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**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL FINANCE CORPORATION  
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**PERFORMANCE AND LEARNING REVIEW  
OF THE COUNTRY PARTNERSHIP FRAMEWORK**

**FOR**

**HASHEMITE KINGDOM OF JORDAN**

**FOR THE PERIOD FY17-FY22**

**May 7, 2021**

**Mashreq Country Management Unit  
Middle East and North Africa Region  
International Finance Corporation  
Multilateral Investment Guarantee Agency**

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FISCAL YEAR: July 1 to June 30

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1 US\$ 0.71 JD

**ABBREVIATIONS AND ACRONYMS**

5YRM	Five-Year Reform Matrix	MFD	Mobilizing Financing for Development
AF	Additional Financing	MGF	Mashreq Gender Facility
ASA	Advisory Services and Analytics	MIGA	Multilateral Investment Guarantee Agency
CCDR	Country Climate and Development Report	MOPIC	Ministry of Planning and International Cooperation
CPF	Country Partnership Framework	MSME	Micro-, Small- and Medium-Sized Enterprise
DPF	Development Policy Financing	MSSRP	Municipal Services and Social Resilience Project
EFF	Extended Fund Facility	NAF	National Aid Fund
ESSRP	Emergency Services and Social Resilience Project	NEPCO	National Electric Power Company
FCCL	Financial Commitment and Contingent Liability	PforR	Program for Results
FDI	Foreign Direct Investment	PIM	Public Investment Management
GCFE	Global Concessional Financing Facility	PLR	Performance and Learning Review
GDP	Gross Domestic Product	PPP	Public-Private Partnership
GIEP	Government Indicative Executive Program	RS	Reform Secretariat
GoJ	Government of Jordan	SME	Small- and Medium-Sized Enterprise
HBB	Home-Based Business	TA	Technical Assistance
IBRD	International Bank for Reconstruction and Development	USAID	United States Agency for International Development
IDA	International Development Association	VRE	Variable Renewable Energy
IFC	International Finance Corporation	WBG	World Bank Group
IMF	International Monetary Fund		
JNCW	Jordanian National Commission for Women		
JTF	Jordan Task Force		
MCM	Million Cubic Meters		
MDTF	Multi-Donor Trust Fund		
MENA	Middle East and North Africa		

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**HASHEMITE KINGDOM OF JORDAN**  
**PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP FRAMEWORK FY17-FY22**

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## HASHEMITE KINGDOM OF JORDAN

### PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP FRAMEWORK

#### I. INTRODUCTION

- 1. This Performance and Learning Review (PLR) summarizes the progress of the World Bank Group (WBG) Country Partnership Framework (CPF) for Jordan for FY17-FY22 and aligns the WBG program to support COVID-19 response, resilient recovery, and reform implementation in the final phase of the CPF period.** Prepared in June 2016 in the context of the Syrian crisis, the CPF focused on an immediate development response to the crisis while supporting longer-term structural reforms for (i) stronger private-sector-led growth and better employment opportunities for all, and (ii) improved equity and quality of service delivery. The CPF, designed to align with the Government of Jordan’s (GoJ’s) vision *Jordan 2025* and the *Executive Development Plan 2016-2018*, focused on an improved investment climate, job creation, better service delivery, and increased opportunities for citizen engagement in decision making. The key issues of governance, gender and youth are embedded in the CPF as cross-cutting themes.
- 2. While Jordan has maintained a fragile balancing act despite mounting regional and domestic pressures during the CPF period, its economy has been hit hard by the COVID-19 pandemic amid already low growth, high unemployment, and growing debt.** According to World Bank analysis, the Jordanian economy contracted by 1.6 percent in 2020; unemployment rose to 24.7 percent in Q4-2020, with youth unemployment rates reaching an unprecedented 50.0 percent; and central government debt reaching 106.5 percent of GDP in 2020 (compared to 97.4 percent in 2019). In the four years prior to the COVID-19 crisis, the economy was growing at a low trajectory of around 2.0 percent—hampered by the impacts of the Syrian crisis as well as domestic inefficiencies and high costs. Jordan’s growth trajectory has not been sufficient to tackle pressing socioeconomic challenges, such as high unemployment and low labor force participation.
- 3. Over the CPF period, the WBG has supported Jordan in pioneering a development-focused refugee response model.** A decade of conflict in Syria has taken a significant cumulative toll on Jordan, including a reduction in annual gross GDP growth by 1.6 percentage points, a trade shock on GDP of 3.1 percentage points, and pressures on public services.<sup>1</sup> The GoJ’s progressive approach has promoted refugees’ access to employment and services, and inclusion of refugees as part of national plans on COVID-19 prevention, response, and vaccination efforts. Moving forward, the GoJ has called for a new compact that offers a comprehensive and sustainable medium- to long-term vision for Syrian refugees and host communities.
- 4. The WBG program has expanded significantly over the CPF period, with 83 percent of CPF targets set at CPF design either exceeded, achieved, or on track.** Over the CPF period, the WBG has been a key partner in Jordan’s reform agenda, including supporting the development of the Five-Year Reform Matrix (5YRM) that has driven reform efforts since 2018. The 5YRM has now been incorporated as a reform pillar in the GoJ’s new *Government Indicative Executive Program (GIEP) 2021-2024*. Jordan has made progress, but a focus on reform results and impact is needed to address structural challenges in the economy and spur investment as an engine of recovery, growth, and employment generation. This includes progress on public-private partnership (PPP), investment, regulatory, competition, public procurement, energy and water sector, and labor market reforms.
- 5. This PLR updates the CPF to support the GoJ’s response to the COVID-19 crisis and plans for a resilient and inclusive recovery, and to focus on the implementation of critical reforms that can address**

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<sup>1</sup> World Bank. 2020. *The Fallout of War: The Regional Consequences of the War in Syria*. Washington, DC: World Bank. <https://www.worldbank.org/en/region/mena/publication/fallout-of-war-in-syria>.

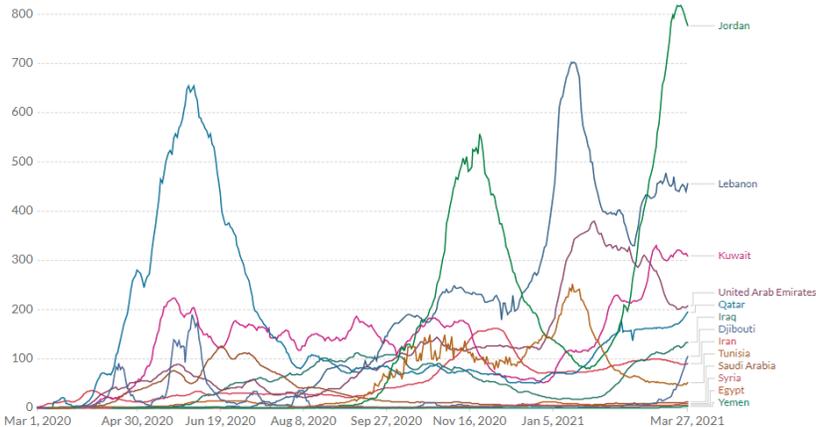
**the challenges faced by Jordanians and the private sector.** The PLR updates the CPF to align with the new GIEP 2021-2024. While the CPF’s two pillars remain highly relevant, the PLR adds a third pillar: “COVID-19 pandemic - supporting an effective response and resilient recovery” to reflect adaptations in response to the crisis and to include pipeline operations promoting employment generation and building back better. The pillar also includes an action plan to expand women’s economic opportunities as part of the recovery efforts, a human capital review focused on the youth employment challenge, and a flagship Country Climate and Development Report (CCDR) to inform a green, resilient, and inclusive development and recovery. The PLR is also aligned with the WBG Middle East and North Africa (MENA) Region Enlarged Strategy<sup>2</sup> that includes a strategic focus on jobs and inclusive growth. The PLR updates the CPF results framework to reflect the new activities added since the beginning of the CPF period and introduces more outcome-oriented indicators to better track program performance and impact. The PLR includes a one-year extension of the current FY17 – FY22 CPF period to enable the WBG and GoJ to focus on delivery of urgently needed support on COVID-19 response, early recovery, and continued reforms in FY22 as a bridge to preparation of the next CPF in FY23.

**II. MAIN CHANGES IN COUNTRY CONTEXT**

**Country context - COVID-19**

6. **By enforcing a strict lockdown and then enacting targeted measures, the GoJ has tried to minimize the health and economic impacts of the COVID-19 pandemic, but has faced a significant new wave of infections in 2021.** Jordan had managed to keep cumulative infections and deaths low until the end of August 2020 by enforcing stringent nationwide and geographically targeted lockdowns, night-time curfews, school closures, mask wearing, and social distancing. However, the country experienced an exponential growth of daily infections and deaths beginning in October 2020. Since the end of January 2021, Jordan has recorded a new wave of COVID-19 cases—the highest daily confirmed cases were reported on March 17, 2021 (9,535) and Jordan recorded the highest new cases per million in the MENA region in March 2021 (see **Figure 1**). A total of 712,901 cases and 8,897 deaths have been reported as of May 2, 2021.

**Figure 1: Daily New Confirmed Cases per Million People in Jordan and Other MENA Countries**



Source: <https://ourworldindata.org/coronavirus/country/jordan>.

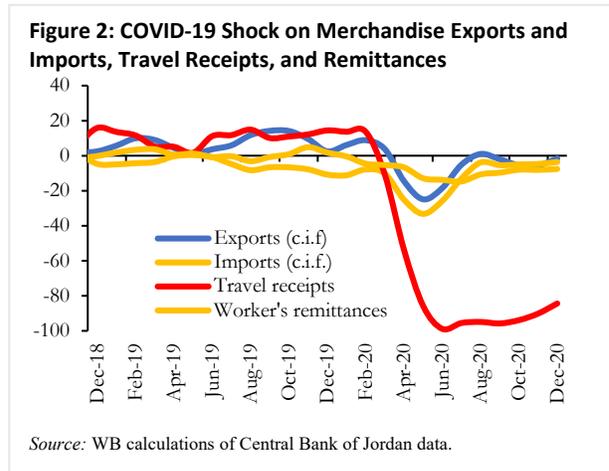
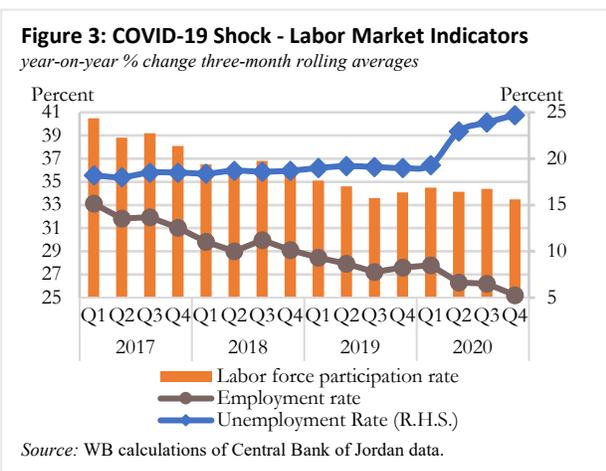
7. **The GoJ has enacted a series of plans and programs to address the health and socioeconomic impacts of the pandemic.** Jordan’s *National Preparedness and Response Plan* aims to strengthen the GoJ’s capacity to prevent, detect, and respond to the COVID-19 pandemic. The GoJ launched two social protection programs in 2020 and 2021 to support vulnerable households through emergency cash transfers

<sup>2</sup> In 2021, the [MENA Regional Strategy](#) was updated and enlarged to include the response to the COVID-19 pandemic. The enlarged Strategy is also aligned with IFC commitments and MIGA’s Strategy.

(implemented by the National Aid Fund (NAF)) and workers in the formal sector (implemented by the Social Security Corporation). The GoJ also implemented measures to support enterprises to maintain supply chains and preserve jobs, including delayed tax payments, partial payments of salaries, and special loan programs for small- and medium-sized enterprises (SMEs). Jordan started its inclusive, equitable, and efficient COVID-19 vaccination program in January 2021 and has been vaccinating its priority population groups in line with the *National Deployment and Vaccination Guide for COVID-19 Vaccines*. Vaccination rates remain low, with limited vaccine supply to Jordan and issues around vaccine hesitancy. However, the pace of vaccination has been significantly increasing during March-April 2021. As of April 29, 2021, 695,000 people have received their first dose, 137,000 people have received their second dose, and 1.4 million people are registered on the online platform.

### Economic developments

8. **The COVID-19 pandemic has had significant economic repercussions in Jordan, given the country's small and open economy with high linkages with the rest of the world.** According to World Bank analysis, 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 (see **Figure 2**), key sectors of growth for the Jordanian economy. Jordan's unemployment rate, which marginally increased from 18.3 percent to 19.0 percent between 2017 and 2019, rose significantly as a result of the economic shock from the pandemic, reaching 24.7 percent in Q4-2020 (see **Figure 3**). Female unemployment, which had been declining between 2017 and 2019, from 31.2 percent to 27 percent, 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.



9. **Even prior to the COVID-19 crisis, Jordan's economy was not performing as projected in the CPF and had been struggling with persistently sluggish growth dynamics and structural challenges that have undermined fiscal sustainability.** Between 2016 and 2019, real GDP growth continued to drift at about 2.0 percent, insufficient to create enough jobs for Jordan's young labor force. The Jordanian government has adopted foundational policy and institutional reform decisions since 2018 (such as PPP legislation, public procurement reform, domestic revenue mobilization). However, reforms have taken time to implement and to date, they have not made a dent in Jordan's growth trajectory, or its fiscal imbalances, which negatively reinforce one another. The COVID-19 pandemic put additional 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, and central government debt reached 106.5 percent of GDP in 2020 (compared to 97.4 percent in 2019).<sup>3</sup>

10. **Jordan made notable improvements in narrowing its current account deficit during the past two years, but the global economic slowdown due to the COVID-19 pandemic appears to have reversed this trend.** Jordan's current account deficit (including grants) decreased from 10.6 percent of GDP in 2017 to 7.0 percent of GDP in 2018, and to 2.1 percent of GDP in 2019. However, in 2020, the current account deficit (including grants) expanded significantly to 8.0 percent of GDP in 2020 because of an unprecedented (76 percent) decline in travel receipts, along with a 9 percent decline in remittances, despite significant contraction in the trade balance (see **Figure 2**). See **Annex 4** for select economic indicators.

11. **The electricity sector is a major contributor to Jordan's overall macro-fiscal imbalances and is the largest single source of contingent liabilities in Jordan.** The electricity sector today accounts for about 20 percent of public debt due to the US\$7.18 billion in debts accumulated by the National Electric Power Company (NEPCO) (see **Annex 7** for more details). Jordan accumulated debt through significant investments in new generation capacity starting in 2007 to meet growing demand and to promote national energy security. However, in recent years, slow economic growth, distortions in electricity pricing, low levels of exports, and declines in industrial consumption have all contributed to a growing surplus. With the COVID-19 pandemic, Jordan's energy sector has experienced further setbacks, including a drop in energy sales, a decrease in revenue collection, and operational challenges in balancing a high volume of variable renewable energy (VRE) with thermal generation. Energy sector reforms are a central part of the 5YRM and the International Monetary Fund's (IMF's) Extended Fund Facility (EFF). In addition, the Council of Ministers approved a *Roadmap Towards Financial Sustainability of the Power Sector* and a *Debt Optimization Plan* in 2020. However, there have been significant implementation delays and difficulties. Under the IMF program, the GoJ committed to a three-year plan starting in 2021 to adjust electricity tariffs to better target subsidies for households and reduce the high cost of electricity for businesses. The GoJ is also assessing options to better manage its power system and low-cost VRE, including further investments in transmission infrastructure, storage capacity, and increased electrical interconnections with neighboring countries.

12. **Jordan entered into the IMF-EFF program in March 2020 and reached a staff-level agreement on the second review on March 30, 2021, stating that Jordan's IMF-supported program remains firmly on track, with strong progress on key reforms.**<sup>4</sup> According to the IMF, real GDP in 2021 is projected to recover by 2 percent due to slower-than-anticipated global vaccination rollout and expected delays in the recovery of travel and tourism. The EFF's immediate policy priority is the mitigation of the pandemic's impact on the Jordanian people and the economy. Hence, the program will continue to provide flexibility to accommodate higher COVID-19-related spending and is adjusting fiscal targets for 2021 to allow for higher social protection spending, while preserving debt sustainability. Moreover, the IMF program will be augmented by approximately US\$200 million (subject to approval of the IMF's Executive Board) to provide further support to Jordan. With this augmentation, total IMF disbursements over 2020-24, including the financing under the Rapid Financing Instrument, will reach US\$1.95 billion.

