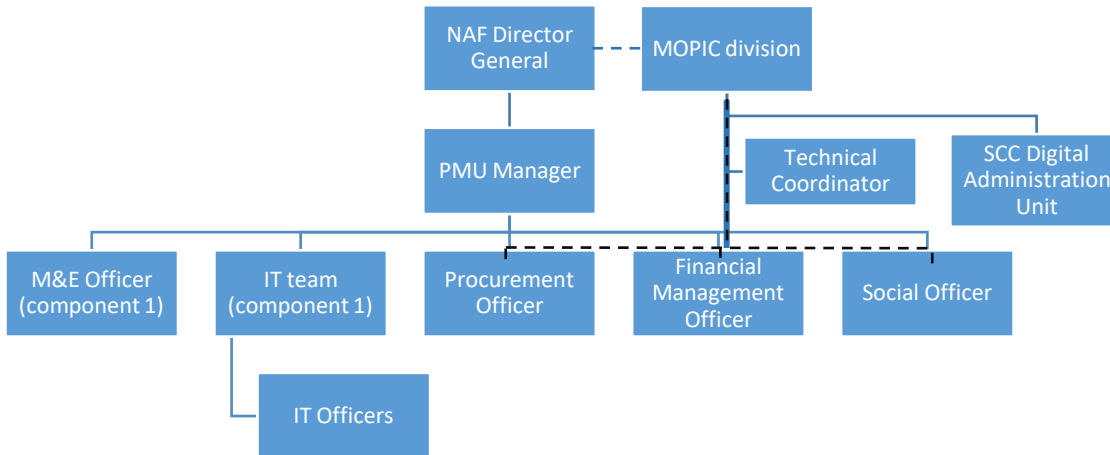
37. **Implementation Arrangements.** The proposed AF will not have implications on the overall implementation arrangements of NAF: the PMU will be responsible for all fiduciary aspects of the project, daily management of project activities, M&E of project interventions, as well as internal coordination within NAF. MOPIC will be the responsible implementing agency for the new Component 4, with the SSC<sup>23</sup> as the implementing partner through a cooperation agreement (under terms and conditions approved by the Bank) that will be signed between the two parties. The fiduciary staff of the PMU will also support the fiduciary aspects of Component 4 and the implementation of the Environmental and Social Commitment Plan (ESCP). The GOJ will hire, no later than 30 days after AF effectiveness, a Technical Coordinator for Component 4, based in MOPIC, who will be responsible for liaising with SSC and undertaking the M&E responsibility for this component. The Digital Administration Unit at SSC will be responsible for all aspects of project daily management and implementation under the supervision of MOPIC as stipulated in the Cooperation Agreement. Disbursements under Component 4 will be subject to: (i) MOPIC having entered into a Cooperation Agreement with the SSC; (ii) updated, adopted, and publicly disclosed a Rapid Social Assessment; and (iii) updated, adopted, and publicly disclosed LMPs, in form and substance acceptable to the Bank.

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<sup>23</sup> SSC is an autonomous government institution, governed by a board of directors, with a financially and administratively independent judicial body. It was established to protect and support the workforce socially and economically. It provides insurance benefits and privileges to insured citizens and their family members based on age, disability, death, or work-related injuries. The SSC is governed by a law which was issued in Jordan in 1978 (Temporary Law No. 30 for the year 1978); Law No. (19) for the year 2001; followed by an amended Provisional Law No. (26) for the year 2009; Provisional Law No. (7) for the year 2010, and finally Law No. (1) for the year 2014 which came into effect in March 2014.



Figure 1. PMU Revised Organigram



38. The project will utilize existing structures, such as the newly formed committees in SSC and the automated processes, to manage Component 4.

- Processing of applications not required to submit financial documents: a) the request is submitted through the MIS; b) the request is referred through the system to the “Digital Administration,” which handles all received cases through an e-service; c) cases are then referred through the system to the “Virtual Treasury Administration” which has pre-programmed validation roles and eligibility criteria, and are filtered through this administration; d) eligible cases are then referred automatically to the payment module in the MIS which transfers the payment to bank accounts. The Digital Administration is the only managerial administration that is physically established and staffed within SSC to manage *Istidama* (non-virtual) and consists of three directorates: the Beneficiaries Directorate, the Contributors Directorate, and the Attainment Directorate. The Beneficiaries Directorate manages the *Istidama* program, with 70 staff of SSC.
- Processing of applications required to submit financial documents. The Technical Committee (formed from MOL, SCS, MITS, ISTD) reviews the financial requirements submitted by each firm and advises on their eligibility. The outcome of the review process is then submitted to the DOC, which may endorse or revise the results. The entire process is automated using the SSC system. Additionally, SSC will assign two focal points to manage project coordination with the Bank: the head of the Digital Services Directorate and the head of operations.

39. **Monitoring and Evaluation (M&E).** The PMU in NAF will be responsible for monitoring the project’s key performance indicators and periodical evaluation, as well as reporting on progress and challenges. The PMU will continue to liaise internally with other units within NAF, NAF management, MOPIC, the World Bank, and other partners. As for SSC, the head of operations will be responsible for program monitoring. Additionally, financial



processes and monitoring will be handled by the Financial Unit.

40. **Performance-Based Conditions (PBCs).** Under the restructuring of the parent project and the proposed AF, the following PBCs will be added (Table 4): (i) 85,000 beneficiaries are enrolled in Takaful-1 CT Program and paid in 2022 (PBC 1.3); (ii) NAF implements the revised Takaful-1 targeting methodology (PBC 2.2); (iii) NAF implements the recertification of Takaful-1 beneficiaries (PBC 2.4); (iv) no new enrollment under NAF's regular monthly CT Program (PBC 3.2), and (v) NAF enrolls in the Takaful-1 beneficiaries of NAF's regular monthly CTs that qualify for Takaful-1 (PBC 3.3, replacing PBC 3.2 under the parent project). PBC amounts are adjusted under the proposed AF to reflect actual disbursements (PBC 1.1) and additional funds (PBC 1.2). Further, the amount associated with PBC 3.1 has been reduced given that all future digitization of payments for beneficiaries of NAF's regular monthly CTs will be carried out once they move to Takaful-1. A total of US\$387.605 million will be disbursed against these PBCs, accounting for about 56.7 percent of financing.



**Table 4. Proposed changes to the Performance-Based Conditions (PBCs)**

| Original Design  |                           | Proposed Revision   |                           |
|--|---------------------------|---|---------------------------|
| PBCs   | Allocation (US\$ million) | PBCs  | Allocation (US\$ million) |
| <b>PBC 1: Takaful-1 beneficiaries enrolled and paid</b>  | <b>58.00</b>              | <b>PBC 1: Takaful-1 beneficiaries enrolled and paid</b>   | <b>192.00</b>             |
| PBC 1.1: 55,000 eligible households are enrolled in Takaful-1 Cash Transfer Program and paid in 2020   | 40.00                     | PBC 1.1: 44,000 <sup>24</sup> eligible households are enrolled in Takaful-1 Cash Transfer Program and paid in 2020  | 32.00                     |
| PBC 1.2: 85,000 eligible households are enrolled in Takaful-1 Cash Transfer Program and paid in 2021   | 18.00                     | PBC 1.2: 85,000 eligible households are enrolled in Takaful-1 Cash Transfer Program and paid in 2021  | 80.00                     |
|  |                           | PBC 1.3: 85,000 eligible households are enrolled in Takaful-1 CT Program and paid in 2022. <i>Additional Financing</i>  | 80.00                     |
| <b>PBC 2: Improvements in Takaful-1</b>  | <b>30.00</b>              | <b>PBC 2: Improvements in Takaful-1</b>   | <b>99.275</b>             |
| PBC 2.1: NAF develops a revised Takaful-1 targeting methodology based on the findings of the evaluation study and approves it by its Board of Directors  | 10.00                     | PBC 2.1: NAF develops a revised Takaful targeting methodology based on the findings from the Takaful evaluation study and approves it by its Board of Directors   | 10.00                     |
|  |                           | PBC 2.2: NAF implements the revised Takaful-1 targeting methodology. <i>Additional Financing</i>  | 50.00                     |
| PBC 2.2: NAF develops and adopts a plan for the recertification of Takaful-1 beneficiaries   | 20.00                     | PBC 2.3: NAF develops and adopts a plan for the recertification of Takaful beneficiaries  | 20.00                     |
|  |                           | PBC 2.4: NAF implements the recertification of Takaful-1 beneficiaries <i>Additional Financing</i>  | 19.275                    |
| <b>PBC 3: Migration of beneficiaries into Takaful-1 Cash Transfer Program</b>  | <b>40.00</b>              | <b>PBC 3: Migration of beneficiaries into Takaful-1 Cash Transfer Program</b>   | <b>96.33</b>              |
| PBC 3.1: NAF digitizes payments to Beneficiaries under Regular Monthly Cash Transfer Program   | 20.00                     | PBC 3.1: NAF digitizes payments to beneficiaries under regular monthly cash transfer program ( <i>incremental</i> )   | 10.00                     |
|  |                           | PBC 3.2: NAF Board of Directors issues a decision to discontinue new enrollment into the regular monthly cash transfer program.   | 11.33                     |
| PBC 3.2: NAF recertifies Beneficiaries of Regular Monthly Cash Transfer Program using Takaful's targeting methodology, involving: collection of data from beneficiaries; determination of eligibility for Takaful-1 Cash Transfer Program; and development of a plan to enroll eligible households and to gradually exit non-eligible households | 20.00                     | PBC 3.3: NAF enrolls in the Takaful-1 Cash Transfer Program beneficiaries of the regular monthly cash transfer program that qualify for the Takaful-1 Cash Transfer Program (based on the recertification of beneficiaries of the Regular Monthly Cash transfer program, using Takaful-1 targeting formula) | 75.00                     |

<sup>24</sup> Number of beneficiaries in 2020 has reached 50,000; however given that the PBC formula allows the release of US\$8 million for each 11,000 HHs that were enrolled and paid in 2020, the current achievement of this PBC is 44,000 HHs.



|                         |               |   |                |
|-------------------------|---------------|---|----------------|
|                         |               | <sup>25</sup> . <i>Additional Financing</i> |                |
| <b>Total Allocation</b> | <b>128.00</b> |   | <b>387.605</b> |

41. **The project will support the expansion and improvement of Takaful.** The project already supported the enrollment and payment of 50,000 Takaful-1 beneficiaries in 2020 and will support the enrollment and payment of 85,000 beneficiaries in 2021 and 2022. Bank analysis shows that Takaful-1 is already the most progressive redistribution program in the GOJ budget and the most cost-effective at doing so (see Section IV-A for details). Improvements in the Takaful targeting methodology will aim to reduce the exclusion of low-income families (i.e., households with per capita consumption expenditures below the poverty line) from Takaful-1 and the inclusion of non-poor families in the program.<sup>26</sup> An evaluation of the targeting methodology is being conducted by the World Bank and will be completed by July 2021, and a revised methodology will be developed and adopted by NAF’s Board of Directors in the second half of 2021. A plan to recertify the eligibility of Takaful-1 beneficiaries will be prepared and implemented by NAF in December 2021. The plan will involve a partial verification of eligibility filters (income and assets) based on administrative data and full verification based on field visits every two years. Given the exceptional COVID-19 circumstances, and to allow Takaful-3 beneficiaries to apply for Takaful-1 in 2022, all current Takaful-1 beneficiaries will be recertified in December 2021.

42. **The project will also support the consolidation of NAF CT programs under Takaful.** The NAF Plan, approved by the GOJ in May 2018, envisaged the creation of a new single CT program for the poor: Takaful (later named Takaful-1). Under the Plan, the new program, Takaful, would first enroll the poorest (according to the Takaful targeting methodology) 85,000 households not benefiting from NAF’s monthly CT program over the period 2019-2021, and then ‘migrate’ beneficiaries of NAF’s monthly CT program (currently about 101,000 households) to Takaful-1 (provided they qualify). Bank analysis shows that Takaful-1 targeting is significantly more accurate than that used for NAF’s old monthly CT program and, as such, the migration would significantly reduce poverty and inequality at no additional cost (see Section IV-A for details). The recertification process has already started with the collection and verification of data from beneficiaries of NAF’s old monthly CT program. As of April 2021, NAF has collected data from 60 percent of beneficiaries. Once the Takaful targeting mechanism has been revised, it will be applied to these data to determine who qualifies for Takaful-1. Eligible households will be enrolled in Takaful-1 by fall of 2021, immediately prior to the recertification of the current Takaful-1, and registration for Takaful-1 in 2022 opens. The migration of beneficiaries will be accompanied by a comprehensive communication and awareness plan, which will be supported by the project.