13. **With its relative stability and geopolitical position in a volatile region, Jordan has benefited from extensive international financing that has cushioned socioeconomic hardships and at times, delayed**

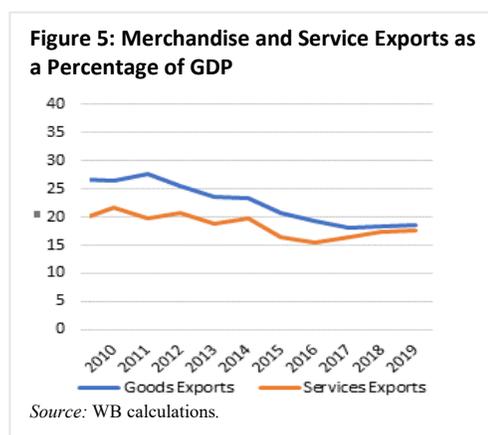
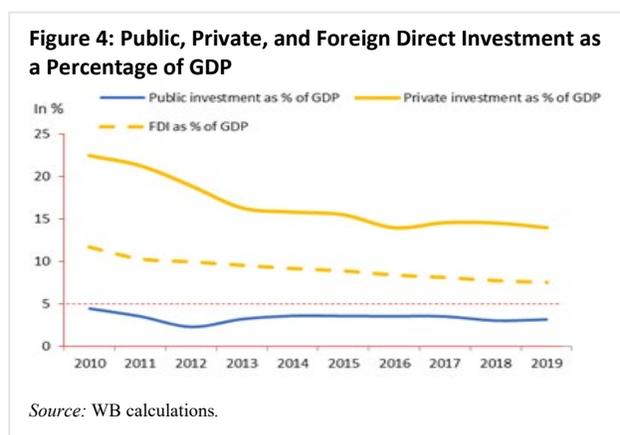
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<sup>3</sup> World Bank. 2021. Preliminary forecast. *Jordan Economic Monitor Spring 2021* (Forthcoming).

<sup>4</sup> Press Release No. 21/93, March 30, 2021, *IMF Staff and Jordan Reach Staff-Level Agreement on the Second Review Under the Extended Fund Facility* - <https://www.imf.org/en/News/Articles/2021/03/30/pr2193-jordan-imf-staff-and-jordan-reach-staff-level-agreement-on-the-second-review-under-eff>

**necessary structural reforms to its economy.** Jordan has been able to mobilize grant and below-market debt financing, and oil wealth in the Gulf Cooperation Council countries has had beneficial impacts for Jordan in terms of remittances, consumption, and investment flows. However, changing donor priorities and pressures from COVID-19-related spending, oil price volatility, and shifting regional political dynamics could impact the level and sustainability of this support in the future.

14. **To enable a resilient recovery, it will be critical for Jordan to balance high quality fiscal adjustments with reforms to attract private investment and increase exports to spur growth and job creation.** Investment in Jordan has been inefficient and on a declining trend (see **Figure 4**). In the past 10 years, public investment has dropped by half, both as a percentage of GDP and as a share of total budget expenditure. Jordan attracts little foreign direct investment (FDI) or private investment relative to GDP compared to other countries in the region—foregoing a potential source for productivity gains, dynamism, and external funding for the economy.<sup>5</sup> The COVID-19 pandemic has also had severe impacts on SMEs, which provide 52 percent of private sector employment in the country,<sup>6</sup> including a decline in demand, reduced supply, tightening credit conditions, and a fall in investment.



15. **According to the IFC/WB Jordan Country Private Sector Diagnostic, the most important constraints faced by the private sector are: (i) high business costs, (ii) policy unpredictability and investment risks, (iii) excessive labor market segmentation, and (iv) shortcomings related to market competition.** Jordan has also made mixed progress on the export side. Before the pandemic hit, Jordan had arrested the downward trend in merchandise and service exports that prevailed until 2016 (in part due to improved performance in tourism receipts) (see **Figure 5**). Going forward, Jordan needs to advance reforms to reduce costs and increase internal efficiency and market contestability. It can then capitalize on a number of promising sectors for growth and investment, including ICT/digital services, agri-food, tourism, and pharmaceuticals.

**Developments in poverty reduction and shared prosperity**

16. **The economic shock from the COVID-19 pandemic intensified previous poverty trends, although the social safety net helped mitigate some of the impact on poverty.** Poverty reduction in Jordan was stagnant in the decade prior to 2020, driven by slow economic growth, a lack of broad-based job creation,

<sup>5</sup> In 2019, FDI inflows fell to the lowest point over the past two decades, accounting for only 1.5 percent of GDP.

<sup>6</sup> Jordan Loan Guarantee Corporation (JLGC). June 2019.

and labor market segmentation.<sup>7</sup> While there are no official poverty numbers since the pandemic began in Jordan, estimates from an early microsimulation analysis<sup>8</sup> suggest that the possible short-term increase in national poverty could be as high as 11 percentage points for Jordanians. However, recent growth projections show that the Jordanian economy has not suffered as much as expected.<sup>9</sup> The initial poverty increase has also been mitigated in part due to increased support through Jordan's social protection system.

**17. The labor market continues to be extremely segmented across three main areas of public/private, informal/formal and local/migrant divides, with gender inequality a key cross-cutting concern.** Less than 15 percent of Jordanian women in the country were in the labor force in 2019 (as opposed to 34 percent of the total population), one of the lowest rates in the world. Recent studies have pointed to limited job mobility, lack of safe and adequate public transport, limited provision of affordable quality childcare, low levels of financial inclusion, and laws and societal preferences for men that result in men taking the few available jobs.<sup>10</sup> More than a third of Jordanians work informally, two-thirds of those as employees of microenterprises (fewer than 10 workers). Many informal workers live in poor and near-poor households; about half of workers in the poorest 20 percent of the distribution are informal. About 90 percent of working refugees are informal and are among the poorest individuals in the country.

### ***Political/geopolitical developments***

**18. Sitting at the epicenter of a volatile region, Jordan has maintained a balancing act, but internal and external pressures have mounted over the CPF period, even prior to the COVID-19 shock.** Jordan remains particularly affected by spillovers from regional conflicts. Jordan continues to host an estimated 1.36 million Syrian refugees (with 665,884 registered<sup>11</sup>), representing 15 percent of the total population.<sup>12</sup> WB analysis in 2020 shows that a decade of conflict in Syria has taken a significant cumulative toll on Jordan, including a reduction in annual gross GDP growth by 1.6 percentage points, a trade shock on GDP of 3.1 percentage points, and pressures on public services, such as health care and electricity.<sup>13</sup>

**19. Jordan is one of the first countries globally to pioneer a development-focused refugee response model.** Premised on the Jordan Compact,<sup>14</sup> this model includes a combined focus on responding to the impacts of the Syrian refugee crisis while also accelerating Jordan's own development progress, and promotes refugees' access to employment and services. Over the CPF period, Jordan has advanced progressive initiatives, including granting work permits for Syrian refugees in sectors such as agriculture, construction, retail trade and manufacturing; providing free access to schools and waiving the documentation required for enrollment; and including refugees as part of national plans on COVID-19

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<sup>7</sup> The poverty rate was 15.7 percent in 2017-2018 (based on the most recent national socioeconomic household survey conducted by the GoJ). Changes in survey methodology do not allow for a direct comparison of this figure with the previous estimate of 14.4 percent in 2010-2011. However, the higher number in 2017-2018 is not evidence of an increase in poverty due to methodological changes. It is most likely that the poverty rate stagnated or fell only slightly.

<sup>8</sup> Rodriguez Takeuchi, Laura Kiku, Wai-Poi, Matthew Grant. 2021. *Fiscal Policy, Poverty and Inequality in Jordan: The Role of Taxes and Public Spending*. Washington, D.C.: World Bank Group.

<sup>9</sup> World Bank. April 2020. *Jordan Macro Poverty Outlook*. <https://pubdocs.worldbank.org/en/914661554825485360/mpo-jor.pdf>

<sup>10</sup> World Bank. 2020. *State of Mashreq Women Flagship Report: Women's Economic Participation in Iraq, Jordan, and Lebanon*. <http://pubdocs.worldbank.org/en/868581592904029814/State-of-the-Mashreq-Women.pdf>.

<sup>11</sup> UNHCR Jordan. March 31, 2021.

<sup>12</sup> Hashemite Kingdom of Jordan, Ministry of Planning and International cooperation, *Jordan Response Plan for the Syrian Crisis 2020-2022*, 22 June 2020.

<sup>13</sup> World Bank. 2020. *The Fallout of War: The Regional Consequences of the War in Syria*. Washington, DC: World Bank. <https://www.worldbank.org/en/region/mena/publication/fallout-of-war-in-syria>.

<sup>14</sup> The Jordan Compact was signed in February 2016 at the London Conference hosted by the United Kingdom, Germany, Kuwait, Norway, and the United Nations.

prevention, response, and vaccination efforts. The GoJ updated the *Jordan Response Plan for the Syrian Crisis 2020-2022*<sup>15</sup> in 2021 to incorporate the added socioeconomic pressures of the COVID-19 crisis and to cover priority areas, including food security, shelter, education, water and sanitation, social protection, and livelihoods. Moving forward, the GoJ has called for a new compact that offers a comprehensive, effective, sustainable and realistic medium- to long-term vision for Syrian refugees and host communities.<sup>16</sup>

20. **Over the CPF period, the delicate domestic equilibrium that has enabled Jordan to maintain its stability is under increasing pressure, in part due to public frustration with the slow pace of reforms.** A deeper reservoir of public mistrust on issues of government accountability, corruption, and transparency has risen to the surface in waves of social unrest over the CPF period (for example, the 2018 flood-related school bus drowning tragedy, 2019 counterfeit cigarette corruption case, 2020 protests over the gas deal with Israel, 2020 protests over austerity measures and teachers' salaries, and 2021 Salt hospital tragedy that resulted in the death of seven COVID-19 patients). The response to each incident has followed a similar pattern: protest leading to a government reshuffle to address the public's concerns. There have been six changes of government during the CPF period. At times, this has undermined policy continuity and reform progress, leading to cycles of new grievances over governance and lack of reforms.

21. **Increased poverty and vulnerability from the impacts of the pandemic and the Syrian conflict, and limited public participation in decision making continue to undermine the social contract in Jordan.** Since 2015, Jordan has slipped 15 places on a global index on corruption published annually by Transparency International, from 45 to 60 in 2020.<sup>17</sup> Jordan's Open Data score in 2020 was 53 (ranking 82 out of 187 countries),<sup>18</sup> and Jordan ranked only 28 percent on voice and accountability in the Worldwide Governance Indicators for 2020. Freedom House in 2021 said Jordanian society was no longer free, having previously judged it "partly free," mainly due to new restrictions on freedom of assembly, and factors such as the lack of preparations during the COVID-19 crisis that harmed the quality of parliamentary elections (Jordan's November 10, 2020 parliamentary elections had the lowest turnout in a decade, at just 29.9 percent).<sup>19</sup>

### ***Reforms, new priorities, and government agenda moving forward***

22. **The GoJ, in collaboration with the WBG and other development partners, developed the 5YRM in 2018, which aligned the growth and job creation reforms from Jordan's various plans, including the *Jordan Vision 2025* and the *Jordan Economic Growth Plan*.** The 5YRM focuses principally on reforms to support investment and exports, reduce business costs, and counter labor market segmentation. The reform agenda under the 5YRM was updated and formally launched at the international conference "Growth and Opportunity: the London Initiative 2019." It is organized into a set of cross-cutting (horizontal) and sectoral (vertical) policy reforms over five years. It has been updated and incorporated as the Reform Matrix into the GIEP 2021-2024 and will be extended two years to align with the GIEP implementation timeline. The Reform Matrix has 11 pillars (instead of 9), adding reforms to strengthen the tourism sector and improve public sector efficiency, and includes additional focus on digital transformation, gender, and green investment as cross-cutting themes (see **Box 1**). The Ministry of Planning and International Cooperation (MOPIC) established a Reform Secretariat (RS) in January 2020 to coordinate and monitor reform implementation.

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<sup>15</sup> Hashemite Kingdom of Jordan. *Jordan Response Plan for the Syrian Crisis 2020-2022*. <https://reliefweb.int/sites/reliefweb.int/files/resources/77262.pdf>.

<sup>16</sup> Ministry of Planning and International Cooperation. *White Paper on Jordan Response Plan 2021 Update*. March 2021.

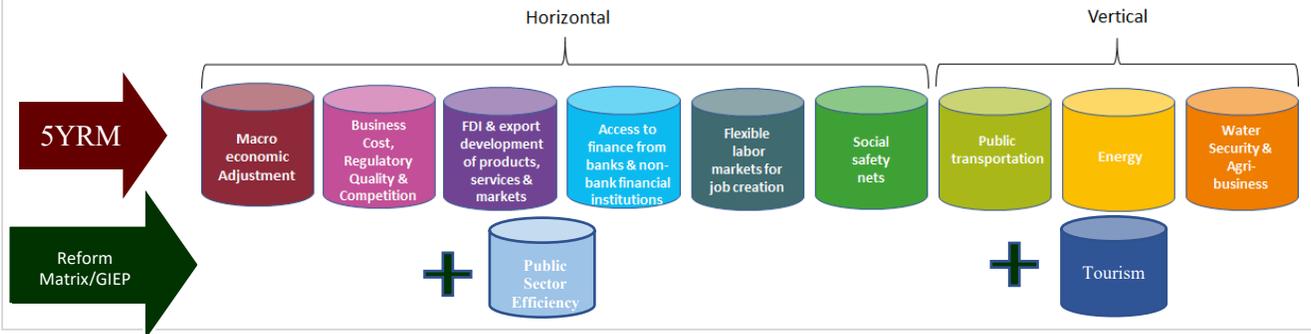
<sup>17</sup> Transparency International. 2020. <https://www.transparency.org/en/countries/jordan>.

<sup>18</sup> Open Data Inventory. 2020. <https://odin.opendatawatch.com/>.

<sup>19</sup> Freedom House. 2021. *Freedom in the World 2021*. <https://freedomhouse.org/country/jordan/freedom-world/2021>.

### Box 1: Pillars of the Five-Year Reform Matrix and Reform Matrix

The objective of the Matrix is to establish a foundation for equitable and sustainable growth and job creation by improving competitiveness and productivity. It includes cross-cutting (horizontal) and sectoral (vertical) reforms.



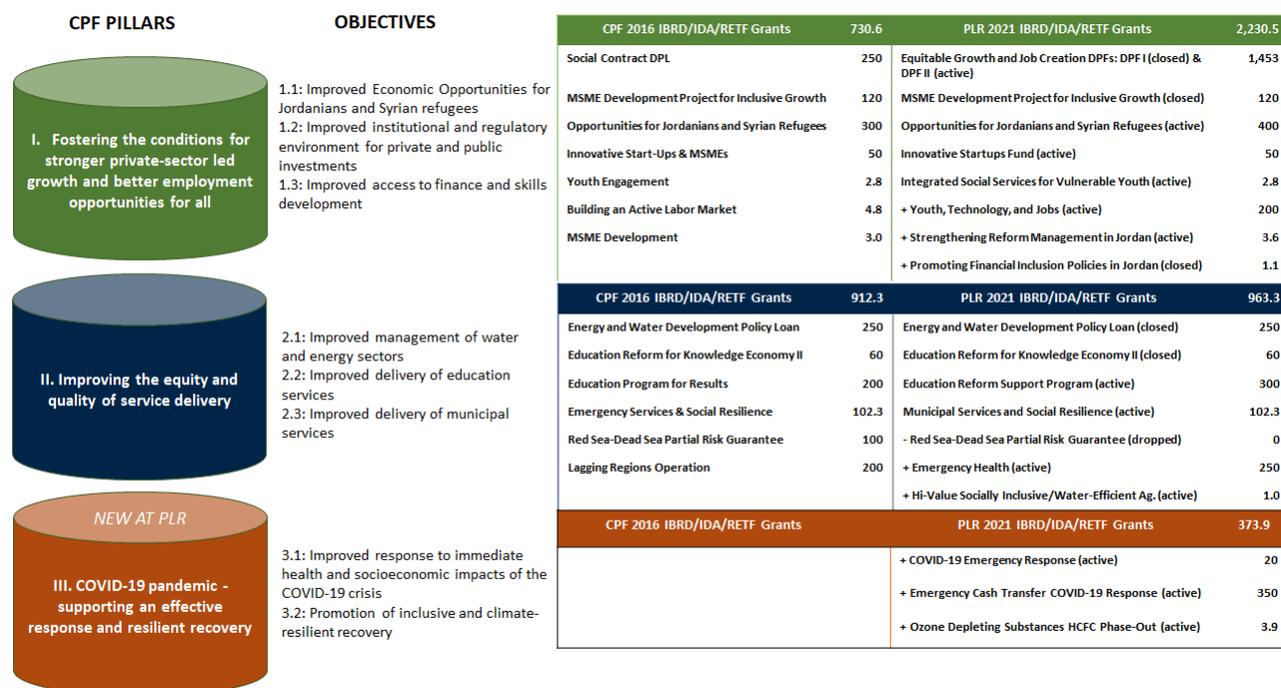
23. In parallel, the GoJ has been promoting strategies and plans to boost human capital, enhance social protection, and embark on climate-responsive economic recovery and growth. During CPF implementation, Jordan launched the *National Human Resource Development Strategy*, the *Health Sector Reform Five-Year Plan*, and the *Social Protection Strategy*. In line with the *Jordan Vision 2025* and building on sector-specific strategies, Jordan prepared the Paris Agreement *Nationally Determined Contributions* to identify adaptation and mitigation measures to be implemented in 2016-2030; this was consolidated with the *National Green Growth Strategy* in 2016, which prioritizes water, waste, energy, agriculture, tourism, and transport as green growth sectors, and the *National Green Growth Action Plans (2021-2025)*, which identify climate and green investment opportunities in the six sectors.

### III. SUMMARY OF PROGRAM IMPLEMENTATION PROGRESS

#### *Portfolio performance*

24. The WB portfolio in Jordan has expanded rapidly over the CPF period. While the CPF had envisioned US\$1.6 billion in IBRD financing for the first two years of the CPF, as of April 2021, the World Bank’s active portfolio in Jordan consisted of 14 projects valued at US\$2.67 billion in loans, credits, and grants (US\$2.5 billion in IBRD/IDA of which US\$231 million is Global Concessional Financing Facility (GCFF) grants, and US\$138 million in trust funds). Jordan’s FY21 and early FY22 pipeline includes an additional estimated US\$840 million in new IBRD financing. The expansion of the portfolio in Jordan over the CPF period signifies the important relationship between the WBG and Jordan. **Figure 6** shows Jordan’s program (including IBRD/IDA and Recipient-Executed Trust Fund grants) at the outset of the CPF period and at the PLR stage (including active projects under a new third pillar of the CPF introduced in this PLR, “COVID-19 pandemic - supporting an effective response and resilient recovery”). A comprehensive advisory services and analytics (ASA) program during the CPF period also covers a broad range of issues (see **Annex 5**).

**Figure 6: Snapshot of WB Jordan Program – at CPF (2016) and PLR (2021) (amounts in US\$ millions)**



25. The CPF was designed to be flexible to accommodate emerging priorities in Jordan, which has included a surge of WBG (WB and IFC) support to advance Jordan’s reform agenda and an expansion of the program in 2020-2021 to respond to the socioeconomic impacts of the COVID-19 crisis. The WBG has been a key partner on the GoJ’s 5YRM that has driven Jordan’s reform efforts since 2018, including designing a development policy financing (DPF) series focused on supporting reforms (a total of US\$1,453 million IBRD for DPF 1 and 2) and establishing the Jordan Inclusive Growth and Economic Opportunities MDTF in 2019 that serves as a platform for ongoing support to the reform agenda, including WB and IFC technical assistance (TA) and programming. The WBG also adapted its program rapidly in response to the COVID-19 pandemic; over US\$1.1 billion has been mobilized in additional financing, and new and pipeline projects to support both an immediate response and an inclusive and resilient recovery in line with the WBG’s COVID-19 Crisis Response Pillars, including:

- Under *Pillar 1, Saving Lives*, the COVID-19 Emergency Health Project (US\$20 million; US\$60 million (including GCFF) additional financing, under preparation for vaccine purchase and deployment).
- Under *Pillar 2, Protecting the Poor and Vulnerable*, the Emergency Cash Transfer COVID-19 Response Project (US\$350 million; US\$265 million additional financing, under preparation) and the Education Reform Support Program (includes US\$19 million to address COVID-19 impacts on education).
- Under *Pillar 3, Ensuring Sustainable Business Growth and Job Creation*, the Innovative Startups Fund Project (includes US\$3 million for startups affected by COVID-19); the Economic Opportunities for Jordanian and Syrian Refugees Project (includes US\$21 million for COVID-19 response); and the Rural Employment and Agri-Food Transformation Project (US\$75 million (including GCFF), under preparation). IFC fast-track financial support is also helping sustain businesses and preserve jobs: (i) supporting critical industries; (ii) keeping trade flowing; (iii) helping clients pay their bills; and (iv) shoring up local banks.
- Under *Pillar 4, Strengthening Policies, Institutions and Investments for Rebuilding Better*, the Inclusive and Transparent Business Regulatory Environment for Investment Program-for-Results (PforR)

(US\$500 million, under preparation) and WBG support for the GoJ as it updates its Reform Matrix and GIEP focused on promoting private-sector-led growth, and inclusive and resilient recovery.

26. **WB portfolio management and performance has been solid over the CPF period.** As of April 24, 2021, a total of US\$1.56 billion has been disbursed out of a total IBRD/IDA active portfolio of US\$2.29 billion. Over the CPF period, the disbursement ratio for IBRD/IDA operations has exceeded the World Bank's target of a 20 percent disbursement ratio. The Jordan portfolio has not had any IPF projects or PforR operations that required closing due to performance issues since the beginning of the CPF period, and all projects in the portfolio are rated moderately satisfactory or higher, with the exception of the Municipal Services and Social Resilience Project, which is currently under partial suspension due to a lack of progress in addressing several issues identified with project management (see **Annex 5** for additional portfolio details).

27. **IFC's program has also expanded significantly over the CPF period.** Jordan represents IFC's second-largest investment portfolio in the MENA region, with outstanding commitments of US\$881 million as of December 31, 2020. The portfolio is made up of loans (77 percent), equity (8 percent), risk management products (11 percent), and guarantees (4 percent). IFC's strategy focuses on increasing private sector participation to support job creation and growth through direct investment, and supporting PPPs and key business climate reforms, in line with joint WB-IFC support to support Jordan's reforms. It has provided TA to the GoJ in implementing the first phase of its Investor Journey Program, and in partnership with the WB, is supporting the modernization of the institutional framework governing PPPs, and signing the Jordan Project Pipeline Development Facility with the GoJ to help build its capacity to screen, select, prepare, and implement ready-to-invest infrastructure projects in priority sectors. IFC is also acting as a transaction adviser for the GoJ on three PPPs: (i) the development of a new border crossing terminal next to the existing King Hussein Bridge; (ii) structuring a PPP transaction for the construction, operation, maintenance, and eventual transfer of 15 new schools to provide better educational services to Jordanian and Syrian refugee students; and (iii) the expansion, operation, maintenance, and commercialization of Jordan's National Broadband Network in cooperation with the WB's digital team. **Annex 5** shows IFC's portfolio trends from FY16-FY21.

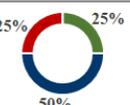
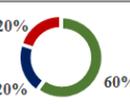
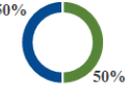
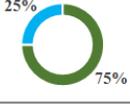
28. **MIGA's outstanding gross exposure in Jordan stood at US\$575 million as of April 24, 2021.** MIGA has been very active in Jordan's PPP sector, and the country is MIGA's second largest exposure in the MENA region. During the CPF period, MIGA issued new guarantees for two PPP projects in Jordan. The first, in FY17, consisted of US\$167 million in guarantees issued for investments in a 485MW combined cycle thermal power plant in Zarqa Governorate. The second, in FY18, consisted of US\$195 million in guarantees issued for investments in the rehabilitation, expansion, and operation of the Queen Alia International Airport. MIGA's other active guarantees in Jordan cover the As Samra Wastewater Treatment Facility and a bromine manufacturing facility, both of which were issued prior to the current CPF period. During the CPF period, MIGA also had exposure to two solar power projects in Jordan (four plants totaling 50MW in capacity), for which MIGA's guarantees were cancelled in FY20.

### ***Progress toward CPF outcomes***

29. **Significant progress has been made toward achieving the CPF outcomes set at CPF design, with 83 percent of the indicators having been met, exceeded, or on track to being met.** Of the remaining 17 percent, one indicator will only be partially met since the project has closed, and three indicators will be dropped, because the projects associated with the indicators were either dropped or restructured. **Table 1** summarizes the progress against the CPF results framework. However, the WBG program has grown significantly over the CPF period and indicators set at CPF design stage do not reflect this expanded WBG engagement. The results framework at CPF may also not have been sufficiently ambitious or impact-oriented to reflect how the WBG

program was influencing broader trends and challenges in the country context, including investment, growth, employment, and labor force participation. The PLR updates the CPF results framework to align with the expanded program and to include more outcome-oriented indicators. See **Annex 1** for the updated results framework at PLR, **Annex 2** for a matrix of changes to the results framework, and **Annex 3** for the summary of progress towards CPF objectives.

**Table 1: Summary of CPF Findings on the FY17-FY22 CPF Results Matrix**

Pillar 1: Fostering the conditions for stronger private-sector-led growth and better employment opportunities for all		Pillar 2: Improving the equity and quality of service delivery	
OBJECTIVE	Achieved, On track, Mostly achieved Dropped	OBJECTIVE	Achieved, On track, Dropped
1.1: Improved economic opportunities for Jordanians and Syrian refugees		2.1: Improved management of the water and energy sectors	
1.2: Improved institutional and regulatory environment for private and public investments		2.2: Improved delivery of education services	
1.3 Increased access to finance and skills development		2.3: Improved delivery of municipal services	

**Update on Pillar 1: Fostering the conditions for stronger private-sector-led growth and better employment opportunities for all**

30. **Objective 1.1: Improved economic opportunities for Jordanians and Syrian refugees.** Through the Economic Opportunities for Jordanians and Syrian Refugees PforR, a flexible work permit system that increases the formalization of Syrian labor is progressing well. Over 30,000 of 90,000 permits have already been issued, with the target expected to be met by the end of the CPF period. In addition, restrictions on home-based work in the tailoring, food, and crafts sectors were lifted, and the GoJ has eased regulations related to employing Syrian workers in sectors such as agriculture, manufacturing, and construction. A total of 24,000 work-days for Syrians and poor Jordanians have been created through labor intensive public works, with a target of 30,000 work-days expected to be met by the end of the CPF period. However, many sectors are still closed to non-Jordanians including Syrians, such as sales, education, hairdressing, information technology, and most professional sectors; and quotas are applied to limit the competition for Jordanian workers.<sup>20</sup> To continue monitoring progress, additional indicators will be added to the CPF results framework to measure the number of home-based businesses (HBBs) registered, the average growth of full-time formal and private employment, and the percentage increase in female labor force participation.

31. **Objective 1.2: Improved institutional and regulatory environment for private and public investments.** This objective aims to promote investment through measures that enhance the predictability of the legislative environment, encourage a transparent and consistent approach to public investment

<sup>20</sup> From the Refugee Investment and Matchmaking Platform report dated January 15, 2021. This analytical report seeks to mobilize the private sector in support of refugees and their host communities.

management (PIM) and promote private sector investment through PPPs. This objective is linked to a number of activities (closed, current, and pipeline) that support the GoJ's reform agenda. During the CPF period, reform efforts were initially supported through the Economic Opportunities for Jordanians and Syrian Refugees PforR, including the introduction of a predictability framework on business regulations in 2018. Subsequently, a series of two Programmatic DPFs on Equitable Growth and Job Creation in 2018 and 2019 helped advance foundational reforms to reduce business costs, increase FDI, reform social protection systems, introduce labor market flexibility, and strengthen PIM and PPP preparation. The two DPFs were designed in parallel with the government preparation (2018) and update (2019) of the 5YRM. Progress made under the DPF-supported program includes implementation of the laws on insolvency, secured transactions, the reduction of licensing requirements, the adoption of a PIM/PPP governance framework and the PPP law, reforms to improve the delivery of cash transfers under the NAF (and other social assistance programs), removal of sector restrictions for the employment of women and the introduction of part-time wages, approval of the new public procurement bylaw and rollout of e-procurement, liberalization of 22 sectors of the economy to foreign investors, implementation of an investor grievance mechanism, and adoption of the *Roadmap for Financial Sustainability of the Power Sector*.

32. Implementation of the 5YRM is also supported through the Jordan Inclusive Growth and Economic Opportunities MDTF (US\$51.8 million), which was established in 2019. The MDTF finances two recipient- and 12 WBG-executed grants to support the reform agenda. Through the MDTF, WB and IFC teams have undertaken TA and programming in energy, social protection, Doing Business, PIM/PPP, public procurement, and water and agricultural sector reforms, among other areas. The MDTF-financed Strengthening Reform Management Project supports the RS at MOPIC to build institutional capacity across the GoJ to promote reform implementation. With the mid-term review of the 5YRM and the introduction of a reform pillar in the GIEP, the WBG is continuing to adapt its support for Jordan's reform agenda. The Jordan Inclusive and Transparent Business Regulatory Environment for Investment PforR under preparation as well as other pipeline operations will support continued implementation of key reforms. For the remainder of the CPF period, additional indicators will be added to the CPF results framework to track the implementation and impact of priority reforms.

33. **Objective 1.3: Increased access to finance and skills development.** This objective aims to strengthen the capacity of banking and microfinance institutions to provide increased access to finance for micro-, small- and medium-sized enterprise (MSMEs), and to offer new products in underserved markets with a focus on female and young entrepreneurs. The indicators for this objective are included under the MSME Development for Inclusive Growth Project that closed in December 2020, which saw the volume of lending to MSMEs increase from a target of US\$120 million to US\$167 million. The number of beneficiaries from the MSME loans reached 12,924 (of which 10,725 were women), compared to the target of 13,758 (of which 11,969 women), partially achieving the desired results. Between 2015-2020, IFC-supported MSMEs for women reached 102,090 direct beneficiaries. In order to reflect new programs added since the outset of the CPF period, such as the Innovative Startups Fund Project, the Youth, Technology, and Jobs Project, and the COVID-19 Private Sector Recovery and Resilience Project under preparation, new indicators to measure access to finance as well as skills development will be included in the CPF results framework.

#### **Update on Pillar 2: Improving the equity and quality of service delivery**

34. **Objective 2.1: Improved management of the water and energy sectors.** This objective aims to support Jordan to diversify its energy mix, realize a potentially transformative regional water project, and improve fiscal sustainability in both the energy and water sectors. While the WBG program achieved some progress against the indicators set by the CPF, this objective faced significant obstacles over the CPF period.

The First and Second Programmatic Energy and Water Reforms DPF series (P154299 and P160236), World Bank TA, and IFC and MIGA interventions have facilitated Jordan’s diversification of energy sources, reaching 86 percent natural gas and 14 percent renewable power generation, exceeding the target of 7 percent natural gas and 1 percent renewable power. However, although NEPCO’s operating deficit was turned into a small surplus in 2019, contingent liabilities, combined with the impacts of the COVID-19 pandemic, continue to challenge progress on setting the energy sector on a sustainable fiscal path. Over the CPF period, the Bank supported the government in developing a *Financial Sustainability Roadmap* and a *Debt Optimization Implementation Plan* for the electricity sector (both were approved by the Council of Ministers under DPF2). Through the MDTF, the Bank is currently supporting the Ministry of Energy and Mineral Resources in 2020-2021 with electricity tariff targeting and reforms, smart grid and energy storage strategies, and communications. IFC is investing US\$414 million in the energy sector—representing the largest energy sector commitments in the MENA region, including nine solar plants, three wind farms, and two thermal energy plants. MIGA has also been supporting energy infrastructure development in Jordan by de-risking foreign investments into PPP projects.

35. In the water sector, the regional water project (Red Sea-Dead Sea Project) envisioned at the outset of CPF period was dropped from the pipeline. This was due to lack of government agreement on project parameters, and therefore the indicator associated with this project was dropped. However, a recently approved MDTF grant is supporting the GoJ in developing a *Water Sector Fiscal Sustainability Roadmap*. The roadmap will inform future WBG engagement under Pillar 2 and a possible FY22 investment project financing to promote water security while managing fiscal risks. IFC is engaged on a long-term performance-based contract between a private sector company and Miyahuna, the water utility of Amman, to reduce water losses and improve Miyahuna’s creditworthiness. During the CPF period, MIGA’s coverage of Jordan’s As Samra wastewater treatment plant (with US\$13 million in guarantees issued in FY06 and FY13) and two solar power plants (US\$15.5 million in guarantees issued in FY15 and subsequently cancelled in FY20) was also ongoing. Additional indicators will be included in the CPF results framework to reflect ongoing and planned activities to promote fiscal sustainability of the energy and water sectors over the remainder of the CPF period, and as a foundation for focused efforts under the next CPF. The objective will, therefore, be reformulated at PLR to “*Promoting fiscal sustainability of the water and energy sectors*” and new indicators will be introduced.