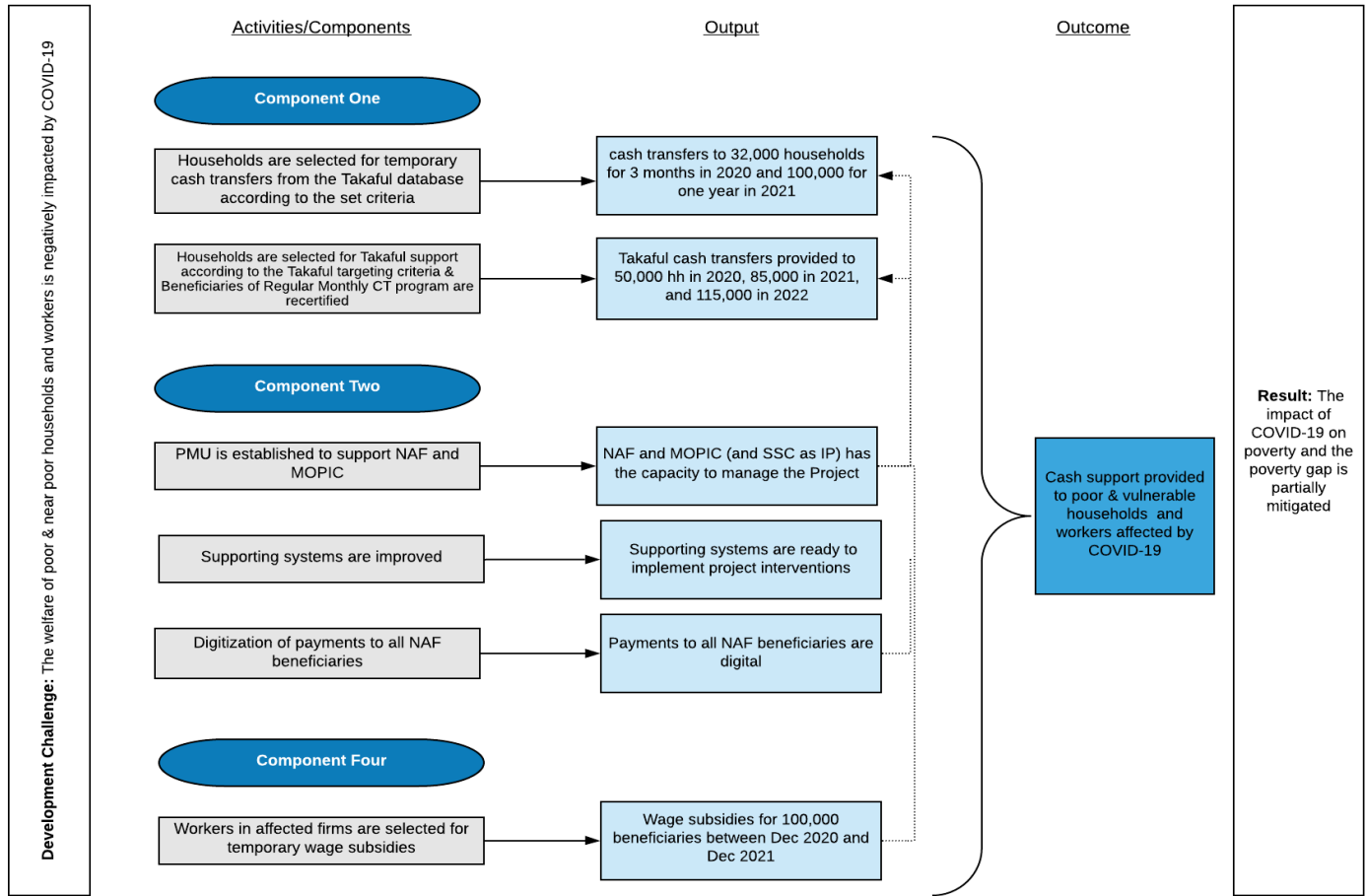
43. **Extension of the closing date.** The parent project’s closing date will be extended by 18 months, from June 30, 2022 until December 31, 2023, to continue the financing of subcomponent 1.2 (Takaful-1 CT program) in 2022, subject to achieving the PBCs, and to align the closing date with that of the AF.

<sup>25</sup> The percentage is calculated over a baseline which is the number of beneficiaries who are qualifying to Takaful-1 Cash Transfer Program. This baseline will be adjusted quarterly to take into account beneficiaries who exited the program.

<sup>26</sup> It will also improve the cost-effectiveness of other programs using Takaful’s targeting methodology, such as the Civil Insurance Program (CIP) for the poor.



Figure 2: Revised Results Chain



### III. KEY RISKS

44. Similar to the parent project, the overall risk rating for the AF is Substantial. Key risks rated High or Substantial include political and governance; macroeconomic; institutional capacity for implementation and sustainability; environmental and social risks, and other risks. These risks and their associated mitigation measures are discussed below.

45. **Political and governance risks (substantial).** Lockdown measures, the disruption of regional and global markets, and the deteriorating global economic outlook will have a significant impact on the Jordanian economy, which in turn will affect Jordanians' living conditions. The latter will build on already high levels of unemployment, generating social tensions and political pressure for action, while the capacity of the GOJ to respond is limited. This risk will be partially mitigated through the project's support to a major GOJ response to mitigate the impact of the COVID-19 crisis on vulnerable households and affected workers. It will also support a robust communication





campaign around it, with specific messaging for healthy stress management and tension reduction.

46. **Macroeconomic risk (high).** The COVID-19 pandemic poses an immediate significant risk to the global economic recovery. This, along with the heightened regional uncertainty, poses further challenges for the Jordanian economy. Given Jordan's already elevated debt levels, policy responses are constrained by limited fiscal space and a COVID-19-induced sharp drop in capital flows to emerging markets as global risk aversion surges. While the project cannot mitigate this risk directly, it would help alleviate its impact on households.

47. **Institutional capacity for implementation and sustainability (substantial).** NAF, the implementing agency of the project, lacks prior experience in managing and implementing World Bank-financed projects. The institutional capacity risk is assessed as substantial given lack of previous experience coupled with limited technical staff capacity. However, this risk is mitigated through NAF's well-established systems and fully automated cash transfer processes through a dynamic MIS connected to the NUR platform. Additionally, the establishment of a dedicated PMU to carry out implementation of the project and the provision of capacity building to NAF staff, and continuous implementation support by the Bank and other development partners such as UNICEF and WFP will mitigate this risk.

48. **Environment and social (substantial).** Social risks are considered to be substantial given the context of large-scale socioeconomic impacts of the COVID-19 pandemic, and the potential exclusion of vulnerable and disadvantaged groups or individuals that are inherent in cash transfer programs. Under the AF, the targeted beneficiaries include poor and near-poor households relying on informal work, and formal workers at risk of being laid off. Beneficiary households are selected using the Takaful-1 targeting methodology and a slight variation of it for Takaful-3. Simulations have found Takaful-1 targeting methodology to be significantly more accurate in including the poor and excluding the non-poor than that for NAF's regular monthly CT program, but there is room for improvement to reduce the exclusion of the poor.<sup>27</sup> Targeting of firms in *Istidama* is based on objective criteria related to the impact of the crisis on firms. Risks will be mitigated through: assistance provided to households that want to apply to Takaful-1 and Takaful-3 as well as firms in *Istidama*; use of the state-of-the-art Takaful-1 platform with automated processes for applications, data validation, selection and payment (through e-wallets) of beneficiaries, and grievance redressal mechanism for Takaful-1 and Takaful-3; automated processing of applications, data validation and payment of wage subsidies to workers (only made if firms pay their contribution to wages), and grievance redressal mechanism for *Istidama*. The Rapid Social Assessment, which was conducted for the parent project, will be updated to report on the implementation and cover new activities, adopted and disclosed; and Labor Management Procedures will be updated, adopted, and publicly disclosed, in form and substance acceptable to the Bank prior to disbursement of funds under the Component 4 of the project (*Istidama* benefits). In addition, a Stakeholder Engagement Plan (SEP) has been prepared to ensure inclusive and meaningful communication and engagement with key project stakeholders.

49. **Other risks (substantial).** The COVID-19 pandemic has triggered a global economic recession, resulting in a dramatic loss of livelihoods and income on a global scale. The resulting drop in purchasing power among those who lost income has had a major impact on food security and nutrition, especially for those populations that were

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<sup>27</sup> The targeting formula is undergoing a comprehensive targeting evaluation by the Bank, to inform further enhancements (PBC 2.1: NAF develops a revised Takaful-1 targeting methodology based on the findings from the Takaful evaluation study and approves it by its Board of Directors)



already vulnerable. Informal workers are especially affected. Although another wave of the pandemic cannot be fully predicted, the risk of this occurring is deemed substantial, along with ensuing lockdown measures and the disruption of local markets. To mitigate this risk, the project is designed in such a way that allows it the flexibility to adjust to future needs arising from the pandemic.

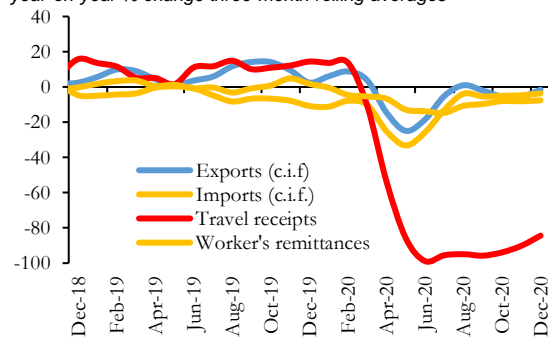
#### IV. APPRAISAL SUMMARY

##### A. Economic and Financial (if applicable) Analysis

50. **The COVID-19-induced contraction of economic activity has negatively affected household living conditions through the labor market.** Jordan’s real GDP contracted by 1.6 percent in 2020, compared to 2.0 percent growth in 2019. The pandemic has had particularly profound impacts on the service sector, travel receipts and tourism, key sectors of growth for the Jordanian economy (Figure 3). World Bank forecast analysis<sup>28</sup> projects real GDP in 2021 to increase by 1.4 percent, mainly due to slower-than-anticipated global vaccination rollout and expected delays in the recovery of travel and tourism. After the pandemic-induced jump in the second quarter (Q2) of 2020, the unemployment rate continued to increase during the year and in Q4-2020 it had reached 24.7 percent, 5.7 percentage points higher than the rate in Q4-2019 (Figure 4). Female unemployment, which had been declining between 2017 and 2019, from 27.6 percent in Q4-2017 to 24.1 percent in Q4-2019, rose sharply to 32.8 percent in Q4-2020. Moreover, youth unemployment (15-24 years) jumped significantly—from 40.6 percent in 2019 to an unprecedented high of 50.0 percent by the end of Q4-2020.

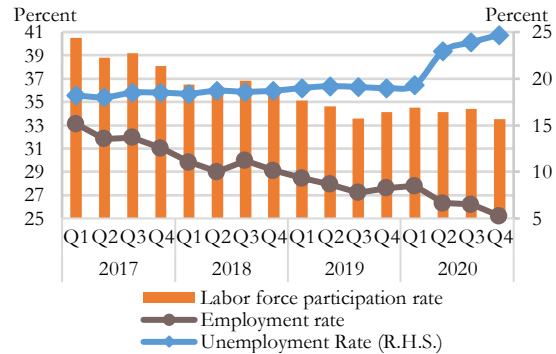
**Figure 3: COVID-19 Shock on Merchandise Exports and Imports, Travel Receipts, and Remittances**

year-on-year % change three-month rolling averages



Source: WB calculations of Central Bank of Jordan data.

**Figure 4: COVID-19 Shock - Labor Market Indicators**



Source: WB calculations of Central Bank of Jordan data.

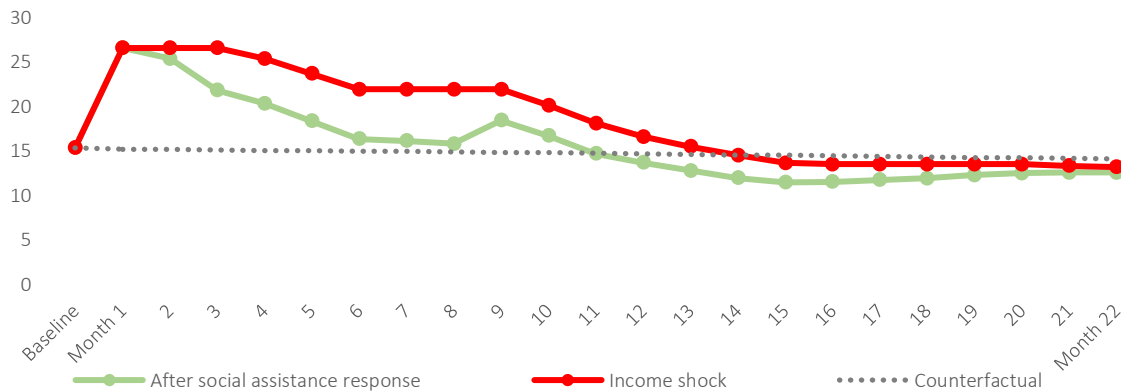
51. **Households relying on informal work have been more affected, pushing many of them into poverty.** Informal workers, who account for 46 percent of the workforce, have been more impacted than formal sector workers, particularly during the initial lockdown. This is because informal workers are more concentrated in sectors that have been more affected by the pandemic (e.g., services) and are not protected by Defense Order No.6, which temporarily prevents private companies from laying off formal sector workers and limits wage cuts to a maximum of 50 percent. Since informal workers were disproportionately concentrated in poor and near-poor households

<sup>28</sup> Preliminary forecast for the upcoming Jordan Economic Monitor, Spring 2021.



before the pandemic—about half of workers in the poorest 20 percent are informal, the pandemic pushed many of these households into poverty or further away from the poverty line. Initial Bank estimates suggested that in the absence of any mitigating measures, poverty could have increased up to 11 percentage points during the initial lockdown (Figure 5). This was mostly because many households relying on informal work were very close to the poverty line pre-COVID-19, so even small shocks to income would make them fall into poverty. However, the actual poverty impact during the initial lockdown is likely to be lower because the economy contracted less than expected. Also, the initial impact was estimated to come down significantly once economic sectors re-opened.

Figure 5: Impact of COVID-induced shocks on the poverty rate and mitigating effect of project interventions



Source: HEIS 2017-2018 and World Bank calculations as of June 2020. Notes: Income shock includes shocks to employment, remittances and domestic transfers. Social assistance includes the components of the parent project. The counterfactual is the poverty rate for a projected macroeconomic growth scenario.

52. **The parent project interventions were estimated to mitigate poverty impact.** The combined cash support to households (subcomponents 1.1, 1.2, and 1.3) was estimated to mitigate over a third of the initial poverty increase (or around 4.5 percentage points) (Figure 5). The project interventions would also mitigate over one-third of the effect on the poverty gap (or 2.3 percentage points). Over time, as the income shock decreases, the project was estimated to mitigate a greater share of the shock, up to about 60 percent of it.