36. **CPF Objective 2.2: Improved delivery of education services.** The aim of this objective is to support the GoJ in the delivery of education services, including addressing pressures on education services from the influx of Syrian refugees into Jordan. All indicators under this objective related to the now closed Education Reform for the Knowledge Economy II Project exceeded their targets. Over 985,000 students have a safe learning environment against a target of 945,000 students, and scores on national assessments increased by three points (above the target of one point). At PLR, the objective will be reformulated to “*Improved delivery of education and health services.*” This new objective will continue to monitor the quality of education services through the ongoing Jordan Education Reform Support PforR to improve learning conditions for Jordanian and Syrian refugee children, including a new priority of increasing access to quality early childhood education. In addition, the achievement of the objective will be monitored through a new indicator on quality of health services to reflect WBG-financed activities introduced over the CPF period to maintain health services for Jordanians and Syrian refugees.

37. **CPF Objective 2.3: Improved delivery of municipal services.** This objective aims to ensure that municipalities can sustain service delivery standards as they accommodate growing refugee populations and promote social cohesion and local economic development. The indicators under this objective were linked to the Emergency Services and Social Resilience Project (ESSRP). Due to the protracted nature of the crisis,

the second additional financing for the ESSRP moved away from emergency-related activities toward a development approach, and the project was renamed the Municipal Services and Social Resilience Project (MSSRP). In addition, the number of municipalities with capital investment plans reached 23, versus a target of 16. The indicator that monitored the share of municipalities that implemented priority development projects was dropped during the restructuring of the project. While the project has been performing well during the CPF period, it has been under partial suspension status since February 2021 due to project management issues and may not be able to fully achieve its objectives by the closing date.

**38. Although the WBG's program has performed well against its original CPF objectives, its implementation and impact has, in some cases, not influenced overall socioeconomic trends over the CPF period.** While the impact of the COVID-19 crisis has reversed some progress, there is a disconnect between the success of the WBG program against target results and a deterioration of the overall economic environment over the CPF period. For example, under Pillar 2, although the WBG program achieved progress against the indicators set by the CPF, results registered at the project level have been overshadowed by imbalances related to financial sustainability and debt accumulation, and challenges around implementation of energy reforms. WBG efforts to advance growth and investment-enabling reforms, while meeting project-level indicators, have not had a significant impact on overall levels of public and private investment or employment opportunities for youth and women. In the PLR updates to the CPF results framework, and as part of preparation of the next Jordan CPF, a greater emphasis will be placed on outcome-oriented indicators associated with the WBG's expanded portfolio and reform support that can tell a more accurate story of the WBG's overall contribution to growth, investment, and the creation of better opportunities for all.

#### ***Cross-cutting themes and partnerships***

**39. The cross-cutting themes of gender, youth, and governance have remained critical during CPF implementation.**

**(a) The Jordan portfolio has a strong focus on identifying and addressing gender gaps, and since FY18, 100 percent of new WB operations in Jordan have been gender-tagged.**<sup>21</sup> Gender actions are incorporated across the CPF's objectives. For example, on expanding economic opportunities for all, the Second Equitable Growth and Job Creation Programmatic DPF supported changes in laws impacting women's ability to choose the type and hours of employment, and addressing harassment on public transportation. The Economic Opportunities for Jordanians and Syrian Refugees PforR has a special focus on women's jobs, entrepreneurship, and access to finance, and aims at expanding private sector provision of childcare services as well as addressing social norms impeding women's work.

The WB has provided TA on a Code of Conduct for Public Transport that includes a review of the availability, access, and types of gender-based violence services that address harassment on public transportation, and of the response protocols based on the type and severity of the violation. The Mashreq Gender Facility (MGF) works with the private sector, civil society, and development partners to (i) strengthen the enabling environment for women's economic participation and (ii) improve women's access to economic opportunities.<sup>22</sup> The MGF is also the Bank's main channel to provide technical support to project teams on gender to ensure the identification of gender gaps and actions across sectors. Under the MGF, IFC launched a Women's Employment Peer Learning Platform to promote gender diversity and family-friendly workplaces

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<sup>21</sup> In FY17, the WB launched the Gender Tag system, which sets out criteria for assessing if a project is adequately identifying relevant gender gaps and incorporating measurable actions to contribute to the closing of these gaps.

<sup>22</sup> For more information on the MGF, see: <https://www.worldbank.org/en/programs/mashreq-gender-facility>.

in the private sector. As part of its current support to the Investor Journey Program, IFC is also providing TA to the Ministry of Social Development in reforming the licensing of childcare providers to support women's employment. In addition, the Jordan Institute of Directors, in partnership with IFC, delivered workshops to promote the positive impact of gender-diverse boards on the financial performance of Jordanian companies and to expand the pipeline of women for board positions.

**(b) The WBG is helping to bolster the role of Jordan's youth in driving the country's growth and development.** The US\$200 million Youth, Technology and Jobs Project aims to increase digitally enabled income opportunities to promote youth employment in Jordan. The project increases the supply of digitally skilled youth in Jordan to cater to the increasing demand in the job market, including engaging the private sector in skills development and promoting a technology learning curriculum for grades 7-12. The Integrated Social Services for Vulnerable Youth Project, financed by the Japan Social Development Fund, is increasing the provision of services to young people and the participation of youth in decision making related to these services, and empowering local communities. In addition, the WBG has been engaging youth in discussions on WBG-financed projects and policy dialogue through its Youth Advisory Group, which was established in 2019. Through its regional Skilling Up Mashreq Program, the WBG leveraged the efforts of international and regional tech players to facilitate access to relevant digital skills for young Jordanians. The program launched a partnership with Microsoft and LinkedIn to bring their global skills initiative to 4,000 vulnerable and underserved Jordanian and Lebanese youth. It also partnered with Hsub, a regional freelancing platform, to create innovative employment opportunities for refugees and vulnerable groups.

**(c) On governance, there has been strong engagement underpinned by ASA and investments across a number of areas.** The Strengthening Reform Management in Jordan Project is supporting the GoJ to advance the implementation of public sector reforms through support to the RS within MOPIC; the project is also strengthening the PIM-PPP framework, and supporting public procurement reforms. The GovTech component of the Youth, Technology, and Jobs Project aims to advance the e-government agenda in Jordan by supporting public sector institutions to improve the access to and quality of e-government services. The Bank also carried out a Wage Bill Diagnostic that recommends key reforms related to the underlying structure and management of the central government civil service wage bill—a key fiscal challenge for the GoJ—and is supporting municipal-level public financial management systems. The WBG has promoted access to justice through a State and Peacebuilding Fund-financed project, which has provided legal aid to poor Jordanians and refugees.<sup>23</sup> The Jordan Inclusive and Transparent Business Regulatory Environment for Investment PforR, which is under preparation, will include activities on improved preparation of public investment projects and on open data, regulatory impact assessments, and citizen engagement in service delivery. Finally, Bank-funded projects in Jordan continue to adopt citizen-centric designs per the corporate requirement for citizen engagement, which ensures that citizens have access to feedback channels and holds service providers and government accountable. However, there is substantive scope to expand and deepen WBG support and progress on “bottom up” or demand-side governance and transparency, as evidenced by Jordan's performance on various international benchmarks.<sup>24</sup> This will be a point of emphasis in the preparation of the WBG's next CPF.

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<sup>23</sup> According to a survey of participants, 90 percent of respondents reported exercising their rights following a consultation service provided by the project, and 80 percent reported that they had solved their legal issue as a result of the representation service. The project reached 32,327 beneficiaries through 1,151 awareness sessions encompassing 25 different topics relevant to poor Jordanians (especially women, children, and juveniles) and refugees.

<sup>24</sup> See Jordan's performance on WB regulatory governance indicators, the Open Budget Survey, and the Bertelsmann Stiftung Governance Index.

40. **The World Bank, IFC, and MIGA have closely collaborated on a number of strategic areas—Jordan can serve as a global model of an effective WBG approach.** Joint IBRD and IFC teams have been working closely with the GoJ on implementing the 5YRM, including reforms related to improving the business climate; promoting the PIM-PPP framework in Jordan; regulatory reforms, including on inspections and licensing; a predictability framework; and on attracting and promoting FDI. The Jordan Inclusive and Transparent Business Regulatory Environment for Investment PforR is being prepared by a joint WB-IFC team. The WB and IFC also collaborated on a Country Private Sector Diagnostic in FY20 to assess opportunities and constraints to private-sector-led growth, which is helping to inform reform implementation efforts. The World Bank and IFC have also joined forces through the MGF since FY19, with specific activities to support a more gender-responsive private sector. The WBG has been applying the Mobilizing Financing for Development approach in Jordan via IFC 3.0 in Equitable Growth and Job Creation DPF (WB, IFC), supporting PPPs for Amman Ring Road (Phase II), Amman New Schools, and King Hussein Bridge (IFC, WB) Water/desalination (IFC, WB, MIGA), Hazardous Waste Treatment (IFC, WB), financing and guarantees for the Queen Alia Airport PPP (MIGA, IFC, WB), and through preparation of an initial concept for the Jordan Economic Backbone Corridor Project, a proposed transport sector investment. Building on a foundation of joint analytic and TA activities, further cooperation with IFC toward joint programs and coordinated financing will be prioritized for the FY22-23 pipeline and the next CPF, with potential for MIGA to support eventual investors into the associated projects by providing investment guarantees.

41. **During CPF implementation, the WBG also helped Jordan meet its climate commitments.** Jordan is the second most water-stressed country in the world. Water scarcity is exacerbated by climate impacts—increasing heat waves, rainfall variability, and incidents of severe weather events—in addition to local issues such as land degradation and increasing urbanization. During the CPF period, the Partnership for Market Readiness Project (TA) supported Jordan in achieving the Paris Agreement goals. Implemented by a joint WB-IFC team, the project engaged public and private sector entities to identify innovative solutions to enable climate investments. These actions were enshrined in the climate change bylaw 2019, which was developed with project support and which was supported by the Jordan Second Equitable Growth and Job Creation Programmatic DPF. The WBG has also leveraged more than US\$559 million to help the country meet its climate commitments through climate co-benefits, including renewable energy projects. The share of projects that include climate co-benefits has risen steadily, from 50 percent in FY17 to 100 percent of projects in FY19 and FY20. The most impactful programs in terms of climate co-benefits over the CPF period include the Jordan Second Equitable Growth and Job Creation Programmatic DPF, and the Second Programmatic Energy and Water DPF, which helped NEPCO improve its operational performance following a switch to natural gas and renewable energy production and supported the Ministry of Water and Irrigation in reducing water losses and improving performance.

42. **Over the CPF period, the WBG program has also included a number of regional initiatives on cross-border challenges.** Meeting the increasing demand for potable water, food, energy, and jobs will, to a large extent, depend on water resources lying in transboundary basins and aquifers. The Bank, through the Mashreq Transboundary Water Initiative, is engaging in regional dialogue to build the evidence base and strengthen capacities for greater cooperation on transboundary water resources. In the transport sector, Jordan's position as a regional trade hub has been negatively impacted by traffic congestion and insufficient financing of routine maintenance of the main trade corridors. Through pipeline PPP initiatives, the WBG is exploring options to invest in key corridors to contribute to the safe movement of people and trade with Jordan's neighbors. In the energy sector, Jordan has an electrical connection with Egypt that plays an important role in stabilizing and balancing Jordan's grid. To better manage its power system and maximize the use of its low cost VRE, Jordan's small power system requires further investments in transmission infrastructure, storage capacity, improved system operations, and increased electrical interconnections with

neighboring countries. Priority WBG TA for 2021 includes a focus on energy storage and smart grids; and the WB is supporting increased electricity trading with Jordan through its work on Pan-Arab Energy Trade.

43. **Partnerships with key stakeholders have been strengthened over the CPF period on a number of joint priorities.** The WBG has been a key contributor to the Jordan Task Force (JTF), Jordan's Country Platform created in 2019, which plays an important role in strengthening donor harmonization and coordination on reform, growth, job creation, and debt sustainability issues (see **Box 2** below). The Equitable Growth and Job Creation Programmatic DPF series during the CPF period and the new PforR under preparation have brought together key partners (the United Kingdom and Saudi Arabia with guarantees; the Asian Infrastructure Investment Bank with co-financing; Japan, the European Union, Germany, and France with coordinated policy matrices; and the IMF, the European Bank for Reconstruction and Development, the European Investment Bank, and the Islamic Development Bank with a coordinated dialogue on reforms). The Jordan Growth MDTF has also served as an important partnership platform to support the GoJ to advance the design and implementation of reforms under the 5YRM.

**Box 2: The Jordan Task Force, Jordan's Country Platform**

In February 2019, the GoJ and the Government of the United Kingdom co-hosted a major international conference in London, "Growth and Opportunity: The London Initiative 2019," to support investment, growth, and jobs in Jordan. The JTF, Jordan's Country Platform, was launched as a follow up to the London Initiative to align efforts behind the GoJ's inclusive growth, job creation, and debt sustainability agendas under the 5YRM. The JTF's first meeting was held in September 2019 in Amman with the GoJ and Jordan's key development partners, followed by additional events held in Washington DC on the margins of the WBG-IMF Annual and Spring Meetings, and ad hoc meetings held in Amman. The JTF focuses on (i) discussing the priorities, sequencing, and implementation of the GoJ's reform agenda and related support programs, (ii) helping resolve bottlenecks in the implementation of the reform agenda, and (iii) monitoring progress on the 5YRM, the Debt Optimization Implementation Plan, and the commitments under the London Initiative. The most recent meeting of the JTF was held in February 2021 to discuss the GoJ's new GIEP 2021-2024, updated Reform Matrix, impacts of COVID-19 on debt sustainability, and progress on private sector investment.

44. **The WBG has also worked closely with partners on promoting a development response to forced displacement challenges in Jordan.** Jordan has received US\$231 million from the GCFF, a partnership initially sponsored by the WBG, the United Nations, and the Islamic Development Bank, to enable eligible middle-income countries to borrow at concessional rates for projects that benefit both refugees and host communities. The Dutch-financed PROSPECTS partnership (WB, IFC, the United Nations High Commissioner for Refugees, UNICEF, and the International Labour Organization) is also supporting a development approach in responding to forced displacement in Jordan, including promoting economic opportunities, rural employment, and agricultural development, as well as policies and institutional reforms on displacement response. The MSSRP has served as a multi-donor platform to improve municipal services and generate employment opportunities for both Syrians and Jordanians, with US\$102.3 million in support from the United Kingdom's Foreign, Commonwealth and Development Office, Canada, Sweden, Switzerland, Denmark, the Netherlands, and the United States Agency for International Development (USAID).

#### **IV. EMERGING LESSONS**

45. **Maintain flexibility to respond to crises and opportunities.** The WBG has remained flexible in order to respond to evolving client demands over the CPF period to support the GoJ to address immediate crises and take advantage of opportunities to advance reforms. The WBG was able to seize the opportunity to support the GoJ as it developed its 5YRM, which has guided Jordan's reform agenda since 2018. It also

adapted its program to quickly respond to the COVID-19 crisis. This adaptability has enabled a continued close partnership with client counterparts through several changes of government and a changing country context. However, this flexibility and adaptation may also have led at times to an expansion in and increased breadth of the portfolio with less focus on depth, results, and impact, particularly in key reform areas.

46. **Focus on reform implementation and results.** The GoJ has made progress in designing and advancing a series of reform efforts, and the Reform Secretariat at MOPIC has played a key role in coordinating intergovernmental dialogue and action on reforms. However, there have been gaps in implementation and capacity to deliver results. For example, while the public procurement law has passed, the required oversight committee and implementation support units have not yet been fully established and the rollout of Jordan's e-procurement system has lagged. A key lesson is the need to prioritize and focus on a short list of key/transformational reforms that could have the most significant impact, and include outcome-based benchmarks to track implementation progress. Limited public awareness and ownership of reforms has also undermined progress. A strengthened role for civil society and the private sector, broader public engagement on reforms, and increased access to information for monitoring progress is needed.

47. **Fiscal sustainability of the energy sector has deep macroeconomic implications in Jordan.** There are several key lessons from WBG engagement in the energy sector over the CPF period. First, ongoing and comprehensive reforms in the energy sector remain critical to Jordan's macroeconomic framework, given the large share of electricity sector debt in the overall public debt. Second, monitoring electricity sector debt as well as cost recovery is crucial; in both the energy and water sectors, perennial deficits have crystallized as debt and have been shifted around institutions, from NEPCO to the Water Authority of Jordan, and from there to the Ministry of Finance. Third, energy sector reforms require public engagement, dialogue, and transparency. Fourth, Jordan has leveraged its unique geopolitical and geostrategic position to extract concessions that apply to its energy sector, but its energy sector has been repeatedly disrupted by external shocks. Thus, risks need to be constantly assessed and mitigated on both the revenue and cost sides.

48. **Jordan's post-pandemic development challenge is to turn the growth model from consumption to investment-based in order to promote productivity and income growth, and to render the public debt sustainable.** Continued structural challenges in Jordan's economy have held back even the modest growth projected at the outset of the CPF period; moving forward, Jordan needs to balance fiscal consolidation with investment-enabling reforms. Jordan's macroeconomic vulnerability stems from sizable external and internal imbalances that generate large financing needs. To meet these financing needs, the country relies heavily on international assistance and transfers. In addition, the GoJ's efforts to keep debt dynamics sustainable hinge on continued fiscal consolidation, which has become more challenging recently, with growth contracting and fiscal tightening because of pressures from the COVID-19 pandemic. Moving forward and to enable a resilient recovery, it will be critical for the GoJ to balance fiscal consolidation with attracting investment.

49. **A WBG approach is critical for Jordan, and WB-IFC-MIGA collaboration is increasing.** Private sector-led growth is central to the CPF and WB-IFC coordination and joint upstream work has increased over the CPF period, especially at the country level with co-located offices and through joint support to Jordan's 5YRM across many reform areas, including competition, insolvency, Investor's Journey Program, and Doing Business reforms. Moving forward, continued joint WB-IFC efforts are needed to support the GoJ to implement the revised Reform Matrix so that reform results are felt by the private sector and to mobilize private investment and advance PPPs in priority sectors such as transport, tourism, and agriculture, where MIGA can also potentially mobilize foreign investor capital leveraging its risk mitigation products.

50. **While good progress has been made on donor coordination, a continued effort is needed to avoid fragmentation and support inclusive and resilient recovery.** With its large donor base and multiplicity of reform plans, Jordan still faces challenges in ensuring the strategic focus of donor interventions. The 5YRM has already helped partly address some of these challenges. The JTF Country Platform and RS reinforce these efforts, but attention is needed over the remainder of the CPF period. Coordination between the World Bank and the United Nations has been significant, particularly for a middle-income country setting, with a focus on promoting a development response to the continued Syrian refugee crisis through joint analytics and joint programs (particularly around refugee/host community support on active labor market participation, municipal services, and social protection). There is an opportunity to further deepen this coordination through joint messages and programs to promote an inclusive and resilient recovery.

51. **With a growing portfolio, the importance of an on-the-ground presence and cross-government capacity building for implementation is greater than ever.** With the rapid growth of the WBG's portfolio in Jordan, as well as the more recent challenges around COVID-19 travel restrictions, Amman-based staff and field-based supervision has been critical. The IBRD and IFC teams in Amman have grown over the CPF period. The WBG will continue to expand its in-country footprint to successfully deliver TA and programs, and to build GoJ capacity for implementation. During the remainder of the CPF period, there needs to be further attention to cross-portfolio and cross-GoJ capacity building to support GoJ project implementation units, including on financial management, procurement, the WB environmental and social framework, monitoring and evaluation, gender mainstreaming, and other key implementation issues.

52. **Prioritize and assure the strategic fit and broad dissemination of ASA.** Jordan's ASA, including Bank budget and trust fund financed, helped in the expansion of the WBG program over the CPF period. However, Jordan's ASA agenda needs better prioritization and strategic focus on a select number of flagship ASA that are jointly identified and broadly disseminated with client counterparts and partners. This would increase the GoJ's ownership, and the profile and impact, of the WBG's ASA agenda over the remainder of the CPF period, and will set the stage for a strong lending pipeline and the design of the next CPF.

## **V. ADJUSTMENTS TO THE COUNTRY PARTNERSHIP FRAMEWORK**

53. **The CPF remains highly relevant for Jordan. This PLR updates the CPF to align the WBG program behind the GoJ's response to the COVID-19 crisis and plans for an inclusive and resilient recovery, including a focus on employment generation and implementation of priority reforms.** This PLR makes the following key adjustments: (i) adds a *third CPF pillar on COVID-19 response and resilient recovery*, and *extends the CPF period by one year* to focus on the advancement of Pillar 3 programs; and (ii) includes additional programmatic support and indicators to promote *implementation of key reforms* to create an enabling environment for investment and job creation. The PLR updates the CPF results framework to reflect new WBG activities added since CPF launch and introduces more outcome-oriented indicators to better track program performance and impact. Prepared in the final phase of the CPF period, the PLR serves as a bridge to preparation of Jordan's next CPF (FY24-29) in FY23.

54. **The PLR adds a third pillar to the CPF: "COVID-19 pandemic - supporting an effective response and resilient recovery" and extends the CPF period by one year (FY17-23) to focus on the implementation of Pillar 3 activities.** This pillar will capture the WBG's activities to mitigate the immediate health and socioeconomic impacts of the crisis (e.g. health, education, employment, MSME support, and social protection interventions) and the pipeline operations being prepared to support a resilient recovery and job creation. These activities have also been designed to align with the GoJ's new GIEP 2021-2024 (see **Figure 7**).

The new Pillar 3 will begin to tackle the challenge of youth unemployment, which will be an area of central focus for the new CPF.

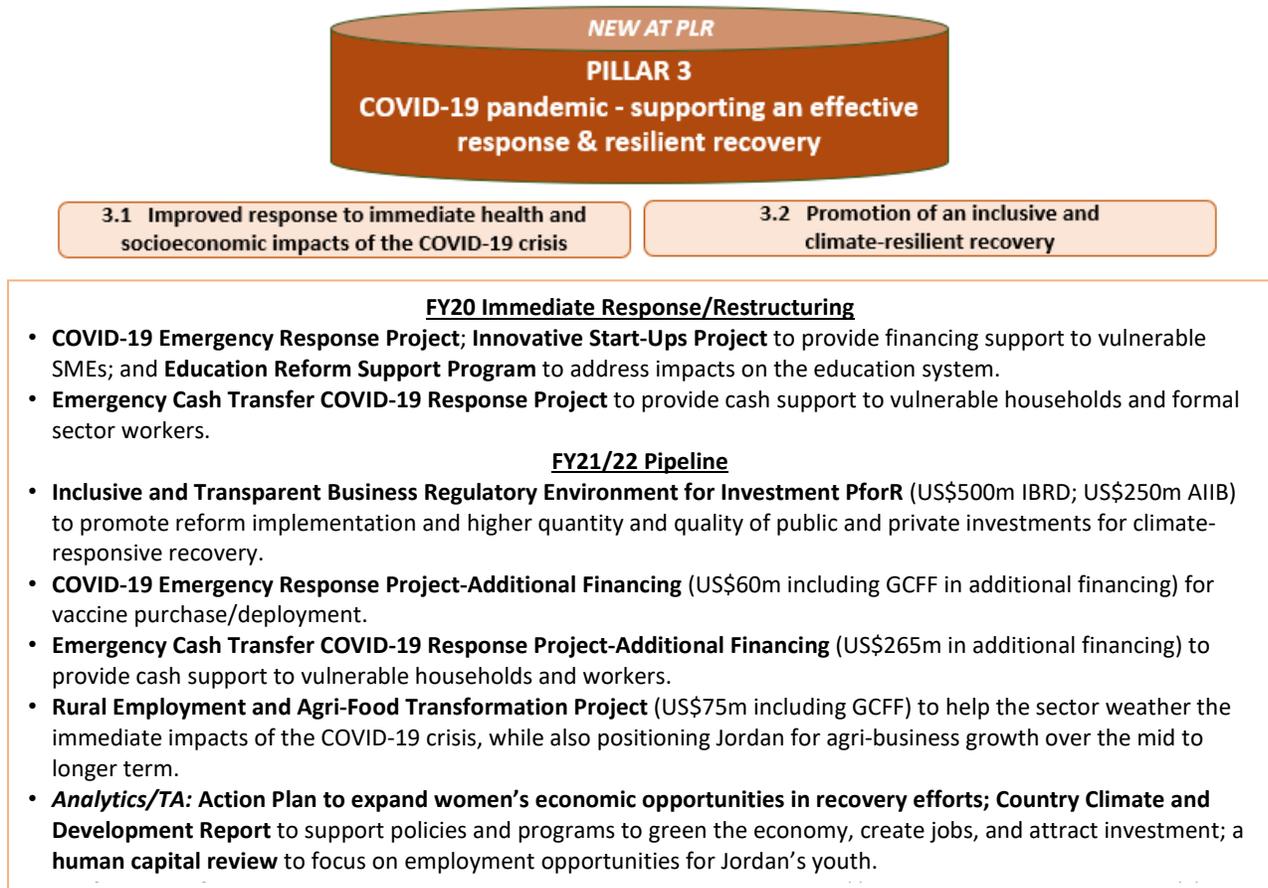
55. **Recognizing the protracted nature of the pandemic and slow pace of vaccination efforts in Jordan, the one-year extension of the CPF period will allow the GoJ and WBG team to focus on implementation of Pillar 3 activities over FY22-23.** Jordan is experiencing a surge in COVID-19 infections in 2021, resulting in partial lockdowns and continued severe socioeconomic impacts and uncertainty that makes longer-term planning with the GoJ required for CPF preparation very difficult. A one-year extension of the CPF period enables the WBG and GoJ to focus on and deliver urgently needed support on COVID-19 response, early recovery, and continued reforms as a bridge to preparation of the next CPF in FY23.

56. **Under Pillar 3, the PLR introduces an action plan to expand women’s economic opportunities as part of recovery efforts.** The plan will ensure that the WBG’s pipeline operations under Pillar 3 include targeted activities to address gender-differentiated needs and promote expanded employment opportunities for women. The WBG will also promote women’s participation and leadership in recovery planning and will provide TA and analytical inputs focused on inclusive recovery and progress on women’s labor market participation. The action plan will build on the experience of the MGF in Jordan and will leverage it as an instrument to (i) guide the strategic direction of the Bank’s country engagement on women’s economic empowerment and (ii) test for innovative solutions on the ground (see Annex 6).

57. **Under Pillar 3, the WBG will also support a climate-resilient recovery and launch a CCDR, a flagship ASA, to support evidence-based policies and reforms to green the economy, create jobs, and attract private sector capital.** The Inclusive and Transparent Business Regulatory Environment for Investment PforR and pipeline operations will optimize public expenditures and align private capital mobilization with climate goals, attracting climate financing and green investment to bolster public finances. The PforR will help transform the current crisis and recovery efforts into an opportunity to rethink Jordan’s economy towards long-term sustainability. Jordan will be one of the first countries globally to pilot a CCDR. The CCDR will inform the climate analysis in the next CPF and focus on the interplay between development (including poverty reduction, job creation, growth, and inequality) and climate. The CCDR will help identify sectors that can generate short-term job creation and recovery while ensuring green, resilient, and inclusive development.

58. **A human capital review focused on youth employment is also proposed under Pillar 3 to inform Jordan’s reform and recovery agenda moving forward, pairing new investment and economic opportunities with attention to the human resources required to build back better.** Both the health and economic effects of the COVID-19 pandemic and its control measures will have significant consequences on Jordan’s human capital that will ripple across generations. Youth unemployment has reached unprecedented levels, with one of every two Jordanian youth unemployed. This review will support Jordan in assessing its human resource strategy and adapting it to the COVID-19 recovery phase, including informing a major employment support program as part of the WBG’s FY22 pipeline and the next CPF.

Figure 7: New CPF Pillar 3



59. **The PLR also includes additional support and indicators to promote the implementation and impact of key reforms to create an enabling environment for investment and job creation, and promote fiscal sustainability.** Jordan has made significant progress on reforms, but a results-based focus on unlocking priority reform areas is needed to address structural challenges in the economy, open markets, and spur investment as an engine of recovery and growth. The new PforR (under preparation) will serve as an anchor for WBG support to the Reform Matrix. TA support through the Growth MDTF and pipeline operations will focus on priority reform areas identified through the 5YRM update and new GIEP 2021-2024. Over the remainder of the CPF period, the WBG will support the RS and GoJ to prioritize and introduce outcome indicators to track the impact of key reforms, including Doing Business reforms, the implementation of the PIM-PPP law, the deployment of an e-procurement system (JONEPS) in line ministries, reforms to promote an increase in female labor force participation, reforms to Jordan’s social protection system, and reforms promoting the fiscal sustainability of the water and energy sectors. The WBG will also support the RS in MOPIIC and reform focal points across ministries to develop a strategy to better consult and communicate on reforms with the public, civil society, and the private sector. Given the criticality of a sustainable macroeconomic framework to attract investment, the Bank will also continue to work closely with the IMF on fiscal, energy, private sector, and social protection-related reforms. For the remaining CPF period, the WBG will collaborate with civil society and the WBG Youth Advisory Group to prepare a *Citizen and Youth Engagement Roadmap* that will be linked to Jordan’s Open Government Partnership commitments for inclusive and citizen-centric reforms.

60. **The CPF objectives and results framework has also been updated based on the evolution of the Jordan portfolio and toward more outcome-oriented measures.** Several indicator targets for WB-financed projects have already been exceeded, and therefore new indicators and targets are being added to align with the expanded program, including, for example, in the area of social protection system strengthening. The PLR also revises objective 2.1 to focus on “*Promoting fiscal sustainability of the water and energy sectors*” and objective 2.2 to “*Improved delivery of education and health services,*” to reflect programming in the health sector added since the outset of the CPF period. Indicators are also being updated with more outcome, rather than output-oriented measures. In addition, the results framework has been updated to reflect the expanded IFC and MIGA programs in Jordan, which were not fully defined at the outset of the CPF period. These updates to the results framework will serve as an input to the design of the next CPF.

61. **The WBG will support the GoJ towards a new compact that offers a sustainable and realistic medium- to long-term vision for Syrian refugees and host communities.** Over the remainder of the CPF period, the WBG will focus on including refugee and host community support as part of recovery and continued reform efforts and in line with the GoJ’s *White Paper on the Jordan Response Plan 2021 Update*. The GCFF will also continue to serve as a key innovative instrument to provide Jordan with concessional financing for interventions that benefit Syrian refugees and their hosts. The Mashreq Displacement Framework and PROSPECTS partnership will be key tools to help inform the WBG’s ongoing and future interventions in Jordan to address the protracted nature of the Syrian crisis.

62. **Over the remainder of the CPF period, a strategic set of ASA activities will be prioritized to support resilient recovery and reform efforts, and to provide the analytic underpinnings for pipeline operations and the next CPF.** Core ASA activities over the remainder of the CPF period will include the following: the CCDR and human capital review described above; a Jordan Poverty Assessment focusing on the impacts of COVID-19 on poverty trends; and a Public Expenditure Review series. These core ASA will culminate in the launch of an update of the Jordan Systematic Country Diagnostic in Q3 of FY22 as a foundation for preparation of the CPF in FY23. In addition, the WBG will continue to advance reform-related ASAs supported through the MDTF based on the Reform Matrix/GIEP and GoJ demand. This includes a continuation of ongoing ASA programs (for example, in fiscal sustainability of the water and energy sectors, public procurement reforms, competition, Investor’s Journey Program, Doing Business, public wage diagnostics, social protection system reforms) and in areas of new demand (for example, in public transport, tourism strategy, climate-sensitive reforms, digital development, open data, trade policy). The WBG will also continue to provide support to the RS on overall reform coordination, management, and implementation.

63. **The WBG is developing a pipeline of operations for FY22-23 in consultation with the GoJ and aligned with the GoJ’s new GIEP 2021-24 and Reform Matrix (see Table 2).** Key principles in developing and prioritizing the pipeline include: (i) focusing on inclusive and resilient economic recovery and reform implementation; (ii) prioritizing programs to mobilize private investment through WB/IFC/MIGA support instruments; (iii) pursuing grants, concessional financing, guarantees, mobilizing private sector finance, and regional opportunities to crowd-in more concessional financing; and (iv) building on a foundation of analytic work. Applying these filters, the following areas are being explored with a projected financing envelope of US\$400 million IBRD each in FY22 and FY23, plus guarantees, grant co-financing and private sector finance. Actual lending amounts will depend on a number of factors, including GoJ’s priorities, global developments, country performance, demand from other Borrowers, and the World Bank’s financial capacity.