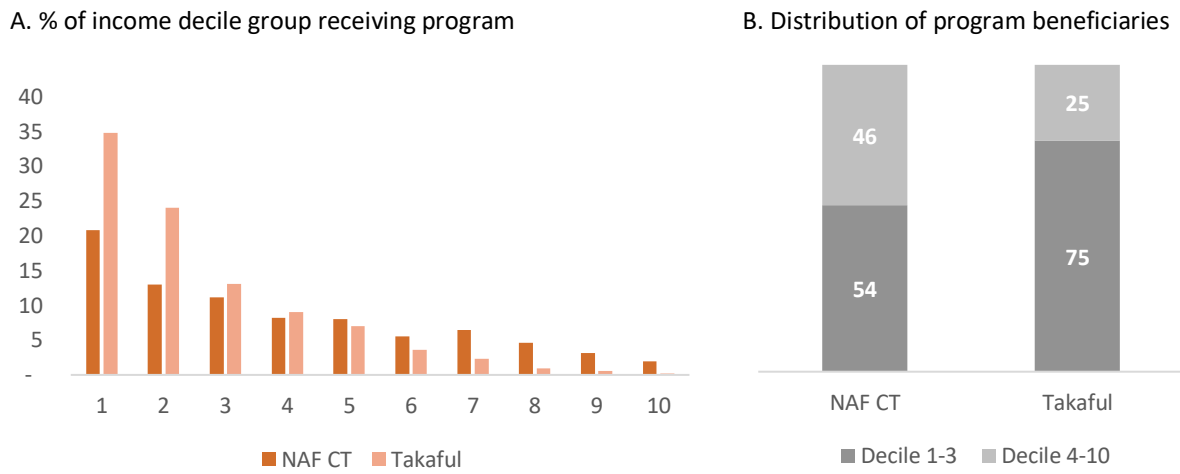
53. **The revised Component 1 under the proposed AF is likely to mitigate even more of the COVID-induced increased in poverty.** First, the COVID-induced increase in poverty is now lower than one year ago, as most sectors have been reopened since August 2020, and global demand in many sectors has recovered somewhat. Second, the absolute impact of the revised Component 1 interventions is likely to be at least as high, if not higher than under the original project. This is because: (i) although Takaful-3 only covers 100,000 households (as opposed to the 190,000 households that benefited from Takaful-2), it protects them for longer time period (12 months) than Takaful-2 (3 months); (ii) the number of households supported by Takaful-1 has increased from 25,000 in 2021 to 85,000 in 2021 and 2022; and (iii) the estimated mitigating effect of subcomponent 1.3 (top-up benefits for Takaful-1 beneficiaries), which was not implemented, was very small.

54. **Takaful-1 has the largest impact on poverty and inequality of any other program in the GOJ budget, and it is also the most cost-effective program at doing so.** The expansion of Takaful-1 to 85,000 households in 2021 has increased the coverage of NAF CTs from 8 percent to 18 percent of the total population. Takaful has also increased the coverage of the poor more than proportionally to the increase in the number of beneficiary households. This is



because the Takaful-1 targeting methodology does a far better job at identifying the poor than the methodology used for NAF’s regular monthly CTs (Figure 6). A recent Bank analysis also shows that Takaful-1 has the largest impact on poverty and inequality (a reduction of 0.7 percentage points) of any program in the GOJ budget (Rodriguez and Wai-Poi, 2021), and the most cost-effective program at doing so. In addition, the migration of qualifying beneficiaries of NAF’s regular monthly into CTs, a reform supported by PBC 3.3 under the project, would further reduce poverty and inequality by 0.4 percentage points at no additional cost. Furthermore, improvements in Takaful-1 targeting, supported by PBC 2.1 and 2.2, will further increase these impacts at no additional cost.

Figure 6. The Takaful targeting methodology more accurately identifies the poor



Notes: HEIS 2017/18. Deciles: poorest (1) to richest (10)

55. **Component 4 will also help mitigate the impact of the COVID-19 crisis on formal sector workers and their families.** As many enterprises face catastrophic losses, many formal sector workers face continued leave without pay, wage cuts, or even job losses as businesses close. Shortly after Defense Order N.6 was issued, around 3,700 firms applied to the Ministry of Labor to reduce their workers’ wages by 50 percent, affecting more than 100,000 workers. A Bank survey of 564 firms in Jordan conducted in August 2020 showed that 5.1 percent of firms have permanently closed since the COVID-19 pandemic was declared. The survey also showed that 92.5 percent of firms experienced decreased liquidity/cash flow. A UNDP and ILO survey of 1,190 enterprises<sup>29</sup> showed that half of them could only pay wages for at most, a month, and 40 percent had stopped paying social security contributions. Further, 42 percent of all enterprises surveyed, and 68 percent amongst companies with more than 100 workers, suggested wage subsidies as essential to cope with the situation. While households of formal sector workers are less likely to be poor or near poor pre-COVID, still about 50 percent of workers in the poorest 20 percent of households are formal. The pandemic is likely to have pushed some of them into poverty or near poverty.

56. **Component 4 will disproportionately benefit female workers at risk of losing employment.** Female workers are concentrated in some of the hardest hit sectors such as garments and apparel, where 70 percent of employees are women, or private education institutions, which account for 40 percent of female employment. Among the firms

<sup>29</sup> Tewodros Aragie Kebede, Svein Erik Stave, Maha Kattaa, and Michaela Prokop, “Impact of the COVID-19 pandemic on enterprises in Jordan”, ILO-UNDP, June 2020.



that applied to *Istidama*, 32 percent are in the education sector while 9 percent are in the garment sector. As a result, female workers represent 48 percent of wage subsidy beneficiaries. Thus, the project will target 50 percent of female beneficiaries despite women only representing 16 percent of the workforce. Further, since women earn less than men,<sup>30</sup> and their salaries are more concentrated around the minimum wage (JOD 268), the setting of a minimum and maximum subsidy per worker (JOD 220 and JOD 500, respectively) means that the subsidy rate is higher for female workers than male workers. More generally, the subsidy rate is higher for low-wage workers. Also, low-wage workers (making less than JOD 300) are disproportionately represented among *Istidama* beneficiaries (44 percent).

**57. Component 4 will help prevent layoffs that would have occurred as a result of businesses closing.** Component 4 will directly benefit 100,000 individuals (about 8 percent of the workforce registered with SSC) who have experienced a reduction or complete loss in their wage income. The emergency income support will provide temporary relief to workers in firms that are not able to pay full wages. To date, almost 21 percent of firms registered with SSC are either not authorized to work, or are severely affected by the pandemic. This accounts for 17 percent of workers registered with SSC and employed in affected firms, 45 percent of whom are women. *Istidama* is thus supporting about 30 percent of firms that have been affected, subsidizing wages of half of the workers employed in affected firms. *Istidama* to date costs around JOD 167 per worker per month in wage subsidies and social security contributions. However, had labor costs not been subsidized, many firms, especially those not authorized to operate (currently 1,528 firms employing 4,678 formal workers), would have requested freezing of activities under Defense Order No. 6, leaving many formal workers without any income. To date, only 437 firms (around 2 percent of firms affected by the pandemic) employing 1,180 formal workers applied to freeze their activities.

**58. Component 4 would also facilitate quicker economic recovery and employment growth.** Component 4 is targeting workers in firms that would be economically viable in the absence of COVID-19, but are at risk of closing. Layoffs may occur despite Defense Order No. 6 as businesses close, leading to even higher unemployment rates in Jordan. For instance, firms whose applications for freezing activities are rejected by the government may eventually close as they cannot pay wages. In May 2020, almost 40 percent of firms that applied to halt their operations were rejected, impacting around 5,600 individuals<sup>31</sup>. Job losses have negative consequences on current and life-long earnings. Literature shows that workers losing their jobs due to company closings have about 5 to 10 percent lower wages upon reemployment than those who did not lose jobs<sup>32</sup>. Recovery may also be slower post-COVID-19 as viable businesses who otherwise would have thrived and contributed to productivity and economic growth shut down, leading to lower employment growth in the absence of government support. With the current project design, only viable firms have the incentive to apply to *Istidama* since they have to pay a share of workers' wages. Less viable firms may shut down, contributing to a better reallocation of resources, higher productivity, and better employment growth post-COVID-19 crisis.

<sup>30</sup> In Jordan, the private sector gender wage gap is estimated to be about 17 percent, after controlling for observable characteristics (Kasoolu et al. 2019).

<sup>31</sup> Tewodros Aragie Kebede, Svein Erik Stave, Maha Kattaa, and Michaela Prokop, "Impact of the COVID-19 pandemic on enterprises in Jordan", ILO-UNDP, June 2020.

<sup>32</sup> Nichols, A., J. Mitchell, and S. Linder. 2013. "Consequences of Long-term Unemployment." Washington, DC: The Urban Institute.



59. **The reduction in income losses will also yield positive spillovers within and outside the household.** As a result of the income support to beneficiary workers, their families will be less likely to fall into poverty or vulnerability. Their children’s human capital (health, nutrition, and education) is more likely to be preserved contributing to their future wellbeing. The broader economy also benefits from these spillovers. Wage subsidies in times of crisis can stimulate aggregate demand due to the multiplier effect as individuals spend a higher portion of this extra income.

60. **Many countries have implemented wage subsidy schemes similar to *Istidama* to mitigate the impact of the COVID-19 crisis on workers.** Countries also wanted to potentially support the recovery of their economy by preventing some of the good job matches from being destroyed. Well-known concerns about the economic efficiency effects of wage subsidies<sup>33</sup> were less relevant during the crisis, especially since the measures were temporary. Temporary job retention schemes (wage subsidies or short-time work schemes<sup>34</sup>) have thus supported a significant share of the labor force in more than 52 countries over the last year.<sup>35</sup> These schemes aim to ensure that workers continued to receive at least part of their wages and continue to keep their current contract with the employer. Many enterprises availed of these wage subsidies where they existed<sup>36</sup>. By May 2020, these job retention schemes supported around 50 million jobs in OECD countries, about ten times more than during the financial crisis of 2008<sup>37</sup>.

61. **There is evidence that these schemes are effective in mitigating the negative impact of the pandemic on income and poverty and facilitating economic recovery.** Studies thus far have shown the positive effects of introducing wage subsidies during a crisis. An analysis of Australia’s wage subsidy program (JobKeeper) showed that it managed to maintain living standards, limiting the negative impact on poverty, which would have doubled in the absence of government response<sup>38</sup>. In the UK, a study<sup>39</sup> showed that the earnings subsidies (the Coronavirus Job Retention Scheme)<sup>40</sup> supported households across the entire income distribution and provided the main insurance mechanism against the negative income shocks. Another study using US data<sup>41</sup> found that economic recovery is quicker after temporary lockdowns when government provides temporary employment subsidies to firms. An OECD study of 14 European countries suggests that these schemes significantly reduce the number of jobs at risk of termination<sup>42</sup>. Finally, an ILO study showed that the temporary wage subsidies in the Western Balkans and Eastern

<sup>33</sup> Economic efficiency effects include deadweight losses that arise when firms retain workers whose productivity are below the market wage, support to workers who would have been hired and retained regardless of subsidies, substitution of some workers by others who are supported by wage subsidies.

<sup>34</sup> Schemes that directly subsidize hours not worked.

<sup>35</sup> Gentilini, Ugo, Mohamed Almenfi, Pamela Dale, Gustavo Demarco and Indhira Santos. 2020. ‘Social Protection and Job Responses to COVID-19: A Real-time Review of Country Measures’. World Bank.

<sup>36</sup> In Switzerland, the scheme covered 37 percent of waged workers by end of April 2020; in France, it covered 56 percent of all employees by July 2020.

<sup>37</sup> OECD. September 2020. “Job retention schemes during the COVID-19 lockdown and beyond”.

<sup>38</sup> Jinjing Li1, Yogi Vidyattama, Hai Anh La, Riyana Miranti, Denisa M. Sologon. September 2020. “The impact of covid-19 and policy responses on Australian income distribution and poverty.”

<sup>39</sup> Brewer, Mike and Tasseva. Iva. June 2020. “Did the UK Policy Response to COVID-19 Protect Household Incomes?”

<sup>40</sup> The Coronavirus Job Retention Scheme subsidized the earnings of furloughed employees, allowing companies to reduce the hours of workers to zero without laying them off.

<sup>41</sup> Francisco J. Buera, Roberto N. Fattal-Jaef, Hugo Hopenhayn, P. Andres Neumeyer, and Yongseok Shin. April 2021. “the economic ripple effects of covid-19.” NBER Working Paper.

<sup>42</sup> OECD. September 2020. “Job retention schemes during the COVID-19 lockdown and beyond”.



Europe were relatively successful in preventing layoffs and compensated around 25-50 percent of the lost labor income during the second quarter of 2020. In Serbia, the reduction in the loss of income reduced the poverty rate by around 1.2 percentage points<sup>43</sup>.

## B. Financial Management

62. **The FM assessment conducted for the parent project was updated for the purpose of the restructuring of the parent project and the AF.** The updated FM assessment covered the newly added implementing agencies - namely MOPIC, with the SCC as an implementing partner. The updated assessment concluded that, with the implementation of agreed actions, the proposed FM arrangements would satisfy the minimum requirements of the WBG FM guidance under the Bank Policy for Investment Project Financing (IPF). Based on the FM assessment, the overall FM risk is Substantial. With mitigation measures in place, the project will have acceptable project FM arrangements and the residual risk is considered Moderate.

63. The performance of the FM arrangements of the parent project has been satisfactory. The project employs a smooth flow of funds, adequate budgeting and planning, and sound internal controls. Similarly, the Interim Unaudited Financial Reports (IFRs) have been submitted in a timely and acceptable manner, in format and content, and financial auditing arrangements for submitting the first audited financial statements are in place. The first annual audited financial statements are due for submission by June 30, 2021. The AF will utilize the same FM and disbursement arrangements of the parent project, including:

- i) A part-time Finance Officer will be hired to manage the FM and disbursement functions not later than 60 days after the AF effectiveness.
- ii) Beneficiaries of Takaful 1, 2, and 3 programs and *Istidama* program will be only paid through bank transfers and e-wallets.
- iii) Cash transfers under Takaful 2 and 3 programs and *Istidama* program are subject to a verification review by an outsourced specialized firm to confirm the accuracy of payments, eligibility, and confirmation of receipt of funds by beneficiaries. A verification agent will be appointed by MOPIC, under the terms satisfactory to the Bank, to carry out a verification review of project implementation not later than 60 days after the AF effectiveness date.
- iv) The verification of PBCs is conducted by a reliable and independent party as per the agreed verification protocols.
- v) The independent party will ensure that eligible expenditure incurred that are reported after achieving PBCs under the parent project will not be recorded for PBCs under the AF and vice versa.
- vi) The existing US Dollar Designated Account (DA) will be used to receive loan and grant advances for the parent project and AF.
- vii) Semi-annual IFRs are submitted in excel sheets to allow the World Bank to follow up on disbursement progress and address bottlenecks in a timely manner.

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<sup>43</sup> ILO. 2021. "Assessment of the Social Security Responses to COVID-19: Lessons from the Western Balkans and Eastern Europe during the first stage of the pandemic."



viii) Annual financial auditing will be conducted by the Jordan Audit Bureau.