**Table 2: Indicative Areas for FY22-23**

<b>FY</b>	<b>Project Area</b>	<b>Indicative Objectives</b>
FY22	<b>New DPF series</b>	To continue WBG support for an inclusive and resilient/climate-responsive economic recovery and employment promotion (with a focus on women’s labor market participation) subject to a strong reform program.
FY22	<b>Private Sector Recovery</b>	To support MSMEs to adapt to the immediate impacts of COVID-19 while also supporting the MSME sector to enable future growth.
FY22	<b>Youth Employment and Labor Markets</b>	To include a wage subsidies program and to pilot innovative approaches to address 50 percent youth unemployment challenge on both the supply and demand sides.
FY22	<b>Health</b>	To support the expansion of COVID-19 vaccination and broader health system strengthening.
FY22	<b>Water Sector Recovery</b>	Based on the results of the <i>Water Sector Fiscal Sustainability Roadmap</i> , to improve sector governance, utility performance, services, and reduce non-revenue water (WBG joint program/PforR).
FY22	<b>Transport</b>	To implement public transport reforms, develop economic corridors, create jobs, improve road safety (WBG joint program).
FY23	<b>Tourism Development</b>	To build on national tourism strategy/results of PforR to further support recovery and growth of the sector and employment generation (WBG joint program).
FY23	<b>Electricity Sector and Debt Reprofiting</b>	Based on energy sector technical assistance and analytics, to support debt reductions/putting sector on sustainable path (WBG joint program).
FY23	<b>Urban Development/ Smart Cities</b>	To focus on the inclusive recovery of the urban economy, taking a regional/subnational approach (WBG joint program).
FY23	<b>Regional initiative(s)</b>	Building on regional analytics and the CCDR, cross-border or regional programming in the water and energy sectors.

64. **The FY22-23 pipeline will include a strong focus on further enhancing WB-IFC-MIGA partnership and private-sector-led investment and growth.** The WBG will continue to support the GoJ in the implementation of key reforms to create an enabling environment for private sector investment (e.g. advancing regulatory reforms for FDI and simplification of business registration and licensing; advancing implementation of the PPP law, adopting an effective competition law; and full implementation of the public procurement bylaws). IFC is advancing PPP projects with downstream potential for MIGA support, while IFC and WBG through the MDTF and new PforR will continue to provide joint capacity building and institutional support to the PIM-PPP unit, and support efforts to increase the pace and ambition of Jordan’s PPP pipeline. The WBG will identify opportunities to package complementary WB-IFC-MIGA financing, guarantees, and programmatic support in promising sectors, including transportation, water, energy, agriculture, and tourism, where a foundation of analytics and ongoing programs can inform joint initiatives. The WB and IFC are also exploring a joint smart cities initiative that combines technology with physical infrastructure and services, and promotes urban recovery, inclusion, and a competitive environment for business development. Joint WBG approaches will also identify opportunities for climate financing for climate-responsive projects across all sectors.

65. **With a growing portfolio, the WBG will continue to invest in building cross-government capacity for implementation.** With the rapid growth of the WBG’s portfolio, the Bank will provide hands-on TA and supervision needed for successful implementation of new programs. The WBG will support a cross-GoJ training and mentoring program for staff of WBG-financed project implementation units on issues such as procurement, financial management, social and environmental standards, monitoring and evaluation, and gender sensitivity in operations.

66. **With a growing portfolio across sectors and geographies in Jordan, the WBG will work on better communicating the WBG’s “people-oriented” approach and focus on improving the lives and livelihoods**

of Jordanians, particularly as part of COVID-19 response and recovery efforts. In order to better communicate the WBG’s role in Jordan and project results, the WBG will also develop a communications strategy that will include core messages on WBG support to Jordan, improved communications content/multi-media, more proactive dissemination of project results across Jordan, and strengthened WBG engagement with national and local media outlets. The WBG will also expand the role and membership of the Youth Advisory Group to include youth voices in the design of the next CPF, inform the design of pipeline operations, promote youth monitoring, and as part of expanded communications efforts.

67. **Leveraging partnerships for improved country outcomes will be critical in this final phase of CPF implementation.** The JTF for Jordan’s Country Platform will continue to provide a strong framework to align efforts towards Jordan’s resilient recovery, inclusive growth, job creation, and debt sustainability agendas. The WBG will join the United Nations as a co-chair for the Humanitarian-Development Partners Group, which will serve as an important vehicle to coordinate resilient recovery and reform support. The WBG will seek to partner on flagship analytic work, including the CCDR, human capital review, and gender action plan, as a foundation for joint programs and co-financing arrangements in FY22-23.

## **VI. RISKS TO THE CPF PROGRAM**

68. The risk rating at PLR will retain the same risk ratings for the Jordan CPF except for the environmental and social risk, which will change from *Moderate* to *Substantial* (see **Table 3**).

**Table 3: Risk Ratings for CPF Objectives in Jordan**

Risk Category	CPF Rating	PLR Rating
<b>Political and governance</b>	Moderate	Moderate
<b>Macroeconomic</b>	Substantial	Substantial
<b>Sector strategies and policies</b>	Moderate	Moderate
<b>Technical design of projects or programs</b>	Moderate	Moderate
<b>Institutional capacity for implementation and sustainability</b>	Moderate	Moderate
<b>Fiduciary (financial management and procurement)</b>	Moderate	Moderate
<b>Environmental and social</b>	Moderate	Substantial
<b>Stakeholders</b>	Moderate	Moderate
<b>Other</b>	High	High
<b>Overall</b>	Substantial	Substantial

69. **Political and governance risks.** Uncertainty and risks in a volatile region combined with risks around external assistance prospects will continue to put pressure on Jordan in the short and medium term, and political and governance risks remain *Moderate*. Over the CPF period, Jordan experienced several waves of social unrest as well as several changes of government. This evolving domestic situation and the socioeconomic impacts of the COVID-19 crisis could lead to erosion of commitment to structural reforms that are supported by prospective WBG programs. The WBG will strategically seize windows of opportunity in select reform areas that strengthen Jordan’s resilience to shocks, place the economy on the path towards self-reliance, and promote transparency and accountability. The WBG will also continue to monitor the evolving geopolitical dynamics in the region and remain flexible to adapt programming as required. A risk and resilience assessment will be carried out as part of the Systematic Country Diagnostic in FY22 as a more in-depth political economy analysis to inform the next CPF.

70. **Macroeconomic risks.** In light of continued economic risks associated with the COVID-19 pandemic, the rating for macroeconomic risks is proposed to remain as *Substantial*. This rating reflects the significant uncertainty around the speed of economic recovery in 2021, which will be contingent on not only the pace

of vaccination in Jordan, but also globally. Contingent liabilities, especially in the energy sector, continue to pose a critical macroeconomic risk and Jordan will also need to continue managing repercussions from a volatile region, and the challenges of the Syrian refugee influx. So far, external financing provided by donors as well as a successful Eurobond issuance in late 2020 has helped mitigate these financing risks in the short term. However, to help mitigate these risks over the medium to long term, the WBG program will continue to provide TA and programming around reforms and debt sustainability. The WBG will also continue to coordinate with the IMF on its EFF program, in areas of common support to Jordan's reform agenda. The staff-level agreement on the second IMF review on March 30, 2021, stated that Jordan's IMF-supported program remains firmly on track, with strong progress on key reforms. The WBG portfolio will utilize different financing instruments, mobilizing grants, guarantees, and private sector finance to reduce the burden on Jordan's budget.

71. **Environmental and social risks.** At PLR, the risk rating for environmental and social risks will be changed from *Moderate* to *Substantial* for the remainder of the CPF period with special attention given to the implementation of the World Bank's Environmental and Social Framework. With the recent introduction of the Environmental and Social Framework, the WBG is planning training and capacity building for implementing agencies and communications strategy support to ensure that client counterparts are able to prepare and monitor the environmental and social aspects of the Jordan program.

72. **Other risks (COVID-19 related risks).** The ongoing COVID-19 pandemic and the uncertainties around its evolution pose a significant continuing risk to Jordan's socioeconomic outlook and the risk rating for other risks (focused on COVID-19-related risks) is *High*. Recent sharp increases in COVID-19 cases in Jordan, targeted lockdowns, and continued issues of vaccine hesitancy and constraints on vaccine supply threaten early recovery progress. Risks include a financial crisis and increasing debt, a further drop in commodity prices, continuing impacts on vulnerable households, workers, firms, growth, and employment. To address these risks, the WBG has added Pillar 3 to the CPF to support the GoJ to mitigate the immediate health and socioeconomic impacts of the crisis (e.g. health/vaccine, education, employment, MSME support, and social protection interventions) and to support an inclusive and climate-resilient recovery.

## ANNEX 1: UPDATED RESULTS FRAMEWORK FOR THE JORDAN CPF

Pillar 1: Fostering the conditions for stronger private-sector-led growth and better employment opportunities for all	
<p>At the beginning of the CPF period, Jordan’s economy had slowed down following four consecutive years of economic growth, largely a result of continuing regional insecurity. Jordan continues to attract little FDI and private investment relative to GDP compared to other countries in the region, and there is a lack of broad-based job creation and labor market segmentation. The unprecedented economic shock of the COVID-19 crisis has exacerbated existing structural weaknesses in the economy and unresolved social challenges, and has put pressure on the country’s fragile macroeconomic position. Reforms have taken time to implement and consequently have not had an impact on Jordan’s growth trajectory.</p>	
Objective 1.1: Improved economic opportunities for Jordanians and Syrian refugees	
<p><b>Intervention logic:</b> At the beginning of the CPF period, Jordan’s economy slowed down due to regional insecurity and an unprecedented influx of refugees. Growth was forecasted to improve, but remained below the level needed to meet employment needs of host communities or refugees. The World Bank Group (WBG) will continue to help support a coordinated international response to the refugee crisis with a focus on expanding access to economic opportunities and jobs for Jordanians and refugees, addressing skills mismatches and encouraging increased labor force participation by women and youth.</p>	
CPF Indicators	WBG Program
<p><b>Indicator 1:</b> Number of work permits issued to Syrian refugees (of which Syrian women)  <b>Baseline:</b> 6,000 (2016) (of which 260 Syrian women)  <b>Target:</b> 90,000 (2023) (of which 5,000 Syrian women)</p> <p><b>Indicator 2:</b> Number of work-days created through labor-intensive public works  <b>Baseline:</b> 0 (2016)  <b>Target:</b> 110,000 (2023)</p> <p><b>Indicator 3:</b> Number of officially established and registered home-based businesses (HBBs) (of which female-owned; Syrian refugee-owned)  <b>Baseline:</b> 1,000 HBBs (of which 1,000 female-owned; 100 Syrian refugee-owned) (2021)  <b>Target:</b> 5,500 HBBs (of which 3,300 female-owned; 550 Syrian refugee-owned) (2023)</p> <p><b>Indicator 4:</b> Percentage increase in female labor force participation rate  <b>Baseline:</b> 14% (2021)  <b>Target:</b> 15% (2023)</p>	<p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>● Economic Opportunities for Jordanians and Syrian Refugees PforR (IBRD/IDA/GCFF) - P159522</li> <li>● Second Equitable Growth and Job Creation Programmatic DPF (IBRD) - P168130</li> <li>● Municipal Services and Social Resilience Project (MDTF) - P147689</li> </ul> <p><u>ASA:</u></p> <ul style="list-style-type: none"> <li>● Developing the Mashreq Displacement Strategy</li> <li>● Jordan Partnership for Market Readiness</li> <li>● Refugee Investment and Matchmaking Platform</li> <li>● Jordan Inclusive Growth and Economic Opportunities</li> <li>● Mashreq Gender Facility</li> </ul>
Objective 1.2: Improved institutional and regulatory environment for private and public investments	
<p><b>Intervention logic:</b> Frequent changes in business regulations and their inconsistent application are factors that explain low investor confidence and low levels of private investment in Jordan. The WBG will continue to support measures to enhance the predictability of the legislative environment around investment, as well as the adoption of a transparent and consistent approach to public investment management to support increasing public and private investments.</p>	
CPF Indicator	WBG Program
<p><b>Indicator 1:</b> Share of new laws and regulations governing economic activities subject to an effective public notice and consultation process that includes a grievance mechanism  <b>Baseline:</b> 0% (2016)  <b>Target:</b> 50% (2023)</p> <p><b>Indicator 2:</b> Percent of large (over US\$15 million) investment projects that use the PIM-PPP project evaluation framework  <b>Baseline:</b> 0% (2021)  <b>Target:</b> 100% (2023)</p>	<p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>● Second Equitable Growth and Job Creation Programmatic DPF (IBRD) - P168130</li> <li>● Strengthening Reform Management in Jordan (Jordan Growth MDTF) - P171965</li> <li>● Youth Technology and Jobs (IBRD/GCFF) - P170669</li> </ul> <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> <li>● Inclusive and Transparent Business Regulatory Environment for Investment PforR - P175662 (FY21)</li> </ul>

<p><b>Indicator 3:</b> Percent of government payment services enabled for digital payments  <b>Baseline:</b> 0 (2020)  <b>Target:</b> 80% (2023)</p> <p><b>Indicator 4:</b> Reduced time and costs for businesses to comply with registration and licensing  <b>Baseline:</b> Business registration processes and licensing regime entails significant costs (2021)  <b>Target:</b> Registration of new businesses is fully integrated, digital, paperless, and contactless using Integrated Business Registry System (2023)</p>	<p><b>ASA:</b></p> <ul style="list-style-type: none"> <li>• Jordan Fiscal Public Expenditure Review</li> <li>• PIM-PPP and FCCL Regulatory Institutional and Capacity Building Support</li> <li>• Strengthening Reforms Management</li> <li>• Support to the Implementation of Public Procurement By-Laws</li> <li>• Deepening FDI Reforms</li> </ul> <p><b>IFC:</b></p> <ul style="list-style-type: none"> <li>• Integrated Business Registration and Licensing Reform Project</li> <li>• Construction Permitting Reform at Greater Amman Municipality</li> <li>• Implementation of Insolvency Law</li> <li>• Doing Business Advisory</li> </ul>
<p><b>Objective 1.3: Increased access to finance and skills development</b></p>	
<p><b>Intervention logic:</b> Insufficient access to finance has been consistently identified as a constraint to private-sector-led growth and job creation. The WBG will continue to strengthen the capacity of banking and microfinance institutions to provide increased access to finance for MSMEs, and to offer new products in underserved markets—focusing specifically on female and young entrepreneurs. The WBG will also continue to explore potential future support for the start-up equity market and high-growth firms that show promise for job creation.</p>	
<p><b>CPF Indicator</b></p>	<p><b>WBG Program</b></p>
<p><b>Indicator 1:</b> Amount of private equity capital mobilized for innovative startups and SMEs  <b>Baseline:</b> US\$0 (2021)  <b>Target:</b> US\$70 million (2023)</p> <p><b>Indicator 2:</b> Number of beneficiary companies that receive financing through WB-financed projects (of which female; youth)  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 150 (25% women owned; 30% youth owned) (2023)</p> <p><b>Indicator 3:</b> Number of beneficiaries, of those trained on employable digital skills, reporting new income opportunities (of which females; Syrian refugees)  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 8,000 (of which 2,400 females; 1,200 Syrian refugees) (2023)</p> <p><b>Indicator 4:</b> Number of students (grades 7-12) receiving digital skills curriculum in schools (of which females; Syrians)  <b>Baseline:</b> 0 (of which females; Syrians) (2021)  <b>Target:</b> 150,000 (75,000 females; 9,000 Syrians) (2023)</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• Innovative Startups Fund Project (IBRD) - P161905</li> <li>• Youth, Technology, and Jobs (IBRD) - P170669</li> </ul> <p><b>ASA:</b></p> <ul style="list-style-type: none"> <li>• Jordan Finance and Competitiveness Advisory</li> <li>• Economic Policies for Competition</li> <li>• Mashreq Digital Development Dialogue</li> <li>• Mashreq Gender Facility</li> </ul> <p><b>IFC:</b></p> <ul style="list-style-type: none"> <li>• Tamweelcom Women MSME</li> <li>• The Jordanian Microfinance company</li> <li>• Capital Jordan Bank</li> <li>• Bank Al Etihad</li> <li>• MEMCC</li> <li>• FINCA Jordan</li> </ul>
<p><b>Pillar 2: Improving the equity and quality of service delivery</b></p>	
<p>Growing inequalities in access and deteriorating quality of service delivery are significant constraints to Jordan’s socioeconomic development. These challenges have been exacerbated by the influx of Syrian refugees and the COVID-19 crisis. The WBG will continue to support the GoJ to improve the equity and quality of public services while also addressing imbalances in regional development—all core aspects of a renewed social contract.</p>	
<p><b>Objective 2.1: Promoting fiscal sustainability of the water and energy sectors</b></p>	
<p><b>Intervention logic:</b> The Syria crisis has exacerbated pre-existing concerns over access to water and energy and the quality of service provision. Additional demand has resulted in intermittent water supply and unsustainable levels of groundwater extraction. The WBG</p>	

will continue to support a number of reforms in the sustainability of the energy and water sectors to ensure that resources are managed efficiently and costs spread equitably.

CPF Indicator	WBG Program
<p><b>Indicator 1:</b> <i>Water Sector Financial Sustainability Roadmap</i> for the 2021-2025 period is adopted by the Council of Ministers  <b>Baseline:</b> No (2021)  <b>Target:</b> Yes (2023)</p> <p><b>Indicator 2:</b> Cost recovery of operation and maintenance expenditure from water sector tariffs and other charges (reported in the Water Authority of Jordan's annual financial statements as revenues/direct operating expenditure)  <b>Baseline:</b> 77% (2021)  <b>Target:</b> 85% (2023)</p> <p><b>Indicator 3:</b> Reduction in the electricity tariff cross subsidy index  <b>Baseline:</b> 25.5% (2016)  <b>Target:</b> 21% or lower (2023)</p>	<p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>● Second Equitable Growth and Job Creation Programmatic DPF (IBRD) - P168130</li> <li>● Inclusive Growth and Economic Opportunities Multi-Donor Trust Fund - TF073270</li> </ul> <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> <li>● Water Sector - P176619 (FY22)</li> <li>● Electricity Sector Reforms and Debt Reprofiting Project - P171296 (FY22)</li> </ul> <p><u>ASA:</u></p> <ul style="list-style-type: none"> <li>● Mashreq Platform for Transboundary Water</li> <li>● Water Sector Financial Sustainability Roadmap</li> <li>● Jordan Electricity Sector Financial Sustainability</li> <li>● Jordan Growth MDTF Energy</li> </ul> <p><u>IFC:</u></p> <ul style="list-style-type: none"> <li>● Seven Sisters</li> <li>● FRV</li> <li>● Baynouna (Masdar)</li> <li>● JWPC (Tafila)</li> <li>● Abour</li> <li>● Daehem</li> </ul> <p><u>MIGA:</u></p> <ul style="list-style-type: none"> <li>● As-Samra Wastewater Treatment Project</li> <li>● Al Zarqa Power Plant</li> <li>● Jordan Solar One Solar Power Plant (guarantee cancelled FY20)</li> <li>● Adenium Solar 1 Power Plant (guarantee cancelled FY20)</li> </ul>

**Objective 2.2: Improved delivery of education and health services**

**Intervention logic:** The influx of Syrian refugees continues to strain the capacity of the education and health systems, affecting both access and quality. The introduction of double shifts in public schools to accommodate a large number of Syrian refugees, and the need for additional classrooms, schools, and basic learning materials risk a protracted deterioration in educational outcomes and put additional strain on the quality of education services. The onset of the COVID-19 pandemic has put additional pressure on the quality of service of the health system in Jordan. The WBG will continue to support measures addressing delivery of education services and support the GoJ to improve the quality of service delivery in the health sector.

CPF Indicator	WBG Program
<p><b>Indicator 1:</b> Number of Jordanian children and Syrian refugee boys and girls enrolled in target schools at the basic, Kindergarten 2, and secondary education levels  <b>Baseline:</b> 134,000 (2021)  <b>Target:</b> 155,000 (2023)</p> <p><b>Indicator 2:</b> The Ministry of Education develops and adopts a quality assurance system for public and private Kindergarten 2 schools that is fully</p>	<p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>● Education Reform Support PforR (IBRD) - P162407</li> <li>● Emergency Health Project (IBRD/GCFF) - P163387</li> </ul> <p><u>Pipeline:</u></p>

<p>aligned with international best practices in quality assurance systems for Kindergarten 2 schools  <b>Baseline:</b> No (2021)  <b>Target:</b> Yes (2023)</p> <p><b>Indicator 3:</b> Maintaining the number of health services delivered at MOH secondary health care facilities to target populations (of which Jordan male; female; Syrian male; female)  <b>Baseline:</b> 1,905,000 ( of which Jordan 792,000 male; 1,009,000 female; 46,000 Syrian male; 58,000 Syrian female) (2021)  <b>Target:</b> 1,905,000 ( of which Jordan 792,000 male; 1,009,000 female; 46,000 Syrian male; 58,000 Syrian female) (2021) (2023)</p>	<ul style="list-style-type: none"> <li>Expanding COVID-19 Vaccination (IBRD/GCFF) - P176666 (FY22)</li> </ul> <p><u>ASA:</u></p> <ul style="list-style-type: none"> <li>Supporting Mashreq Education Interventions with Analytical Activities</li> </ul> <p><u>IFC:</u></p> <ul style="list-style-type: none"> <li>Luminus Technical Vocational Education and Training</li> </ul>
<p><b>Objective 2.3: Improved delivery of municipal services</b></p>	
<p><b>Intervention logic:</b> The influx of Syrian refugees has significantly affected the capacity and quality of service delivery in Jordanian municipalities and host communities. WBG support will continue to ensure that municipalities can sustain service delivery standards as they accommodate continued high numbers of refugees and promote social cohesion and local economic development.</p>	
<p><b>CPF Indicator</b></p> <p><b>Indicator 1:</b> Total number of priority service delivery or community infrastructure projects implemented by participating municipalities  <b>Baseline:</b> 90 (2021)  <b>Target:</b> 190(2023)</p> <p><b>Indicator 2:</b> Number of municipalities with capital investment plans  <b>Baseline:</b> 0 (2016)  <b>Target:</b> 16 (2023)</p>	<p><b>WBG Program</b></p> <p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>Municipal Services and Social Resilience Project (TF) - P147689</li> </ul>
<p><b>Pillar 3: COVID-19 pandemic - supporting an effective response and resilient recovery</b></p>	
<p>Jordan's economy has been hit hard by the COVID-19 pandemic amid already low growth, high unemployment, and growing debt. This new pillar will support the GoJ's response to the COVID-19 crisis and plans for a resilient and inclusive recovery. Pillar 3 programs will help address the immediate health and socioeconomic impacts of the crisis (strengthening of health systems, education, employment, SME growth, job creation, and social protection) as well as promote early recovery through public and private investment, job creation in key sectors, and climate-sensitive interventions to build back better.</p>	
<p><b>Objective 3.1: Improved response to immediate health and socioeconomic impacts of the COVID-19 crisis</b></p>	
<p><b>Intervention logic:</b> By enforcing a strict lockdown and then enacting targeted measures, the GoJ has tried to minimize the health and economic impacts of the COVID-19 pandemic but has faced a significant third wave of infections in 2021. The recent increase in the rate of infection in Jordan has also put additional strain in the economy and the health sector. The WBG program will support the GoJ with financing for vaccines for all, strengthen the health system to respond, and provide social protection support through emergency cash transfers to vulnerable households and workers.</p>	
<p><b>CPF Indicator</b></p> <p><b>Indicator 1:</b> Number of hospitals that comply with COVID-19 case management per WHO protocol support (Number)  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 32 (2023)</p> <p><b>Indicator 2:</b> Percentage of population fully vaccinated based on the National Deployment and Vaccination Guide for COVID-19 through WBG project  <b>Baseline:</b> 0% expansion through WBG support (2021)  <b>Target:</b> 20% expansion through WBG support (2023)</p> <p><b>Indicator 3:</b> Number of households receiving cash support through the COVID-19 Emergency Cash Transfer Project (total individuals; of which female households; of which received digitally)  <b>Baseline:</b> 0 (2021)</p>	<p><b>WBG Program</b></p> <p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>COVID-19 Emergency Response (IBRD) - P173972</li> <li>Emergency Cash Transfer COVID-19 Response Project (IBRD/Jordan Growth MDTF) - P173974</li> <li>Emergency Health Project (IBRD) - P163387</li> <li>Education Reform Support PforR (IBRD) - P162407</li> </ul> <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> <li>Jordan COVID-19 Emergency Response Additional Financing - P176862 (FY21)</li> <li>Expanding COVID-19 Vaccination and Prevention and Control of Select Diseases - P176666 (FY22)</li> </ul>

<p><b>Target:</b> 185,000 households (950,000 individuals; of which 9% female-headed households; 100% received digitally) (2023)</p> <p><b>Indicator 4:</b> The Ministry of Education develops and adopts a strategy for mainstreaming blended learning, covering equity both by gender and for marginal communities</p> <p><b>Baseline:</b> No (2021)</p> <p><b>Target:</b> Yes (2023)</p>	<ul style="list-style-type: none"> <li>● COVID-19 Private Sector Recovery and Resilience Project - P175420 (FY22)</li> <li>● Economic Backbone Corridor Project - P170944 (FY22)</li> </ul> <p><u>ASA:</u></p> <ul style="list-style-type: none"> <li>● Pandemic Preparedness/Response and Health System Strengthening in Mashreq</li> <li>● Pensions, SSN, Labor, and HCP in Masheq</li> </ul> <p><u>IFC:</u></p> <ul style="list-style-type: none"> <li>● Fast-track financial support under COVID-19; IFC response consists of four financing facilities: (i) supporting critical industries; (ii) keeping trade flowing; (iii) helping clients pay their bills; and (iv) shoring up local banks.</li> </ul>
<p><b>Objective 3.2: Promotion of an inclusive and climate-resilient recovery*</b>  <i>*Projects linked to these indicators are being prepared in FY21; more outcome-oriented measures will be included in the next CPF.</i></p>	
<p><b>Intervention logic:</b> The pandemic has affected Jordan’s economy, especially in the services and agri-food sectors, which have experienced a reduction in output. The WBG’s program will provide medium- and long-term financing to support SMEs and the agriculture sector, while building resilience to future crises, including climate-related crises. IFC will continue to support increased private investment in generation capacity from renewable resources to help diversify the energy mix to support a climate-resilient economy.</p>	
<p><b>Indicator 1:</b> Reduction of emission of CO<sub>2</sub> equivalent from renewable energy</p> <p><b>Baseline:</b> 28,147 tCO<sub>2</sub> (2015)</p> <p><b>Target:</b> 122,912 tCO<sub>2</sub> (2023)</p> <p><b>Indicator 2:</b> Establishment and operationalization of a climate finance governance system</p> <p><b>Baseline:</b> No (2021)</p> <p><b>Target:</b> Yes (2023)</p> <p><b>Indicator 3:</b> Amount of additional annual revenue generated by SMEs supported by WB funding</p> <p><b>Baseline:</b> 0 (2021)</p> <p><b>Target:</b> US\$10 million (2023)</p> <p><b>Indicator 4:</b> Number of jobs created in the agri-food sector (disaggregated by gender and youth)</p> <p><b>Baseline:</b> 0 (2021)</p> <p><b>Target:</b> 2,500 (of which 1,250 women, 1,250 youth) (2023)</p>	<p><u>Pipeline:</u></p> <ul style="list-style-type: none"> <li>● Inclusive and Transparent Business Regulatory Environment for Investment PforR - P175662 (FY21)</li> <li>● Rural Employment and Agri-Food Transformation Project - P167946 (FY21)</li> <li>● COVID-19 Private Sector Recovery and Resilience Project - P175420 (FY22)</li> </ul> <p><u>ASA:</u></p> <ul style="list-style-type: none"> <li>● Enabling Climate Actions in Mashreq</li> <li>● Agri-food Sector Transformation in Mashreq</li> <li>● Jordan Poverty Assessment</li> <li>● Mashreq Poverty and Shared Prosperity Program</li> <li>● Climate</li> </ul> <p><u>IFC:</u></p> <ul style="list-style-type: none"> <li>● Seven Sisters</li> <li>● FRV</li> <li>● Baynouna (Masdar)</li> <li>● JWPC (Tafila)</li> <li>● Abour</li> <li>● Daehem</li> </ul>

## ANNEX 2: MATRIX OF CHANGES TO ORIGINAL CPF RESULTS FRAMEWORK

Original CPF Indicators	Revised CPF Indicators	Rationale for change
<b>Pillar 1: Fostering the conditions for stronger private-sector-led growth and better employment opportunities for all</b>		
<b>Objective 1.1: Improved economic opportunities for Jordanians and Syrian refugees</b>		
<b>Indicator 1:</b> Number of work permits issued to Syrian refugees	No change	The indicator is on track and the target is expected to be achieved by the end of the CPF period.
<b>Indicator 4:</b> Number of work-days created through labor-intensive public works	No change	The indicator is on track and the target is expected to be achieved by the end of the CPF period.
	<b>New indicator:</b> Number of officially established and registered home-based businesses	This will measure the number of home-based businesses established.
	<b>New indicator:</b> Percentage increase in female labor force participation rate	This indicator will monitor progress on the female labor force participation rate.
<b>Objective 1.2: Improved institutional and regulatory environment for private and public investments</b>		
<b>Indicator 1:</b> Share of new laws and regulations governing economic activities subject to an effective public notice and consultation process that includes a grievance mechanism	No change	The CPF indicator target is on track. Measurement of the target will begin in FY21.
	<b>New indicator:</b> Percent of large (over US\$15 million) investment projects approved by the GoJ that use the PIM-PPP project evaluation framework	This indicator will monitor the number of projects that use the PIM-PPP framework.
	<b>New indicator:</b> Percent of government payment services enabled for digital payments	This indicator will monitor the number of government services that are able to receive digital payments.
	<b>New indicator:</b> Reduced time and costs for business to comply with registration and licensing	This indicator will measure the ease of registering businesses in Jordan.
<b>Objective 1.3: Increased access to finance and skills development</b>		
	<b>New indicator:</b> Amount of private equity capital mobilized for innovative startups and SMEs	This indicator will measure the amount of direct financing in the form of equity and/or quasi-equity mobilized by private entities, using private funding, to finance investments within the Innovative Startups and SMEs Fund operation.

Original CPF Indicators	Revised CPF Indicators	Rationale for change
	<b>New indicator:</b> Number of beneficiary companies that receive financing through WB-financed projects	This will monitor the number of beneficiary companies that benefit from World Bank financing.
	<b>New indicator:</b> Number of beneficiaries, of those trained on employable digital skills, reporting new income opportunities	This indicator will measure the number of people trained in digital skills in preparation for the job market and will be disaggregated by women and refugees.
	<b>New indicator:</b> Number of students (grades 7-12) receiving digital skills curriculum in schools	This indicator will measure the increase of digital skills to begin preparing students for digital jobs.
<b>Pillar 2: Improving the equity and quality of service delivery</b>		
<b>Objective 2.1: Promoting fiscal sustainability of the water and energy sectors</b>		
	<b>New indicator:</b> <i>Water Sector Financial Sustainability Roadmap</i> for the 2021-2025 period is adopted by the Council of Ministers	This indicator will monitor the adoption of the water sustainability roadmap for Jordan.
	<b>New indicator:</b> Cost recovery of operation and maintenance expenditure from water sector tariffs and other charges	The indicator will measure the cost recovery in the water sector for operations and maintenance.
	<b>New indicator:</b> Reduction in the electricity tariff cross subsidy index	Indicator will use index from DPF2 to measure the reduction in the electricity tariff cross subsidy index.
<b>Objective 2.2: Improved delivery of education and health services</b>		
	<b>New indicator:</b> Number of Jordanian children and Syrian refugee boys and girls enrolled in target schools at the basic, Kindergarten 2, and secondary education levels	This indicator will measure the number of refugee and Jordanian children enrolled in schools.
	<b>New indicator:</b> The Ministry of Education develops and adopts a quality assurance system for public and private Kindergarten 2 schools that is fully aligned with international best practices in quality assurance systems for Kindergarten 2 schools	This indicator will put in place a quality assurance system for public and private Kindergarten 2 schools.
	<b>New indicator:</b> Maintaining the number of health services delivered at MOH secondary health care facilities to target populations	This indicator will monitor the maintenance of health services in order to provide quality healthcare services.