64. The project will include a new component (Component 4) that will support workers in firms affected by COVID-19, and the parent project funds are reallocated across components. Withdrawals up to an aggregate amount not to exceed US\$26.5 million of eligible expenditures under this component may be made for payments made on or after May 1, 2021 but prior to the signing of the Loan Agreement. Thus, additional FM arrangements are introduced for the new component, including:

- i) *Istidama* program will be subject to verification by an Independent Verification Entity (IVE) which will be contracted by MOPIC.
- ii) *Istidama* program financing by the World Bank for the period extending from December 1, 2020 to May 31, 2021 will be subject to a review by an independent firm. Subsequent program expenditures for the period extending from June 1, 2021 to December 31, 2021 will be made once the review is completed.
- iii) *Istidama* program expenditures will be covered by the project annual financial auditing to be conducted by Jordan Audit Bureau.
- iv) *Istidama* program will be financed using a reimbursement disbursement mechanism, and funds will be transferred to the MOF treasury account.
- v) The existing Project Operations Manual (POM) will be updated for the new activities under the restructured parent project and the AF on the terms satisfactory to the Bank no later than 30 days after AF effectiveness.
- vi) SSC annual internal audit reports will be shared with the World Bank for review.

65. Annex 2 provides the details of the FM assessment, risks and associated mitigation measures, and proposed FM and disbursement arrangements.

### **C. Procurement**

66. The AF is a continuation of the parent project that includes procurement of several consultancy services and goods for: (i) upgrading and enhancing the National Unified Registry (NUR) and the NAF MIS; (ii) facilitation of NAF beneficiaries enrollment and payment digitization; (iii) NAF technical verification and audit for MIS; (iv) verification auditor, and selection of individual consultants and experts for the MIS system; and (v) supply of IT and office equipment, stationery and other requirements for facilitating PMU functionality. The AF will thus utilize the same implementation arrangements as the parent project. The implementation of the newly added Component 4 will be assigned to MOPIC that will sign a cooperation agreement with SSC as an implementing partner to implement Component 4. All existing arrangements related to procurement will remain unchanged. The fiduciary staff of the PMU in NAF will also support the fiduciary aspects of Component 4 and the implementation of the ESCP. The terms of reference (TOR) of the IVE firm and the Technical Coordinator who will be responsible for liaising with SSC and undertaking the M&E responsibility for Component 4 will be developed by MOPIC.

67. Procurement under this project is governed by the requirements set forth or referred to in the “World Bank Procurement Regulations for Borrowers under IPF,” dated November 2020. A Project Procurement Strategy for Development (PPSD) was prepared for the parent project. It did not require updating, given that no changes to the





project procurement arrangements under the AF are envisioned. The project will continue to use the Systematic Tracking of Exchanges of Procurement (STEP). The project will follow the World Bank “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011 and as of July 1, 2016.

**68. The overall procurement risk rating is considered to be moderate, given the limited procurement activities.**

The following measures are proposed to mitigate any procurement-related risks: (a) using the Procurement Plan as a monitoring tool for timely processing of activities; (b) systematizing record-keeping and initiating electronic archiving of procurement processing; (c) enhancing the capacity of appropriate support (staff, training, and tools); (d) recruiting a qualified and experienced procurement officer familiar with the World Bank’s Procurement Regulations and Guidelines no later than 60 days after the AF effectiveness; and (e) preparing TOR for the required consulting services in advance.

**D. Legal Operational Policies**

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

**E. Environmental and Social**

69. The social risks of the AF (including the restructuring of the parent project) are considered to be substantial, similar to the parent project, given that the AF will provide additional funds for ongoing cash transfer programs within the context of large-scale socioeconomic impacts of the COVID-19 pandemic and the potential exclusion of vulnerable and disadvantaged groups or individuals that are inherent in cash transfer projects. The targeted beneficiaries include the working poor, relatively poor, informal and formal workers, and female-headed households. There are additional risks that beneficiaries (such as the disabled, populations with low human capital or illiterate, or with limited digital literacy) may face challenges in accessing project benefits. The social risks associated with the new AF component (Component 4) are similar to those of the parent project but are considered moderate in scale, as the new activities target formal workers who are considered less vulnerable.

70. Several social risk mitigating measures are incorporated into the project design, namely: the project supports similar and existing programs at NAF and SSC; the use of existing national systems and databases that will be further updated; existing payment delivery mechanisms (including e-wallets, digital cash transfers to bank accounts and via their paychecks in the case of Component 4 that minimize the need for human interactions); an existing beneficiary database; and the use of existing and functional grievance redress mechanisms at both NAF and SSC.

71. Nevertheless, under the parent project, there have been some delays in staffing the PMU at NAF, including the recruitment of the Social Officer, and this has resulted in delays in implementing actions stipulated in the Environmental and Social Commitment Plan (ESCP), including consultations on the ESF instruments and updating of the (Preliminary) Stakeholder Engagement Plan (SEP). Other items under the parent ESCP have been achieved (with some delay): a Rapid Social Assessment (RSA) and Labor Management Procedures (LMP) were prepared in



November 2020.

72. The GOJ has committed to achieving the updated timelines and measures as set out in the AF ESCP. One social focal point within NAF has been assigned and will remain until the recruitment of the Social Officer. One social focal point within SSC has been assigned and will be retained throughout project implementation. The PMU will recruit one Social Officer no later than 30 days after AF effectiveness.

73. The ESF instruments prepared for the parent project are applicable to the AF and will be updated to reflect the new activities. The ESCP, acceptable to the Bank, dated May 31, 2020, and updated and redisclosed on May 24, 2021, sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the project. The parent project's (preliminary) SEP has already been consulted on with various stakeholders, updated, and disclosed on May 21, 2021 (thereby completing the required ESCP action for the parent project, as well as covering the new activities). The Rapid Social Assessment (RSA) and Labor Management Procedures (LMP) will be updated, adopted and redisclosed before funds under the Component 4 (*Istidama* benefits) are disbursed. The deferred update of these instruments is justified given: (i) the urgent nature of the project; and (ii) limited/moderate social risks anticipated in the additional component (Component 4). The social focal points in NAF and SSC (whose designated focal point will remain in place throughout implementation) will adequately cover the functions of the PMU Social Officer for the short term until a Social Officer is recruited. The updated SEP has been consulted on and redisclosed.

74. The environmental risks of the AF (including the restructured project) are low. Neither the parent project nor the AF supports the procurement of any materials, equipment, rehabilitation or construction activities, or civil works - and therefore, none of the interventions under this project result in any negative environmental impacts. Therefore, no environmental impact assessment or mitigation measures are required under the project.

## **V. WORLD BANK GRIEVANCE REDRESS**

75. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)



**VI SUMMARY TABLE OF CHANGES**

|  | Changed | Not Changed |
|--|---------|-------------|
| Project's Development Objectives             | ✓       |             |
| Results Framework                            | ✓       |             |
| Components and Cost                          | ✓       |             |
| Loan Closing Date(s)                         | ✓       |             |
| Reallocation between Disbursement Categories | ✓       |             |
| Legal Covenants                              | ✓       |             |
| Implementing Agency                          |         | ✓           |
| Cancellations Proposed                       |         | ✓           |
| Disbursements Arrangements                   |         | ✓           |
| Procurement                                  |         | ✓           |
| Other Change(s)                              |         | ✓           |

**VII DETAILED CHANGE(S)**

**PROJECT DEVELOPMENT OBJECTIVE**

**Current PDO**

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

**Proposed New PDO**

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



**COMPONENTS**

| Current Component Name  | Current Cost (US\$, millions) | Action  | Proposed Component Name   | Proposed Cost (US\$, millions) |
|---|-------------------------------|---------|---|--------------------------------|
| Cash support to poor and vulnerable households affected by COVID-19 | 370.29                        | Revised | Cash support to poor and vulnerable households affected by COVID-19 | 494.57                         |
| Project Management, Monitoring and Evaluation                       | 3.00                          |         | Project Management, Monitoring and Evaluation                       | 3.00                           |
| Contingent Emergency Response Component (CERC)                      | 0.00                          |         | Contingent Emergency Response Component (CERC)                      | 0.00                           |
|   | 0.00                          | New     | Support to workers in firms affected by COVID-19                    | 165.00                         |
| <b>TOTAL</b>  | <b>373.29</b>                 |         |   | <b>662.57</b>                  |

**LOAN CLOSING DATE(S)**

| Ln/Cr/Tf   | Status    | Original Closing | Current Closing(s) | Proposed Closing | Proposed Deadline for Withdrawal Applications |
|------------|-----------|------------------|--------------------|------------------|---|
| IBRD-91390 | Effective | 30-Jun-2022      | 30-Jun-2022        | 31-Dec-2023      | 30-Apr-2024                                   |
| TF-B3363   | Effective | 30-Jun-2022      | 30-Jun-2022        | 30-Jun-2022      | 30-Oct-2022                                   |

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**

| Current Allocation | Actuals + Committed | Proposed Allocation | Financing % (Type Total) |          |
|--------------------|---------------------|---------------------|--------------------------|----------|
|                    |                     |                     | Current                  | Proposed |

IBRD-91390-001 | Currency: USD

|                              |      |   |      |       |
|------------------------------|------|---|------|-------|
| iLap Category Sequence No: 1 |      | Current Expenditure Category: G CW NCS CS T IOC |      |       |
| 2,850,000.00                 | 0.00 | 2,850,000.00                                    | 0.01 | 95.00 |

|                              |               |  |        |        |
|------------------------------|---------------|--|--------|--------|
| iLap Category Sequence No: 2 |               | Current Expenditure Category: Cash Transfer Part 1.2 |        |        |
| 128,000,000.00               | 37,000,000.00 | 163,330,000.00                                       | 100.00 | 100.00 |



|                              |                       |  |                       |        |
|------------------------------|-----------------------|--|-----------------------|--------|
| iLap Category Sequence No: 3 |                       | Current Expenditure Category: Safety Net Transfer P 1.1, P 1.3 |                       |        |
| 218,275,000.00               | 2,050,291.00          | 82,945,000.00  | 18.30                 | 77.50  |
| iLap Category Sequence No: 4 |                       | Current Expenditure Category: Emergency Expenditures           |                       |        |
| 0.00                         | 0.00                  | 0.00   | 100.00                | 100.00 |
| iLap Category Sequence No:   |                       | Current Expenditure Category: Wage subsidies P4                |                       |        |
| 0.00                         | 0.00                  | 100,000,000.00   |                       | 100.00 |
| <b>Total</b>                 | <b>349,125,000.00</b> | <b>39,050,291.00</b>   | <b>349,125,000.00</b> |        |

TF-B3363-001 | Currency: USD

|                              |                      |  |                      |       |
|------------------------------|----------------------|--|----------------------|-------|
| iLap Category Sequence No: 1 |                      | Current Expenditure Category: G CW NCS CS T IOC              |                      |       |
| 150,000.00                   | 0.00                 | 150,000.00   | 100.00               | 5.00  |
| iLap Category Sequence No: 2 |                      | Current Expenditure Category: Cash Transfer P 1.2            |                      |       |
| 0.00                         | 0.00                 | 0.00   | 0.01                 | 0.00  |
| iLap Category Sequence No: 3 |                      | Current Expenditure Category: Safety Net Transfer P 1.1 P1.3 |                      |       |
| 24,020,000.00                | 9,153,903.00         | 24,020,000.00  | 81.70                | 22.50 |
| <b>Total</b>                 | <b>24,170,000.00</b> | <b>9,153,903.00</b>  | <b>24,170,000.00</b> |       |

**Expected Disbursements (in US\$)**

| Fiscal Year | Annual         | Cumulative     |
|-------------|----------------|----------------|
| 2020        | 0.00           | 0.00           |
| 2021        | 70,000,000.00  | 70,000,000.00  |
| 2022        | 408,000,000.00 | 478,000,000.00 |
| 2023        | 169,170,000.00 | 647,170,000.00 |



|      |               |                |
|------|---------------|----------------|
| 2024 | 17,000,000.00 | 664,170,000.00 |
|------|---------------|----------------|

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

| Risk Category  | Latest ISR Rating | Current Rating |
|--|-------------------|----------------|
| Political and Governance                                     | ● Substantial     | ● Substantial  |
| Macroeconomic  | ● High            | ● High         |
| Sector Strategies and Policies                               | ● Moderate        | ● Moderate     |
| Technical Design of Project or Program                       | ● Moderate        | ● Moderate     |
| Institutional Capacity for Implementation and Sustainability | ● Substantial     | ● Substantial  |
| Fiduciary  | ● Moderate        | ● Moderate     |
| Environment and Social                                       | ● Substantial     | ● Substantial  |
| Stakeholders   | ● Moderate        | ● Moderate     |
| Other  | ● Substantial     | ● Substantial  |
| Overall  | ● Substantial     | ● Substantial  |

**LEGAL COVENANTS – Jordan Emergency Cash Transfer COVID-19 Response Project (P173974)**

| Loan/Credit/TF | Description  | Status            | Action    |
|----------------|--|-------------------|-----------|
| IBRD-91390     | Schedule 2. Section I. A. 1 (a) The Borrower shall cause Parts 1 and 2 of the Project to be carried out by NAF in accordance with the Project Operations Manual.                 | Expected soon     | No Change |
| IBRD-91390     | Schedule 2. Section I. A. 1 (b) The Borrower shall cause NAF to enter into a Project Agreement with the Bank for purposes of carrying out Parts 1 and 2 of the Project.          | Complied with     | Revised   |
| Proposed       | Schedule 2. Section I. A. 1 (b) The Borrower shall cause NAF to enter into an amended Project Agreement with the Bank for purposes of carrying out Parts 1 and 2 of the Project. | Not yet due       |           |
| IBRD-91390     | Schedule 2. Section I. A. 1 (c) No later than thirty (30) days from the Effective Date, the Borrower cause NAF to  | Not complied with | Revised   |



|            |  |               |           |
|------------|--|---------------|-----------|
|            | <p>establish and maintain, throughout Project implementation, a Project Management Unit (“PMU”) in charge of overall coordination of the Project. The PMU shall be headed by a Project Manager responsible for: (i) coordinating implementation and ensuring the overall technical coherence of the Project activities; and (ii) coordinating all technical, operational, M&amp;E, financial management, procurement and environmental and social safeguards aspects within the respective units and departments at NAF, all in form and with terms of references, functions, composition, staffing, including financial officer to be hired not later than thirty (30) days after the Effective Date, and communications officer and GRM officer, to be assigned not later than sixty (60) days after the Effective Date, as well as adequate resources acceptable to the Bank, and as further described in the project operation manual (“Project Operation Manual” or “POM”).</p> |               |           |
| Proposed   | Cause NAF to maintain, throughout Project implementation, a Project Management Unit ("PMU") in charge of overall coordination or the Project. No later than (30) days from the Effective Date, the Borrower shall cause NAF to recruit a PMU Project Manager.  | Not yet due   |           |
| IBRD-91390 | Schedule 2. Section I. D. 1. The Borrower shall cause NAF to select Beneficiaries and Takaful Beneficiaries, and make Safety Net Transfers to eligible Beneficiaries and Takaful Beneficiaries, in accordance with the eligibility criteria, requirements and procedures acceptable to the Bank, as described in the POM.  | Complied with | No Change |
| IBRD-91390 | Schedule 2. Section I. B. 1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the  | Complied with | No Change |



|            |  |                   |           |
|------------|--|-------------------|-----------|
|            | Loan available to NAF under a subsidiary agreement between the Borrower and NAF, under terms and conditions approved by the Bank (“Subsidiary Agreement”).   |                   |           |
| IBRD-91390 | Schedule 2. Section I. C. 1. Not later than thirty (30) days after the Effective Date, the Borrower shall cause NAF to adopt the POM, satisfactory to the Bank, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project  | Not yet due       | Revised   |
| Proposed   | Schedule 2. Section I. D. 1. Not later than 30 days after the effective date, the Borrower shall cause NAF to amend the POM, on terms satisfactory to the Bank, which will include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project.  | Not yet due       |           |
| IBRD-91390 | Schedule 2. Section I. D. 2. The Borrower shall cause NAF to ensure that the amount of each Safety Net Transfer is used by the Beneficiary and Takaful Beneficiary for its intended purpose.   | Complied with     | No Change |
| IBRD-91390 | Schedule 2. Section I. E. 1. Not later than 30 days after the Effective Date, the Borrower, through NAF, shall appoint a Verification Agent to carry out, under the terms satisfactory to the Bank, a verification review of Project implementation, including, inter alia, accuracy of Safety Net Transfer payments, eligibility of Beneficiaries and Takaful Beneficiaries, and confirmation of receipt of funds by Beneficiaries and Takaful Beneficiaries. | Not complied with | Revised   |
| Proposed   | Not later than sixty (60) days after the Effective Date, the Borrower, through MOPIC, shall appoint a Verification Agent to carry out, under the terms satisfactory to the Bank, a verification review of Project implementation.  | Not yet due       |           |





|            |   |             |           |
|------------|---|-------------|-----------|
| IBRD-91390 | Schedule 2. Section I. E. 2. The Borrower, through NAF, shall, and shall cause the Audit Bureau, to verify compliance with PBCs as set forth in the table of Schedule 4 to this Agreement and in accordance with the Verification Protocol.   | Not yet due | No Change |
| IBRD-91390 | Schedule 2. Section I. E. 3. The Borrower shall, through NAF, not later than thirty (30) days after the verification of compliance with the PBCs has been completed, prepare and furnish to the Borrower and the Bank, a report on the results of said verification process of such scope and in such detail as the Bank shall reasonably request, and recommend corresponding payments to be made, as applicable, under Category (2).  | Not yet due | No Change |
| IBRD-91390 | Schedule 2. Section I. I. 1 (a). In order to ensure the proper implementation of contingent emergency response activities under Part 3 of the Project (“Contingent Emergency Response Part”), the Borrower shall prepare and furnish to the Bank for its review and approval, a Contingent Emergency Response Component Manual (CERCM) which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part.   | Not yet due | No Change |
| IBRD-91390 | Schedule 2. Section I. E. 4. The Borrower shall cause NAF to submit to the Bank, not later than six (6) months after the Effective Date, Verification Agent’s verification review report satisfactory to the Bank related to the use of the proceeds of the first set of Safety Net Transfers, and thereafter, shall submit the verification review report every six months. The final independent verification report shall be furnished to the Bank not later than four (4) months after the end of last withdrawal of the proceeds of the Loan allocated to Safety | Not yet due | Revised   |



|            |  |             |     |
|------------|--|-------------|-----|
|            | Net Transfers under Category (3) of the table set forth in Section IV.A.1 of Schedule 2 to this Agreement.   |             |     |
| Proposed   | The Borrower shall submit to the Bank, on a quarterly basis, Verification Agent’s verification review report satisfactory to the Bank, related to the use of the proceeds of the Safety Net Transfers and Istdama benefits. The final independent verification report shall be furnished to the Bank not later than three (3) months after the end of last withdrawal of the proceeds of the Loan. | Not yet due |     |
| IBRD-91390 | Schedule 2. Section I. A. 1 (e) the Borrower shall cause NAF to hire a social officer to be placed within PMU.   | Not yet due | New |
| IBRD-91390 | Schedule 2. I. A. 1 (g) No later than thirty (30) days from the Effective Date, hire a Technical Coordinator within MOPIC to be responsible for monitoring and reporting activities under Part 4 of the Project and coordination of Part 4 activities with the SSC.  | Not yet due | New |
| IBRD-91390 | Schedule 2. I. A. 1. (h) Cause financial officer, procurement specialist a and social specialist hired by the PMU under Section I.A.1(c) to be responsible for supporting Technical Coordinator in implementing Part 4 of the Project. For purposes of Part 4 activities, financial officer, procurement specialist and social specialist shall report directly to the Technical Coordinator.      | Not yet due | New |
| IBRD-91390 | Schedule 2. I. C. 1. To facilitate the carrying out of Part 4 of the Project, the Borrower shall enter into a Cooperation Agreement between the Borrower, and SSC under terms and conditions approved by the Bank.   | Not yet due | New |
| IBRD-91390 | Schedule 2. I. D. 2. The Borrower shall cause SSC to carry out Part 4 of the Project pursuant to the Istdama Program Guidelines, on the terms satisfactory to the Bank, which shall  | Not yet due | New |



include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project.

**LEGAL COVENANTS – Jordan Emergency Cash Transfer COVID-19 Response Additional Financing (P176807)**

**Sections and Description**

Schedule 2. Section I. A. 1. (d) The Borrower shall, cause NAF to maintain, throughout Project implementation: (i) a Project Management Unit ("PMU") in charge of overall coordination of the Project; and (ii) a PMU Project Manager responsible for: (A) coordinating implementation and ensuring the overall technical coherence of the Project activities; and (B) coordinating all technical, operational, M&E, financial management, procurement, and environmental and social safeguards aspects within the respective units and departments at NAF, all in form and with terms of references, functions, composition, staffing, as well as adequate resources acceptable to the Bank, and as further described in the project operation manual ("Project Operation Manual" or "POM").

Schedule 2. Section I. A. 1. (e) No later than thirty (30) days from the Effective Date, the Borrower shall cause NAF to hire a social officer to be placed within the PMU.

Schedule 2. Section I. A. 1. (f) No later than thirty (30) days from the Effective Date, hire a Technical Coordinator within MOPIC to be responsible for monitoring and reporting activities under Part 4 of the Project, and coordination of Part 4 activities with the SSC.

Schedule 2. Section I. A. 1. (g) No later than sixty (60) days from the Effective Date, the Borrower shall cause NAF to hire a financial management officer and a procurement officer to be placed within PMU.

Schedule 2. Section I. A. 1.(h) Cause financial officer, procurement officer and social officer hired by MOPIC for the PMU under Section I.A.1(c) to be responsible for supporting the Technical Coordinator in implementing Part 4 of the Project. For purposes of carrying out Part 4 activities, financial officer, procurement officer and social officer shall report directly to the Technical Coordinator, while continuing to report to the PMU Project Manager for purposes of Parts 1 and 2 of the Project.

Schedule 2. Section I. B. 1. To facilitate the carrying out Parts 1 and 2 of the Project, the Borrower shall make the proceeds of the Loan available to NAF under a subsidiary agreement between the Borrower and NAF, under terms and conditions approved by the Bank ("Subsidiary Agreement").

Schedule 2. Section I. C. 1. To facilitate the carrying out Part 4 of the Project, the Borrower shall enter into a Cooperation Agreement between the Borrower and SSC, under terms and conditions approved by the Bank ("Cooperation Agreement"), including the following:

- (a) The Borrower's obligation to provide financing to the SSC for purposes of carrying out Part 4 of the Project in accordance with the terms of the Cooperation Agreement;
- (b) The SSC's obligation to carry out its respective activities under the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical, Environmental and Social Standards, including the requirements of ESCP, all under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with the provisions of the Legal Agreement and the POM;
- (c) The SSC's obligation to procure goods and services required for carrying out the Project and to be financed out of the proceeds of the Loan, in accordance with the Procurement Regulations, Procurement Plan and the POM;
- (d) The SSC's obligation to implement the terms of the World Bank Anti-Corruption Guidelines;
- (e) The SSC's obligation to: (i) maintain a financial management system for implementing the Project acceptable to the Bank; and (ii) prepare financial statements in accordance with consistently applied accounting



standards acceptable to the World Bank, adequate to reflect its operations and financial condition;

(f) The SSC's obligation to promptly inform the Borrower and the World Bank of any condition which interferes or threatens to interfere with the progress of the Project and the performance of its obligations under the Cooperation Agreement;

(g) The SSC's obligation to neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Cooperation Agreement.

Schedule 2. Section I. G.3. The Borrower shall, through NAF, not later than thirty (30) days after the verification of compliance with the PBCs has been completed, prepare and furnish to the Borrower and the Bank, a report on the results of said verification process of such scope and in such detail as the Bank shall reasonably request, and recommend corresponding payments to be made, as applicable, under Category (2).

Schedule 2. Section I. D. 1. Not later than thirty (30) days after the Effective Date, the Borrower shall cause NAF to amend the POM, on the terms satisfactory to the Bank, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following: (a) administration and coordination, monitoring and evaluation, financial management, procurement and accounting procedures, environmental and social safeguards, corruption and fraud mitigation measures; (b) a grievance redress mechanism; (c) personal data collection and processing in accordance with the applicable national guidelines; (d) eligibility criteria and procedures in selecting Beneficiaries for receiving Cash Transfers, including schedules and modalities for delivering Cash Transfers; (e) detailed arrangements for verification of achievement of the PBCs (including the Verification Protocol); (f) eligibility criteria and procedures in selecting eligible private sector firms and eligible employees for receiving Istidama Benefits (information provided by SSC for incorporation into the POM by NAF); (g) roles and responsibilities for Project implementation; and (h) such other arrangements and procedures as shall be required for the effective implementation of the Project, in form and substance satisfactory to the Bank.

Schedule 2. Section I. G. 1. Not later than sixty (60) days after the Effective Date, the Borrower, through MOPIC, shall appoint a Verification Agent to carry out, under the terms satisfactory to the Bank, a verification review of Project implementation, including, inter alia, (a) accuracy of Safety Net Transfer payments under Part 1.1; (b) eligibility of Beneficiaries and Takaful Beneficiaries; (c) confirmation of receipt of funds by Beneficiaries and Takaful Beneficiaries; and (d) calculation, processing and payment of Istidama Benefits under Part 4.

Schedule 2. Section I. G. 2. The Borrower, through NAF, shall cause the Audit Bureau to verify compliance with PBCs as set forth in the table of Schedule 4 to the Legal Agreement and in accordance with the Verification Protocol.

Schedule 2. Section I. G. 4. The Borrower shall submit to the Bank, on a quarterly basis, Verification Agent's verification review report satisfactory to the Bank, related to the use of the proceeds of the Safety Net Transfers and Istidama benefits. The final independent verification report shall be furnished to the Bank not later than three (3) months after the end of last withdrawal of the proceeds of the Loan allocated to Safety Net Transfers under Categories (3) and (6) of the table set forth in Section IV.A.1 of Schedule 2 to this Agreement.

Schedule 2. Section I. I. 1. The Borrower shall cause NAF, through the PMU, to prepare and furnish to the Bank, not later than January 31 of each year, starting January 1, 2021, an Annual Work Plan and Budget containing all activities proposed to be included in the Project and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts, sources of financing and eligible costs.

Schedule 2. Section I. K. 1. In order to ensure the proper implementation of contingent emergency response activities under Part 3 of the Project ("Contingent Emergency Response Part"), the Borrower shall:

(a) prepare and furnish to the Bank for its review and approval, a Contingent Emergency Response Component Manual (CERCM) which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any special institutional arrangements for coordinating and implementing



the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) application of the any relevant safeguard instruments to the Contingent Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Contingent Emergency Response Part;

- (b) afford the Bank a reasonable opportunity to review the proposed CERCM;
- (c) promptly adopt the CERCM for the Contingent Emergency Response Part as accepted by the Bank;
- (d) ensure that the Contingent Emergency Response Part is carried out in accordance with the CERCM; provided, however, that in the event of any inconsistency between the provisions of the CERCM and this Agreement, the provisions of this Agreement shall prevail; and
- (e) not amend, suspend, abrogate, repeal or waive any provision of the CERCM without the prior written approval by the Bank.

Schedule 2. Section I. K. 2. The Borrower shall ensure that no activities are undertaken under the Contingent Emergency Response Part, unless and until the following conditions have been met in respect of said activities:

- (a) the Borrower has determined that an Eligible Crisis or Health Emergency has occurred, has furnished to the Bank a request to include said activities in the Contingent Emergency Response Part in order to respond to said crisis or emergency, and the Bank has agreed with such determination, accepted said request and notified the Borrower thereof; and
- (b) the Borrower has ensured the disclosure of all Environmental and Social instruments/plans required for said activities in accordance with the ESCP, the Borrower has approved all such instruments, and the Borrower has ensured the implementation of any actions which are required to be taken under said instruments.

**Conditions**

| Type         | Financing source | Description  |
|--------------|------------------|--|
| Disbursement |                  | <p>No withdrawal shall be made:</p> <p>(a) for payments made prior to the date of this Agreement, except withdrawals up to an aggregate amount not to exceed \$26,500,000 may be made for payments made on or after May 1, 2021 but prior to the Signature Date, under Category (6) of the Project.</p> <p>(b) for payments under Category (2) unless the Bank has received satisfactory evidence, to be verified by the Audit Bureau that (i) payments for Eligible Expenditures Program have been made in accordance and in compliance with the procedures set forth in the POM; and (ii) the PBCs set forth in Schedule 4 to this Agreement for which payment is requested have been met and verified in accordance with the Verification Protocol and the POM.</p> <p>(c) under Category (6) unless and until the allocation under Category (6) of the Original Loan Agreement has</p> |



|                          |                         |  |
|--------------------------|-------------------------|--|
|                          |                         | <p>been fully disbursed.</p> <p>(d) under Category (6) unless and until the Borrower has:</p> <p>(i) entered into a Cooperation Agreement with SSC;</p> <p>(ii) updated, adopted, and publicly disclosed the Rapid Social Assessment; and</p> <p>(iii) updated, adopted, and publicly disclosed Labor Management Procedures, in form and substance acceptable to the Bank.</p> <p>(e) for Emergency Expenditures under Category (4), unless and until the Bank is satisfied that all of the following conditions have been met in respect of said expenditures:</p> <p>(i) the Borrower has determined that an Eligible Crisis or Health Emergency has occurred, has furnished to the Bank a request to include said activities in the Contingent Emergency Response Part in order to respond to said crisis or emergency, and the Bank has agreed with such determination, accepted said request and notified the Borrower thereof;</p> <p>(ii) the Borrower has prepared and disclosed all environmental/social documents, (including ESCP) required for said activities, and the Borrower has ensured that any actions which are required to be taken under said documents have been implemented, all in accordance with the provisions of Sections I.H.(2)(b) of this Schedule;</p> <p>(iii) the entities in charge of coordinating and implementing the Contingent Emergency Response Part, has provided sufficient evidence satisfactory to the Bank that it has adequate staff and resources for the purposes of said activities; and</p> <p>(iv) the Borrower has adopted the CERCM, in form and substance acceptable to the Bank, and the provisions of the CERCM remain relevant or have been updated in accordance with the provisions of Section I.H of this Schedule so as to be appropriate for the inclusion and implementation of the activities under the Contingent Emergency Response Part.</p> |
| <p>Type Disbursement</p> | <p>Financing source</p> | <p>Description</p> <p>If the Bank determines, at any time, that any portion of the amounts disbursed by the Borrower under Categories (1) and (2) was made for payment of expenditures that are not eligible, the Borrower shall promptly refund any such amount to the Bank as the Bank shall specify by</p>  |



|                       |                  |   |
|-----------------------|------------------|---|
|                       |                  | notice to the Borrower.   |
| Type<br>Disbursement  | Financing source | Description<br>If, at any time, the Bank determines that any portion of the amounts disbursed by the Bank to the Borrower under Category (2) was: (i) made for payment of expenditures which are not eligible under the NAF programs; or (ii) not in compliance with the provisions of Section I.D and the provisions of the POM, the Borrower shall promptly refund any such amount to the Bank as the Bank shall specify by notice to the Borrower. |
| Type<br>Effectiveness | Financing source | Description<br>The Borrower has entered into an amended Subsidiary Agreement with NAF.  |
| Type<br>Effectiveness | Financing source | Description<br>The Borrower, through MOPIC, has engaged the PMU manager, in accordance with the terms of reference, qualifications and resources satisfactory to the Bank.  |



**VIII. RESULTS FRAMEWORK AND MONITORING**

**Results Framework**

COUNTRY: Jordan

Jordan Emergency Cash Transfer COVID-19 Response Additional Financing

**Project Development Objective(s)**

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

**Project Development Objective Indicators by Objectives/ Outcomes**

| Indicator Name  | PBC | Baseline | End Target   |
|---|-----|----------|--------------|
| <b>Cash support to poor and vulnerable households affected by the COVID-19 pandemic in Jordan</b> |     |          |              |
| Number of households receiving cash support through the project (Number)                          |     | 0.00     | 247,000.00   |
| <i>Action: This indicator has been Revised</i>  |     |          |              |
| Number of individuals (Number)  |     | 0.00     | 1,235,000.00 |
| <i>Action: This indicator has been Revised</i>  |     |          |              |
| Percentage of female-headed households (Percentage)   |     | 0.00     | 9.00         |





| Indicator Name  | PBC  | Baseline | End Target |
|---|--|----------|------------|
| <b>Support to workers in firms affected by COVID-19 (Action: This Objective is New)</b> |  |          |            |
| Number of individuals receiving wage subsidies through the project (Number)             |  | 0.00     | 100,000.00 |
| <i>Action: This indicator is New</i>  | <i>Rationale:<br/>Number of individuals receiving wage subsidies through the project</i> |          |            |
| Percentage of females (Percentage)  |  | 0.00     | 50.00      |
| <i>Action: This indicator is New</i>  | <i>Rationale:<br/>Percentage of females</i>  |          |            |

**Intermediate Results Indicators by Components**

| Indicator Name  | PBC  | Baseline | End Target |
|---|--|----------|------------|
| <b>Component 1: Cash support to poor and vulnerable households affected by COVID-19</b> |  |          |            |
| Number of households receiving temporary cash transfers (Number)                        |  | 0.00     | 132,000.00 |
| <i>Action: This indicator has been Revised</i>  | <i>Rationale:<br/>Number of beneficiary households supported in 2020 was 237,000 of whom about 32,000 were financed by the project. In 2021, the project is planning to finance about 100,000 households. Therefore, total number of households is expected to be 132,000.</i> |          |            |



| Indicator Name  | PBC   | Baseline  | End Target |
|---|---|-----------|------------|
| Number of individual beneficiaries (Number)                                       |   | 0.00      | 660,000.00 |
| <i>Action: This indicator has been Revised</i>                                    |   |           |            |
| Percentage of female beneficiaries (Percentage)                                   |   | 0.00      | 50.00      |
| <i>Action: This indicator has been Revised</i>                                    |   |           |            |
| Number of households receiving cash transfers under the Takaful program (Number)  | PBC 1, 1  | 45,000.00 | 115,000.00 |
| <i>Action: This indicator has been Revised</i>                                    | <b>Rationale:</b><br><i>Number of actual beneficiaries in 2020 is 45,000. Number of beneficiaries in 2021 is planned to be 85,000. In 2022, number of beneficiary households under Takaful after the recertification of regular monthly cash transfer program is expected to be 115,000. Total is 245 beneficiary households.</i> |           |            |
| Number of individuals (Number)  |   | 0.00      | 575,000.00 |
| <i>Action: This indicator has been Revised</i>                                    |   |           |            |
| Percentage of females (Percentage)  |   | 50.00     | 50.00      |
| Number of NAF beneficiary households receiving temporary benefit top-ups (Number) |   | 0.00      | 55,000.00  |
| <i>Action: This indicator has been Marked for Deletion</i>                        |   |           |            |
| Number of individual beneficiaries (Number)                                       |   | 0.00      | 275,000.00 |



| Indicator Name  | PBC | Baseline | End Target |
|---|-----|----------|------------|
| <i>Action: This indicator has been Marked for Deletion</i>  |     |          |            |
| Percentage of female beneficiaries (Percentage)   |     | 0.00     | 50.00      |
| <i>Action: This indicator has been Marked for Deletion</i>  |     |          |            |
| <b>Project Management, Monitoring and Evaluation</b>  |     |          |            |
| Number of new participating institutions connected to NUR (Number)  |     | 15.00    | 20.00      |
| <i>Action: This indicator has been Revised</i>  |     |          |            |
| Percentage of beneficiary households receiving payments digitally (Percentage)                                    |     | 20.00    | 100.00     |
| <i>Action: This indicator has been Revised</i>  |     |          |            |
| Percentage of females receiving payments digitally (Percentage)   |     | 4.00     | 9.00       |
| <i>Action: This indicator has been Revised</i>  |     |          |            |
| Number of NAF staff benefiting from training and capacity building programs provided through the project (Number) |     | 0.00     | 50.00      |
| <i>Action: This indicator has been Revised</i>  |     |          |            |
| Number of NAF MIS modules improved through the project (Number)   |     | 0.00     | 3.00       |
| <i>Action: This indicator has been Revised</i>  |     |          |            |



| Indicator Name  | PBC | Baseline | End Target |
|---|-----|----------|------------|
| Percentage of grievances, complaints and inquiries addressed within timeframe that is specified and publicly communicated by the project. (Percentage)  |     | 20.00    | 80.00      |
| <b>Action: This indicator has been Revised</b>  |     |          |            |
| Percentage of beneficiaries who expressed satisfaction with the project interventions, including on delivery and communication modalities (Percentage)  |     | 0.00     | 90.00      |
| <b>Action: This indicator has been Revised</b>  |     |          |            |
| NAF's NUR is modified to obtain real-time information on the geographic location of weather-related shocks to enable NAF to automatically generate list of poor and vulnerable families. (Yes/No) |     | No       | Yes        |
| <b>Action: This indicator is New</b>  |     |          |            |
| <b>Component 4: Support to workers in firms affected by COVID-19 (Action: This Component is New)</b>  |     |          |            |
| Number of individuals receiving wage subsidies through the project (Number)   |     | 0.00     | 100,000.00 |
| <b>Action: This indicator is New</b>  |     |          |            |
| <b>Rationale:<br/>Number of individuals receiving wage subsidies through the project</b>  |     |          |            |
| Percentage of Females (Percentage)  |     | 0.00     | 50.00      |



| Indicator Name   | PBC | Baseline   | End Target |
|--|-----|--|------------|
| <i>Action: This indicator is New</i>                   |     | <i>Rationale:<br/>Percentage of females receiving wage subsidies</i> |            |
| Number of firms supported by Istidama program (Number) |     | 0.00   | 6,000.00   |
| <i>Action: This indicator is New</i>                   |     | <i>Rationale:<br/>Additional indicator for the new component</i>     |            |

#### Monitoring & Evaluation Plan: PDO Indicators

| Indicator Name   | Definition/Description                                  | Frequency | Datasource | Methodology for Data Collection                       | Responsibility for Data Collection |
|--|---|-----------|------------|---|------------------------------------|
| Number of households receiving cash support through the project    |   | Quarterly | NAF MIS    | Program MIS; Payment module (payroll to be generated) | NAF                                |
| Number of individuals  |   | Quarterly | NAF MIS    | Number of individuals in the targeted households      | NAF                                |
| Percentage of female-headed households                             |   |           |            |   |                                    |
| Number of individuals receiving wage subsidies through the project | Number of individuals receiving wage subsidies from SSC | Quarterly | SSC MIS    | Reports generated from SSC MIS                        | MOPIC - SSC                        |
| Percentage of females  | Percentage of females                                   | Quarterly | SSC MIS    | Reports from SSC MIS                                  | MOPIC - SSC                        |



| <b>Monitoring &amp; Evaluation Plan: Intermediate Results Indicators</b> |   |                  |                   |  |   |
|--|---|------------------|-------------------|--|---|
| <b>Indicator Name</b>  | <b>Definition/Description</b>                           | <b>Frequency</b> | <b>Datasource</b> | <b>Methodology for Data Collection</b>           | <b>Responsibility for Data Collection</b> |
| Number of households receiving temporary cash transfers                  | Number of households receiving temporary cash transfers | Quarterly        | NAF MIS           | MIS Payment module                               | NAF                                       |
| Number of individual beneficiaries                                       |   | Quarterly        | NAF MIS           | Number of individuals in all households targeted | NAF                                       |
| Percentage of female beneficiaries                                       | Percentage of female individual beneficiaries           | Quarterly        | NAF MIS           | Reports generated from NAF MIS                   | NAF                                       |
| Number of households receiving cash transfers under the Takaful program  |   | Quarterly        | NAF MIS           | MIS beneficiaries list and payment lists         | NAF                                       |
| Number of individuals  |   |                  |                   |  |   |
| Percentage of females  |   |                  |                   |  |   |
| Number of NAF beneficiary households receiving temporary benefit top-ups |   | Quarterly        | NAF MIS           | MIS Payment module                               | NAF                                       |
| Number of individual beneficiaries                                       |   |                  |                   |  |   |
| Percentage of female beneficiaries                                       |   |                  |                   |  |   |
| Number of new participating institutions connected to NUR                |   | Annually         | NAF NUR progress  | Number of database connected to NUR              | NAF                                       |



|   |   |           |                          |   |             |
|---|---|-----------|--------------------------|---|-------------|
|   |   |           | report                   | platform  |             |
| Percentage of beneficiary households receiving payments digitally   |   | Quarterly | NAF MIS                  | MIS Payment module  | NAF         |
| Percentage of females receiving payments digitally  | Percentage of female who receives their payment digitally out of the number of all beneficiaries from the NAF program   | Quarterly | NAF MIS                  | Reports generated from NAF MIS  | NAF         |
| Number of NAF staff benefiting from training and capacity building programs provided through the project                                  |   | Quarterly | Project progress reports | Number of staff received training programs  | NAF         |
| Number of NAF MIS modules improved through the project  |   | Annually  | NAF MIS                  | Reviewing the improved/adjusted Business Processes for three modules in the NAF MIS | NAF         |
| Percentage of grievances, complaints and inquiries addressed within timeframe that is specified and publicly communicated by the project. |   | Quarterly | NAF and SSC MIS          | percentage of addressed complaints = number of collected / number of addressed      | NAF and SSC |
| Percentage of beneficiaries who expressed satisfaction with the project interventions, including on delivery and communication modalities | The project will leverage the contract with the IVE to collect data about beneficiaries satisfaction and will prepare time-bound annual action plans to address feedback from | Annual    | IVE reports              | Telephonic surveys by the IVE   | MOPIC/NAF   |



|  |   |           |         |  |             |
|--|---|-----------|---------|--|-------------|
|  | beneficiaries that have been solicited through the surveys  |           |         |  |             |
| NAF's NUR is modified to obtain real-time information on the geographic location of weather-related shocks to enable NAF to automatically generate list of poor and vulnerable families. | NAF's MIS will be improved to allow NAF to obtain real-time information on the geographic location of weather-related shocks to enable NAF to automatically generate the list of poor and vulnerable families living in affected areas. | One time  | NAF MIS | NAF will submit a report about this change | NAF         |
| Number of individuals receiving wage subsidies through the project   | Number of individuals receiving wage subsidies through the project  | Quarterly | SSC MIS | Reports generated from SSC MIS             | MOPIC - SSC |
| Percentage of Females  | Percentage of females   | Quarterly | SSC MIS | Reports generated form SSC MIS             | MOPIC - SSC |
| Number of firms supported by Istadama program  | Number of firms supported by Istadama program   | Quarterly | SSC MIS | Reports generated from SSC                 | MOPIC - SSC |



**Performance-Based Conditions Matrix**

| <b>Performance-Based Conditions Matrix</b> |  |                        |                                     |  |
|--|--|------------------------|-------------------------------------|--|
| <b>PBC 1</b>                               | <b>Number of households receiving cash transfers under the Takaful program</b> |                        |                                     |  |
| <b>Type of PBC</b>                         | <b>Scalability</b>   | <b>Unit of Measure</b> | <b>Total Allocated Amount (USD)</b> | <b>As % of Total Financing Amount</b>  |
| Output                                     | Yes  | Number                 | 58,000,000.00                       | 0.20   |
| Baseline                                   | 45,000.00  |                        |                                     |  |
| 2020                                       |  |                        | 40,000,000.00                       | from the baseline of 0, \$8,000,000 for each 11,000 by the end of 2020             |
| 2021                                       |  |                        | 18,000,000.00                       | from the baseline of 55,000, \$6,000,000 for each 10,000 by the by the end of 2021 |
| 2022                                       |  |                        | 0.00                                |  |

**Action: This PBC has been Revised. See below.**

| <b>Performance-Based Conditions Matrix</b> |  |                        |                                     |  |
|--|--|------------------------|-------------------------------------|--|
| <b>PBC 1</b>                               | <b>Number of households receiving cash transfers under the Takaful program</b> |                        |                                     |  |
| <b>Type of PBC</b>                         | <b>Scalability</b>   | <b>Unit of Measure</b> | <b>Total Allocated Amount (USD)</b> | <b>As % of Total Financing Amount</b>                                  |
| Output                                     | Yes  | Number                 | 192,000,000.00                      | 16.67  |
| Baseline                                   | 45,000.00  |                        |                                     |  |
| 2020                                       |  |                        | 32,000,000.00                       | from the baseline of 0, \$8,000,000 for each 11,000 by the end of 2020 |
| 2021                                       |  |                        | 80,000,000.00                       | from the baseline of 0, \$2,250,000 for                                |



|      |  |               |  |
|------|--|---------------|--|
|      |  |               | <i>each 10,650 households paid in each quarter of 2021, up to \$80,000,000</i>   |
| 2022 |  | 80,000,000.00 | <i>from the baseline of 0, \$2,250,000 for each 10,650 households paid in each quarter of 2022, up to \$80,000,000</i> |

**Rationale:**

**Number of actual beneficiary households in 2020 was 45,000. The number of beneficiaries in 2021 and 2022 is expected to be 85,000 and 115,000, respectively**

| PBC 2       |             | Improvements in Takaful |                              |                                   |
|-------------|-------------|-------------------------|------------------------------|-----------------------------------|
| Type of PBC | Scalability | Unit of Measure         | Total Allocated Amount (USD) | As % of Total Financing Amount    |
| Outcome     | Yes         | Yes/No                  | 30,000,000.00                | 0.10                              |
| Baseline    | No          |                         |                              |                                   |
| 2020        | Yes         |                         | 20,000,000.00                | \$20,000,000 by December 31, 2020 |
| 2021        | Yes         |                         | 10,000,000.00                | \$10,000,000 by December 31, 2021 |
| 2022        |             |                         | 0.00                         |                                   |

**Action: This PBC has been Revised. See below.**



| <b>PBC 2</b>   |                    | <i>Improvements in Takaful</i>                                       |                                     |   |
|--|--------------------|--|-------------------------------------|---|
| <i>Type of PBC</i>                                   | <i>Scalability</i> | <i>Unit of Measure</i>   | <i>Total Allocated Amount (USD)</i> | <i>As % of Total Financing Amount</i>   |
| <i>Outcome</i>                                       | Yes                | Yes/No   | 99,275,000.00                       | 0.00  |
| <i>Baseline</i>                                      | No                 |  |                                     |   |
| 2020   | No                 |  | 0.00                                | 0.00  |
| 2021   | Yes                |  | 80,000,000.00                       | PBC#2.1: \$10m; PBC #2.2: \$50m; PBC #2.3: \$20m  |
| 2022   | Yes                |  | 19,275,000.00                       | PBC#2.4: \$19.275m  |
| <b>PBC 3</b>   |                    | <i>Migration of Beneficiaries into Takaful Cash Transfer Program</i> |                                     |   |
| <i>Type of PBC</i>                                   | <i>Scalability</i> | <i>Unit of Measure</i>   | <i>Total Allocated Amount (USD)</i> | <i>As % of Total Financing Amount</i>   |
| <i>Outcome</i>                                       | Yes                | Yes/No   | 40,000,000.00                       | 0.14  |
| <i>Baseline</i>                                      | No                 |  |                                     |   |
| 2020   | Yes                |  | 20,000,000.00                       | From the baseline of 0, \$5,000,000 for every 14,000 Beneficiaries whose payments are digitized, up to \$20,000,000 |
| 2021   | Yes                |  | 20,000,000.00                       | \$20,000,000 by December 31, 2021   |
| 2022   |                    |  | 0.00                                |   |
| <b>Action: This PBC has been Revised. See below.</b> |                    |  |                                     |   |



| <b>PBC 3</b>   |                    |                        |                                     |   |
|--|--------------------|------------------------|-------------------------------------|---|
| <i>Migration of Beneficiaries into Takaful Cash Transfer Program</i> |                    |                        |                                     |   |
| <i>Type of PBC</i>   | <i>Scalability</i> | <i>Unit of Measure</i> | <i>Total Allocated Amount (USD)</i> | <i>As % of Total Financing Amount</i>   |
| <i>Outcome</i>   | Yes                | Yes/No                 | 96,330,000.00                       | 5.19  |
| <i>Baseline</i>  | No                 |                        |                                     |   |
| 2020   | Yes                |                        | 5,000,000.00                        | <i>PBC #3.1: From the baseline of 0, \$5,000,000 for every 14,000 Beneficiaries whose payments are digitized, up to \$10,000,000</i>          |
| 2021   | Yes                |                        | 16,330,000.00                       | <i>PBC#3.1: \$5m; PBC#3.2: \$11.330</i>   |
| 2022   | Yes                |                        | 75,000,000.00                       | <i>#3.3:from the baseline of 0, \$7.5m for each 10% qualifying (for Takaful) households of the regular CTP enrolled in Takaful upto \$75m</i> |

**Rationale:**

*This amount allocated to this PBC was increased. The PBCs includes enrollment in Takaful of beneficiaries of NAF’s regular monthly CTs that qualify for Takaful (PBC 3.3, replacing PBC 3.2 under the original Project). The amount associated with PBC 3.1 has been reduced because all future digitization of payments for beneficiaries of NAF’s regular monthly CTs will be done once they move to Takaful.*

**Verification Protocol Table: Performance-Based Conditions**



|                            |   |
|----------------------------|---|
| <b>PBC1</b>                | Number of households receiving cash transfers under the Takaful program   |
| <b>Description</b>         |   |
| <b>Data source/ Agency</b> | NAF MIS   |
| <b>Verification Entity</b> | Jordan Audit Bureau - validated by the World Bank.  |
| <b>Procedure</b>           | PBC#1.1 and PBC# 1.2: NAF generates list of beneficiaries enrolled and paid in Takaful program from the MIS. NAF will cause the Audit Bureau to prepare and furnish to the Borrower and the Bank, a report on the results of the verification process of such scope and in such detail as the Bank shall reasonably request, and recommend corresponding payments to be made, as applicable.            |
| <b>PBC1</b>                | Number of households receiving cash transfers under the Takaful program   |
| <b>Description</b>         | PBC#1.1 44,000 eligible households are enrolled in Takaful Cash Transfer Program and paid in 2020<br>PBC#1.2 85,000 85,000 eligible households are enrolled in the Takaful-1 Cash Transfer Program and paid in 2021<br>PBC#1.3 85,000 85,000 eligible households are enrolled in the Takaful-1 Cash Transfer Program and paid in 2022   |
| <b>Data source/ Agency</b> | NAF MIS   |
| <b>Verification Entity</b> | Jordan Audit Bureau - validated by the World Bank.  |
| <b>Procedure</b>           | PBC#1.1, PBC# 1.2, and PBC# 1.3: NAF generates list of beneficiaries enrolled and paid in Takaful program from the MIS. NAF will cause the Audit Bureau to prepare and furnish to the Borrower and the Bank, a report on the results of the verification process of such scope and in such detail as the Bank shall reasonably request, and recommend corresponding payments to be made, as applicable. |



|                            |  |
|----------------------------|--|
|                            |  |
| <b>PBC2</b>                | Improvements in Takaful  |
| <b>Description</b>         | PBC # 2.1: NAF develops and adopts a revised Takaful targeting methodology based on the findings from the evaluation study and approved it by its the Board of Directors<br>PBC # 2.2: NAF develops and adopts a plan for the recertification of Takaful beneficiaries   |
| <b>Data source/ Agency</b> | NAF MIS  |
| <b>Verification Entity</b> | Implementing entity with validation by the World Bank.   |
| <b>Procedure</b>           | PBC #2.1: NAF provides the Bank with the revised targeting formula that is satisfactory to the Bank team based on the findings of the targeting evaluation. This will be validated by the World Bank.<br>PBC #2.2: NAF provides the World Bank with the recertification plan of Takaful beneficiaries. This will be validated by the World Bank.   |
| <b>PBC2</b>                | Improvements in Takaful  |
| <b>Description</b>         | PBC # 2.1: NAF develops and adopts a revised Takaful targeting methodology based on the findings from the evaluation study and approved it by its the Board of Directors.<br>PBC # 2.2: NAF implements the revised Takaful Targeting methodology.<br>PBC # 2.3: NAF develops and adopts a plan for the recertification of Takaful beneficiaries.<br>PBC # 2.4: NAF implements the recertification of Takaful beneficiaries |
| <b>Data source/ Agency</b> | NAF  |
| <b>Verification Entity</b> | Implementing entity with validation by the World Bank.   |
| <b>Procedure</b>           | PBC #2.1: NAF provides the Bank with the revised targeting formula that is satisfactory to the Bank team based on the findings of the targeting evaluation. This will be validated by the World Bank.  |



|                            |  |
|----------------------------|--|
|                            | <p>PBC #2.2: NAF applies the revised targeting formula in the MIS for the following rounds of Takaful. This will be validated by the World Bank.</p> <p>PBC #2.3: NAF provides the World Bank with the recertification plan of Takaful beneficiaries. This will be validated by the World.</p> <p>PBC #2.4: NAF submits a report on the data collection and enrollment of beneficiaries following the recertification plan guidelines. The report will be reviewed and accepted by the World Bank.</p>   |
| <b>PBC3</b>                | <b>Migration of Beneficiaries into Takaful Cash Transfer Program</b>   |
| <b>Description</b>         | <p>PBC #3.1: NAF digitizes payments to Beneficiaries under Regular Monthly Cash Transfer Program</p> <p>PBC #3.2: NAF recertifies beneficiaries of monthly cash transfers using Takaful’s targeting methodology, involving: collection of data from beneficiaries, determination of eligibility for Takaful, and development of a plan to enroll eligible households and to gradually exit non-eligible households</p>   |
| <b>Data source/ Agency</b> | NAF MIS  |
| <b>Verification Entity</b> | Implementing entity with validation by the World Bank.   |
| <b>Procedure</b>           | <p>PBC #3.1: NAF provides the Bank with the list of beneficiaries of the monthly cash transfers who were enrolled and paid through the digitized payments. This will be validated by the World Bank.</p> <p>PBC #3.2: NAF provides the World Bank with a report on the action taken to recertify the beneficiaries of monthly cash transfers using Takaful’s targeting methodology. The report should include: summary of the results of the the collection of data from beneficiaries, determination of eligibility for Takaful, and development of a plan to enroll eligible households and to exit non-eligible households. This will be validated by the World Bank.</p> |
| <b>PBC3</b>                | <b>Migration of Beneficiaries into Takaful Cash Transfer Program</b>   |
| <b>Description</b>         | <p>PBC #3.1: NAF digitizes payments to Beneficiaries under Regular Monthly Cash Transfer Program</p> <p>PBC # 3.2: NAF Board of Director issues decision to discontinue new enrollment under the Regular Monthly Cash Transfer Program.</p> <p>PBC # 3.3: NAF enrolls in the Takaful CT Program beneficiaries of the regular monthly CT programs that qualify for the</p>  |



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|                            |  |
|----------------------------|--|
|                            | Takaful  |
| <b>Data source/ Agency</b> | PBC #3.1: NAF MIS<br>PBC #3.2: NAF<br>PBC #3.3: NAF MIS  |
| <b>Verification Entity</b> | Implementing entity with validation by the World Bank.   |
| <b>Procedure</b>           | PBC #3.1: NAF provides the Bank with the list of beneficiaries of the monthly cash transfers who were enrolled and paid through the digitized payments. This will be validated by the World Bank.<br>PBC #3.2: NAF provides the World Bank with a copy of the decision made by Board of Directors:<br>PBC #3.3: NAF provides the Bank with the list of beneficiaries who were recertified and migrated from the Regular Cash Transfer Program to Takaful or exited from the Regular Cash Transfer program. |

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## **Annex 1: Implementation Arrangements and Support Plan**

### **Implementation Support Plan and Resource Requirements**

1. This implementation support plan describes the manner in which the World Bank will assist the government with the implementation of the risk mitigation measures and provide the required technical advice to help the achieve the PDO. The plan has been developed based on the nature of the project and its risk profile. The World Bank will work closely with the PMU and key stakeholders to ensure project success.
2. In addition to implementation support visits<sup>44</sup> and ongoing engagement, the World Bank will closely monitor the progress of project implementation and achievement of results through formal and informal reporting channels. Formal reporting channels include Implementation Status and Results Reports (ISRs) and regular results monitoring, and implementation progress reports prepared by the PMU. Informal channels include interaction with direct beneficiaries of the project, reports from local media, and international assessments. The Bank will continue a close policy dialogue with NAF, MOPIC and the government to support the achievement of project objectives.
3. Project procurement and FM missions will be undertaken as part of periodic fiduciary support conducted concurrently across operations in Jordan. FM and procurement specialists will participate in the MTR, implementation support missions, and contribute to the ISRs and the Implementation Completion and Results Report.
4. M&E. The Bank will review the results framework submitted on a quarterly basis by the PMU as part of implementation support. The Bank will discuss progress with NAF and MOPIC and identify areas where additional support is required.
5. The tables below detail the key areas of focus of the implementation support activities for the project's implementation. These have been determined based on discussions with the government and an understanding of the priority activities to be implemented. Future updates will be based on progress of project activities.

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<sup>44</sup> Implementation support will be carried out virtually as long as COVID-19 pandemic measures and restrictions (such as suspension of travel) are in place.



**Implementation Support Plan**

| <b>Time</b>      | <b>Focus</b>   | <b>Skills Needed</b>   | <b>Resource Estimate</b> | <b>Partner Role</b> |
|------------------|--|--|--------------------------|---------------------|
| First six months | Support preparation and implementation of activities | Project Task Management World Bank specialists and consultants in Social Safety Net Cash Transfer Activities   | US\$150,000              | —                   |
| 30 months        | Support implementation of activities                 | Project Task Management World Bank specialists and consultants in Social Safety Net Cash Transfer, Monitoring and Evaluation, and Management Information System (MIS) Activities | US\$400,000              | —                   |

**Skill Mix Required**

| <b>Skills Needed</b>     | <b>Number of Staff Weeks</b> | <b>Number of Trips</b> |
|--------------------------|------------------------------|------------------------|
| Task Team leaders        | 20                           | 2                      |
| Procurement Specialist   | 2                            | 0                      |
| FM Specialist            | 2                            | 0                      |
| Counsel                  | 1                            | 0                      |
| Operations Support       | 3                            | 2                      |
| Safeguards Specialist(s) | 2                            | 0                      |
| M&E Specialist           | 1                            | 2                      |



## Annex 2: Financial Management

1. **Implementation Arrangements:** In addition to NAF, MOPIC, in partnership with SCC, would be the implementing agency for the newly added Component 4. MOPIC has deep and long-standing experience with the World Bank FM and disbursement guidelines and procedures. SCC has no prior experience with World Bank-financed operations. Financial Officers from MOPIC and SCC's finance departments will be dedicated to the project and will work closely with the Financial Officer appointed for the project.
2. **AF FM risk:** Based on the FM assessment, the overall FM risk is considered substantial. With mitigation measures in place, the AF will have acceptable FM arrangements and the residual risk is rated moderate. The FM risks include the following:
  - i) Potential inclusion and exclusion errors in the selection of beneficiaries;
  - ii) Gaps in the administration and access controls of the Management Information Systems (MISs) of NAF;
  - iii) High volume of beneficiaries and payments;
  - iv) Overlapping reported expenditures under PBCs between the parent and the AF;
  - v) Different accounting systems are used for the AF hindering generating semiannual IFRs in accordance with the World Bank format and content; and
  - vi) Several weaknesses in SSC accounting systems.
3. The FM arrangements have been designed to mitigate the identified FM risks including:
  - i) A part-time Financial Officer (FO), experienced with World Bank-funded projects and related FM and disbursement guidelines will be hired to carry out FM and disbursement responsibilities;
  - ii) Cash transfers under Takaful 1, 2, and 3 and *Istidama* are only paid through bank transfers and e-wallets;
  - iii) Cash transfers under Takaful 2 and 3 and *Istidama* are subject to a verification review by an outsourced specialized firm to confirm accuracy of payments, eligibility, and confirmation of receipt of funds by beneficiaries;
  - iv) The verification of PBCs is conducted by a reliable and independent party as per the agreed verification protocols;
  - v) The independent party will ensure that eligible expenditure incurred that are reported after achieving PBCs under the parent project, will not be recorded again for PBCs under the AF and vice versa;
  - vi) *Istidama* program will only be financed by using a reimbursement disbursement mechanism;
  - vii) *Istidama* program financing by the World Bank for the period extending from December 1, 2020 to May 31, 2021 will be subject to a review by an independent firm. Subsequent program expenditures for the period extending from June 1, 2021 to December 31, 2021 will only be made once the review is completed;
  - viii) The existing US Dollar Designated Account (DA), separate from other donor accounts, is used to receive loan and grant advances;



- ix) Semi-annual IFRs are submitted in Excel to allow the World Bank to follow up on disbursement progress and address bottlenecks in a timely manner;
- x) The existing POM will be updated for the new activities under the AF;
- xi) Parent and AF annual financial statements will be subject to financial auditing; and
- xii) NAF and SCC MIS systems are subject to a technical IT audit to have reasonable assurance over the systems' infrastructure, policies and operations, IT controls and data integrity, as well as overall business and financial controls.

4. **Budgeting.** NAF's budget is incorporated in the national budget law as a separate entity from the MOSD, while *Istidama* program, implemented through SCC, is covered under MOF's budget under the emergency program to respond to COVID-19. The AF's budget, based on the most updated procurement plan, will be prepared and updated annually. The AF's expected cash flows in 2021 are included in the 2021 national budget. Variance analysis will be provided along with the semiannual IFRs.

5. **Takaful and Istidama FM and Disbursement Arrangements:** The project will continue to finance Takaful-1 program while Takaful-3 program was added as well as the "*Istidama*" program. New beneficiaries are selected in accordance with the AF specific selection eligibility criteria (Section II. Description of Additional Financing) from the database of online registrations. Specific platforms for registration are used for Takaful and *Istidama* with the capability to update the administrative information on beneficiaries in the case of NAF and the affected sector in the case of SSC.

6. The SSC uses an in-house Enterprise Resource Planning (ERP) system which runs on the Linux operating system and has an Oracle 11g R2 database. The system has several modules for each of the SSC programs. The SSC ERP system was subject to an IT risk assessment which was conducted by an international audit firm financed by USAID in March 2021. The report concluded that the SSC ERP system complies with the International Social Security Association (ISSA) risk assessment framework. The assessment reported that the SSC's Information System and IT departments have sound controls in place.

7. **Verification Review:** The funds disbursed under the parent project and AF to finance Takaful 2 and 3 programs and *Istidama* program will be subject to a verification review to confirm accuracy of payments, eligibility of beneficiaries, and confirmation of receipt funds by beneficiaries. The Terms of Reference (TOR) will be developed by MOPIC and will be reviewed and cleared by the World Bank. Under the parent loan, the contracting of the Independent Verification Entity (IVE) has been delayed; it will be contracted by MOPIC no later than 60 days after the AF effectiveness, under the terms satisfactory to the Bank. The verification exercise will cover the funds disbursed for Takaful 2, and 3 programs and *Istidama* program for the period extending from March 2020 to December 31, 2021, and due for submission by no later than June 31, 2022. Two interim reports and one final report will be submitted:

- Interim Report for the period extending from March 1, 2020 to June 30, 2021, due for submission by no later than September 30, 2021;
- Interim Report for the quarter from July 1, 2021 to September 30, 2021, due for submission by no later than December 31, 2021;
- Final report for the full period extending from March 1, 2020 to December 31, 2021, due for submission by no later than June 30, 2022.



8. *Istidama* program will be financed using a reimbursement disbursement mechanism, and funds will be transferred to the MOF treasury account. *Istidama* program will be subject to a review by an independent auditing firm for the period extending from December 1, 2020 to May 31, 2021. Subsequent program expenditures for the period extending from June 1, 2021 to December 31, 2021 will only be made once the review is completed. In addition, *Istidama* program expenditures will be subject to financial auditing as part of the project annual auditing.

9. **Accounting and Financial Reporting.** The project will utilize cash basis for accounting. The Government adopts a Chart of Accounts (COA) that is compatible with GFSM 2001. MOF rolled out GFMS to all of Jordan's line ministries including NAF in November 2019. The current GFMS implementation utilizes a subset of the functionalities of the underlying application software. The current core application software comprises: (i) Hyperion for budget preparation; (ii) ORACLE financials for budget execution; and (iii) software for interfacing with other software for Debt Management, Payroll, Bank Reconciliation, and Revenue Management. GFMS is fully utilized for budget execution. For budget preparation, however, there are manual interventions with various ICT tools being used.

10. The SSC is a state-owned entity with financial and administrative independence. The SSC was established in accordance with the Social Security Law No. 1 for the year 1978. The SSC is currently implementing Social Security Law No. 1 for the year 2014. The SSC's operations are separated into two distinct activities which fall under the umbrella of the same legal entity. The insurance activity is the SSC's socioeconomic coverage program which safeguards the post-retirement needs of the Jordanian workforce after reaching old-age retirement, workplace injury or in the case of death. The Social Security Investment Fund (SSIF) is the investment arm of the SSC which utilizes the excess of participants' contributions over the entity's spending in strategic investments for the purpose of realizing a healthy return on the entity's assets while helping support the Jordanian economy.

11. The accounting policies of the SSC are in accordance with the International Financial Reporting Standards (IFRS). The SSC has a financial accounting and reporting directorate responsible for accounting function, budgeting, and financial reporting of the entity. SSC has an accounting software package (SQL 2008 Database), an externally developed system which was customized for the purpose of the SSC. SQL 2008 Database incorporates general accounting functions of the SSC. The system is integrated for all but a few modules which do not represent a major function of the SSC. The entity has in place accounting and reporting policies and procedures for accounting processes including and not limited to social security activity receipts and disbursements.<sup>45</sup>

12. The internal audit function of SSC has identified certain weaknesses within the SSC's accounting systems including segregation of duties, numerous manual entries posted to the general ledger as well as differences between accumulated depreciation balance between the fixed assets register and the related general ledger. SSC is required to solve all high and medium risks identified within the accounting systems and develop a plan to solve medium high risks by August 30, 2021.

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<sup>45</sup> Public Financial Risk Assessment Framework, Stage 2 Risk Assessment Report of the Social Security Corporation – Jordan, USAID and international audit firm, March 2021.



13. The part-time Financial Officer will be responsible for preparing the semiannual IFRs and annual financial statements. The semiannual IFRs will be generated using excel sheets due to the fact that the financial data are collected from different systems and sources (NAF, MOPIC, and SSC). These reports will include: (i) a statement of funding sources and uses for the period covered and a cumulative figure, including a statement of the bank account balance; (ii) a statement of use of funds by component and by expenditure category; (iii) a reconciliation statement for the DA; and (iv) contracts listing. The IFRs will be due for submission after 45 days from the end of each six-month period.

14. **Internal Controls and Internal Audit.** Budget execution controls are implemented and applied consistently by NAF and MOPIC in accordance with the applicable Financial By-law (1994) and its Amendment (2015) and the Financial Control By-law (2011) and its Amendment (2015). The budget execution systems at NAF and MOPIC implement prescribed controls, which include: (i) technical approval by the beneficiary department; (ii) finance staff checking and approval; (iii) periodic, ad hoc reviews by resident Internal Auditors; and (iv) exercise of an expenditure controlling function by MOF's Financial Controllers assigned to respective spending units. MOF assigned Financial Controllers oversee transaction-based compliance controls over payments, recording of transactions, and production of periodic and final accounts by responsible entities. In practice, no payments will be authorized and processed before Financial Controllers verify and sign off on payment vouchers. In addition to resident Financial Controllers from MOF, NAF and MOPIC have Internal Auditors who mainly perform the function of internal/financial controllers. Internal Audit activities are primarily confined to ex-ante review of receipts, expenditure vouchers, and disbursements. Ex-ante controls are performed by Financial Controllers and Internal Auditors. The latter measures will be strengthened with additional centralized controls within the PMU that will be developed and stipulated in the FM chapter of the POM.

15. The SSC's Internal Audit A function has three subdivisions as follows:

- o Social Security Internal Audit.
- o Finance and Administrative Internal Audit.
- o Information Systems Internal Audit.

16. The Internal Audit prepares annual audit plan that is approved by the Oversight Committee. The plan is prepared based on the business risks and other conditions thought to affect the operations of the SSC. The findings of the internal audit are compiled in reports and sent to the Oversight Committee and the relevant branch/department. A copy of annual Internal audit report will be shared with the Bank.

17. **External Auditing.** NAF and SSC are subject to audit by Jordan Audit Bureau and a private sector auditor. NAF and SSC annual financial statements are audited by a private sector audit firm licensed by Jordan Association of Public Accountants. A copy of entity annual audited financial statements of NAF and SSC will be shared with the Bank. On the other hand, NAF, SSC, and MOPIC final accounts are audited by the Jordan Audit Bureau. The Bureau will be asked to audit the AF's financial statements in accordance with international standards of auditing based on TORs acceptable to the Bank. MOPIC will be responsible for preparing the TORs for the auditor and submitting them to the Bank for clearance. The AF's annual audited financial statements will be due for submission within six months after the end of each year.

### **Funds Flow and Disbursement Arrangements**



18. The proceeds of the project will be disbursed in accordance with the World Bank's disbursements guidelines. This is outlined in the revised Disbursement and Financial Information Letter (DFIL) and in accordance with the Bank's Disbursement Guidelines for Projects. The AF will continue following "reporting-based disbursement" with semiannual IFRs that include cash forecasts covering two quarters.

19. The parent project financed Takaful-1 and Takaful-2 programs with a total amount of US\$48.204 million, covering the period from March 2020 to September 2020. The restructured parent project and the AF will finance Takaful-3 covering the 12 months of 2021 (January-December 2021). The US\$48.204 million was disbursed through: i) retroactive financing for an amount of US\$11.204 million as part of the GOJ's contribution to Takaful-2 in Q2-2020 in line with the legal agreements, and ii) PBCs for a total amount of US\$37 million covering the period March 2020 to September 2020.

20. For sub-component 1.2, PBCs are used as additional measure to trigger withdrawals from the loan account (whether for replenishing used advances or for reimbursing the government for self-financed eligible expenditures). For the Bank to accept and process a withdrawal application (WA), the eligible expenditure incurred will have an equivalent or corresponding value of PBCs met. Otherwise, disbursement by the Bank will be capped by the value of the PBCs even if the reported eligible expenditures exceed the value of achieved PBCs.

21. The AF will continue utilizing the existing US Dollar Designated Accounts (DA) opened at the Central Bank of Jordan, referred to as DA-A in the Parent project, to receive advances under this loan. The DA-B which was included in the parent project will be cancelled given that disbursements under subcomponent 1.2 will be only made through reimbursements and no advances will be envisaged. The newly added "*Istidama*" Program under Component 4, with an allocated budget of US\$165 million, is fully financed by MOF and managed by SSC. Therefore, the AF will reimburse MOF for the funds transferred to SSC and disbursed to *Istidama* program beneficiaries.

22. Requests for payments from the loan will be initiated through the use of WAs using any of the disbursement methods stipulated in the DFIL. The documentation supporting expenditures will be retained at NAF and readily accessible for review by the external auditors and Bank implementation support missions. All disbursements will be subject to the conditions of the Loan Agreement and disbursement procedures as defined in the DFIL.

23. E-disbursement will be used to submit WAs. Under e-disbursement, all transactions will be conducted and associated supporting documents and IFRs scanned and transmitted online using the World Bank's Client Connection system. The use of e-disbursement functionality will streamline online payment processing to: (i) avoid common mistakes in filling out WAs; (ii) reduce the time and cost of sending WAs to the World Bank; and (iii) expedite the World Bank processing of disbursement requests.