Original CPF Indicators	Revised CPF Indicators	Rationale for change
<b>Objective 2.3: Improved delivery of municipal services</b>		
<b>Indicator 1:</b> Total number of priority service delivery or community infrastructure projects implemented by participating municipalities	The indicator target will be revised to reflect the changes in the project with additional financing.	The CPF initial indicator target was achieved under ESSRP.
<b>Indicator 2:</b> Number of municipalities with capital investment plans	No change.	The CPF indicator target under ESSRP. However, the indicator will be maintained for the remainder of the CPF to capture the importance of the investments at the municipal level.
<b>Pillar 3: COVID-19 pandemic – supporting an effective response and resilient recovery (new Pillar)</b>		
<b>Objective 3.1: Improved response to immediate health and socioeconomic impacts of the COVID-19 crisis</b>		
	<b>New indicator:</b> Number of hospitals that comply with COVID-19 case management per WHO protocol	This indicator will monitor the maintenance of health services in order to provide quality healthcare services.
	<b>New indicator:</b> Percentage of populations fully vaccinated based on the National Deployment and Vaccination Guide for COVID-19 through WBG project	This indicator will seek to increase the number of Jordanians that receive the COVID-19 vaccine.
	<b>New indicator:</b> Number of households receiving cash support through the COVID-19 Emergency Cash Transfer Project	This indicator will monitor the number of households that receive cash support through the project.
	<b>New indicator:</b> The Ministry of Education develops and adopts a strategy for mainstreaming blended learning, covering equity both by gender and for marginal communities	This indicator will address the impact of the COVID-19 pandemic on education to build a learning platform for blended learning.
<b>Objective 3.2: Promotion of an inclusive and climate-resilient recovery</b>		
<b>Indicator 1:</b> Reduction of emission of CO <sub>2</sub> equivalent from renewable energy	No change in the indicator but moved from Pillar 2 to Pillar 3	This indicator moved from Pillar 2 objective 2.1 to Pillar 3 under objective 3.2 to measure progress towards renewable energy investments for a climate-resilient economy.
	<b>New indicator:</b> Establishment and operationalization of a climate finance governance system	This indicator will seek to improve opportunities for private investment to support a climate-responsive recovery
	<b>New indicator:</b> Amount of additional annual revenue generated by SMEs supported by WB funding	This indicator will measure the revenue generated by SMEs as part of the recovery of the business environment.

Original CPF Indicators	Revised CPF Indicators	Rationale for change
	<b>New indicator:</b> Number of jobs created in the agri-food sector	This indicator will monitor the jobs created in the agri-food sector through WB funded projects.

### ANNEX 3: MATRIX SUMMARIZING PROGRESS TOWARD CPF OBJECTIVES

Pillar 1: Fostering the conditions for stronger private-sector-led growth and better employment opportunities for all		
Objective 1.1: Improved economic opportunities for Jordanians and Syrian refugees		
CPF Indicators	Status at PLR	WBG Program
<b>Indicator 1:</b> Number of work permits issued to Syrian refugees <b>Baseline:</b> 6,000 (2016) <b>Target:</b> 50,000 (2017)	<b>Target on Track</b> <b>Target status:</b> 35,602 (2020) The program was restructured to adjust the work permit targets to the realities of the labor market (and COVID-19 in 2020). Additionally, a new flexible work permit system will soon be in place, which will help increase the formalization of Syrian labor. <i>Source: Economic Opportunities for Jordanians and Syrian Refugees PforR.</i>	<u>IBRD/IDA</u> <ul style="list-style-type: none"> <li>• Economic Opportunities for Jordanians and Syrian Refugees Program for Results (IBRD/IDA/GCFF) – P159522</li> <li>• Second Equitable Growth and Job Creation Programmatic DPF (IBRD) – P168130</li> <li>• Municipal Services and Social Resilience (MDTF) – P147689</li> <li>• Export diversification (ASA)</li> </ul>
<b>Indicator 2:</b> Number of beneficiaries of new, reformed services for entrepreneurs and workers (entrepreneurship, capacity building and training programs) <b>Baseline:</b> 0 (2016) <b>Target:</b> 2,000 (2022)	<b>Target Dropped</b> <b>Target status:</b> N/A (2021) The project/activity linked to this indicator may have been cancelled or dropped. This indicator will be dropped.	
<b>Indicator 3:</b> Restrictions on home-based work lifted in specific sectors <b>Baseline:</b> No (2016) <b>Target:</b> Yes (2018)	<b>Target Achieved</b> <b>Target status:</b> Yes (2020) Restrictions on food, handicrafts, and tailoring have been lifted and are now open to Syrians. <i>Source: Economic Opportunities for Jordanians and Syrian Refugees PforR.</i>	
<b>Indicator 4:</b> Number of work-days created through labor-intensive public works <b>Baseline:</b> 0 (2016) <b>Target:</b> 30,000 (2017)	<b>Target on Track</b> <b>Target status:</b> 24,000 (2020) The overall end target has not been met because of slow progress in launching the Innovation Fund	

	subprojects due to COVID-19 restrictions, but the target will be met. <i>Source: Municipal Services and Social Resilience Project.</i>	
<b>Objective 1.2: Improved institutional and regulatory environment for private and public investments</b>		
<b>Indicator 1:</b> Publication of a decree introducing a predictability framework on the issuance of any business-related regulations <b>Baseline:</b> No (2015) <b>Target:</b> Yes (2016)	<b>Target Achieved</b> <b>Target status:</b> Yes (2020) The Code of Governance Practices of Policies and Legislative Instruments in Government Departments was adopted in 2018. <i>Source: Jordan Second Equitable Growth and Job Creation Programmatic DPF.</i>	<b>IBRD:</b> <ul style="list-style-type: none"> <li>• Economic Opportunities for Jordanians and Syrian Refugees (IBRD/IDA/GCFF) – P159522</li> <li>• Reform of the Legal and Regulatory Environment Governing Economic Activity in Jordan (TA)</li> <li>• Jordan Economic Legislation Review Project (ASA)</li> <li>• Jordan Competitiveness and Investment (ASA)</li> </ul>
<b>Indicator 2:</b> Share of new laws and regulations governing economic activities subject to an effective public notice and consultation process that includes a grievance mechanism <b>Baseline:</b> 0% (2016) <b>Target:</b> 50% (2022)	<b>Target on Track</b> <b>Target status:</b> 38% (2020) Interim measurement done by the GoJ. The measurement is expected to be concluded next year. The survey was delayed because of the COVID-19 pandemic. <i>Source: Economic Opportunities for Jordanians and Syrian Refugees PforR.</i>	
<b>Indicator 3:</b> The regulatory and institutional environment governing businesses has improved in at least three areas, as measured by a 30 percent rise in a Composite Business Environment index <sup>25</sup> <b>Baseline:</b> 100 (CBE index, 2016) <b>Target:</b> 130 (CBE index – 30% change, 2022)	<b>Target Achieved</b> <b>Target status:</b> 30% (2020) While this target has been achieved, the policy business indicator was not supposed to be used because the CBE indicator was not adequately defined. <i>Source: Composite Business Environment Index.</i>	

<sup>25</sup> The CBE index will include a normalized composite measure of the business environment in the regulatory and institutional areas that the CPF will support—setting the baseline index at 100. The composite index will include, inter alia: (i) a measure of the burden imposed on businesses by inspections (reforms supported by T&C/IFC’s Inspections reform TA project and included in the Economic Opportunities PforR); (ii) a measure of the licensing burden imposed on businesses, including frequency of renewals, share of activities subject to undue licensing requirements and delays in obtaining licenses and/or a measure of compliance costs savings (reforms supported by the JELR Transition Fund TA project and included in the Economic Opportunities PforR); and (iii) an improvement in the distance to frontier measure of at least one Doing Business indicator (area(s) to be identified in the context of the Doing Business reform advisory TA activity).

<p><b>Indicator 4:</b> Operationalization of an integrated database of projects under a PIM framework  <b>Baseline:</b> No (2016)  <b>Target:</b> Yes (2019)</p>	<p><b>Target on Track</b>  <b>Target status:</b> No (2020)  Work on integrating projects under PIM is underway, including policy (project review and selection process), institutional (establishment of the PPP, FCCL, and PIM units), and legal (PPP law and bylaws).  <i>Source: Strengthening Reform Management in Jordan Project</i></p>	
<p><b>Objective 1.3: Increased access to finance and skills development</b></p>		
<p><b>Indicator 1:</b> Volume of lending to MSMEs under WBG-financed interventions   <b>Baseline:</b> US\$890 million (2015)  a) WB: US\$70 million  b) IFC: US\$820 million   <b>Target:</b> US\$1.12 billion (2020)  a) WB: US\$120 million  b) IFC: US\$1.0 billion</p>	<p><b>WB Target Exceeded</b>  <b>Target status:</b> (2020)  a) WB: US\$167 million  The volume of loans generated by additional financing (rotating loans) is about US\$66.6 million, which amounts to 134% of the additional financing amount (US\$50 million) that was disbursed to the banks.  <i>Source: MSME Development Project for Inclusive Growth Project.</i></p> <p><b>IFC Target Exceeded</b>  <b>Target Status:</b> (2020)  b) IFC: US\$2.46 billion  IFC Investment and Advisory continued to work with many financial institutions to support MSME lending and capacity building with a substantial increase in the total MSME loans in the portfolios of participating financial institutions.  <i>Source: IFC Development Outcome Tracking System.</i></p>	<p><b>IBRD:</b></p> <ul style="list-style-type: none"> <li>• MSME Development Project for Inclusive Growth (IBRD) - P132314</li> <li>• Support to Building Active Labor Market (approved FY13) (MENA Transition Fund)</li> <li>• Strengthening the Regulatory and Institutional</li> <li>• Framework for MSME Development (approved FY14) (MENA Transition Fund)</li> </ul> <p><b>IFC:</b></p> <ul style="list-style-type: none"> <li>• FINCA Jordan</li> <li>• MEMCC</li> <li>• Tamweelcom</li> <li>• Bank al Etihad</li> <li>• Capital Bank Jordan</li> <li>• Secured Lending (F&amp;M TA)</li> <li>• Insolvency (F&amp;M TA)</li> <li>• Credit Bureau (F&amp;M TA)</li> </ul>

<p><b>Indicator 2:</b> Number of beneficiaries benefitting from MSME loans (of which women)  <b>Baseline:</b> 9,172 (of which 7,979 women) (2015)  <b>Target:</b> 13,758 (of which 11,969 women) (2020)</p>	<p><b>WB Target mostly achieved</b>  <b>Target status:</b> 12,924 (of which 10,725 women) (2020)  The project was fully disbursed to nine participating financial intermediaries, where the financing amount has been on-lent to 12,924 project beneficiaries, of which 83% were women.  <i>Source: MSME Development Project for Inclusive Growth Project.</i></p>	
<p><b>Indicator 3:</b> Youth-owned businesses served through bank line of credit  <b>Baseline:</b> 4,924 (2015)  <b>Target:</b> 8,254 (2020)</p>	<p><b>Target Achieved</b>  <b>Target status:</b> 8,417 (2020)  Youth-owned businesses represent 65.1% of the total of the 12,924 project beneficiaries.  <i>Source: MSME Development Project for Inclusive Growth Project.</i></p>	
<p><b>Indicator 4:</b> Number of microfinance loans after bringing microfinance institutions under the Central Bank of Jordan  <b>Baseline:</b> 0 (2015)  <b>Target:</b> 1,500 (2018)</p>	<p><b>Target Exceeded</b>  <b>Target status:</b> 13,587 (2020)  The volume of loans generated by additional financing (rotating loans) is about US\$66.6 million, which amounts to 134% of the additional financing amount that was disbursed to the participating financial intermediaries (banks).  <i>Source: MSME Development Project for Inclusive Growth Project.</i></p>	
<p><b>Pillar 2: Improving the equity and quality of service delivery</b></p>		
<p><b>Objective 2.1: Improved management of the water and energy sectors</b></p>		
<p><b>Indicator 1:</b> Volume of treated wastewater used for non-domestic uses (in million cubic meters (MCM))  <b>Baseline:</b> 110 MCM of treated wastewater used for non-domestic uses (2013)  <b>Target:</b> 135 MCM of treated wastewater used for non-domestic uses (2017)</p>	<p><b>Target Exceeded</b>  <b>Target status:</b> 144 MCM of treated wastewater used for non-domestic uses (2020)  This was achieved with operational improvements at wastewater treatment plants, especially the expansion of As Samra.  <i>Source: First and Second Energy and Water DPF.</i></p>	<p><u>IBRD:</u></p> <ul style="list-style-type: none"> <li>• First and Second Programmatic Energy and Water Sector Reforms DPL (IBRD) - P154299 and P160236</li> <li>• First Equitable Growth and Jobs DPF (IBRD/GCFF) - P166360</li> </ul>

<p><b>Indicator 2:</b> Diversification of energy sources in the electricity generation mix  <b>Baseline:</b> (2014)  Natural Gas: 7% of fossil fuel electricity generation supplied by natural gas  Renewables: Renewable power generation is 1% of the generation mix  <b>Target:</b> (2017)  Natural Gas: 70% of fossil fuel electricity generation supplied by natural gas  Renewables: Renewable power generation is 10% of the electricity mix</p>	<p><b>Target Exceeded</b>  <b>Target status:</b> (2020)  Natural Gas: 85.7% of fossil fuel electricity generation supplied by natural gas.  Renewables: Renewable power generation is 14.2% of the electricity mix.  <i>Source: IFC.</i></p>	<ul style="list-style-type: none"> <li>• Red Sea-Dead Sea Partial Risk Guarantee - Dropped</li> </ul> <p><u>IFC:</u></p> <ul style="list-style-type: none"> <li>• Tafila Wind (IFC)</li> <li>• Jordan Renewable Energy – 7 Solar Panels (IFC)</li> </ul> <p><u>MIGA:</u></p> <ul style="list-style-type: none"> <li>• As-Samra Wastewater Treatment Project</li> <li>• Al Zarqa Power Plant</li> <li>• Jordan Solar One Solar Power Plant (guarantee cancelled FY20)</li> <li>• Adenium Solar 1 Power Plant (guarantee cancelled FY20)</li> </ul>
<p><b>Indicator 3:</b> Cost recovery of the end-user electricity tariffs  <b>Baseline:</b> Cost recovery level 56% (2014)  <b>Target:</b> Cost recovery level 100% (2018)</p>	<p><b>Target Achieved</b>  <b>Target status:</b> 103% (2020)  This was as a result of implementation of the Automatic Electricity Tariff Adjustment Mechanism that was adopted in October 2016 to sustain cost recovery (taking into consideration consumer affordability) and became effective on January 2017 onwards.  <i>Source: First and Second Energy and Water DPF.</i></p>	
<p><b>Indicator 4:</b> Red Sea-Dead Sea Phase 1 BOT reaches financial closure  <b>Baseline:</b> No (2016)  <b>Target:</b> Yes (2022)</p>	<p><b>Target Dropped</b>  This indicator was dropped because the Red Sea-Dead Sea initiative was dropped.  <i>Source: CMU.</i></p>	
<p><b>Indicator 5:</b> Reduction of emission of CO<sub>2</sub> equivalent from renewable energy  <b>Baseline:</b> 28,147 tCO<sub>2</sub> (2015)  <b>Target:</b> 122,912 tCO<sub>2</sub> (2020)</p>	<p><b>Target on Track</b>  <b>Target status:</b> 115,634 tCO<sub>2</sub> (2020)  This is a result of the following renewable energy projects: (i) Falcon (20MW) 28,325.00; (ii) Shamsuna (10MW) 11,834.00; (iii) Jordan Solar One (20 MW) 29,901.00; and (iv) Adenium (30 MW) 45,574.00.  <i>Source: IFC Infrastructure Investment Team.</i></p>	

Objective 2.2: Improved delivery of education services		
<p><b>Indicator 1:</b> Number of students with access to learning in a safe and well-managed physical environment  <b>Baseline:</b> 859,867 (2008)  <b>Target:</b> 945,000 (2016)</p>	<p><b>Target Exceeded</b>  <b>Target status:</b> 985,533 (2020)  The construction of new schools and extensions by the World Bank and USAID contributed to improving access to a safe environment for students all over the country.  <i>Source: Second Education Reform for Knowledge Economy Project.</i></p>	<p><u>IBRD:</u></p> <ul style="list-style-type: none"> <li>• Second Education Reform for Knowledge Economy (IBRD) - P105036</li> <li>• Jordan Education Reform Support PforR (IBRD) - P162407</li> <li>• Education Quality and Accountability (TA)</li> </ul> <p><u>IFC:</u></p> <ul style="list-style-type: none"> <li>• Luminus Technical Vocational Education and Training</li> </ul>
<p><b>Indicator 2:</b> Increase in scores on national assessments aligned with the knowledge economy  <b>Target:</b> An average increase between Year 4 and Year 6 of one score point for Math, Science, and Arabic (2016)</p>	<p><b>Target Exceeded</b>  <b>Target status:</b> An average increase between Year 4 and Year 6 of three score points for Math, Science, and Arabic (2020)  The National Assessment for Knowledge Economy Study and the assessment tool that was developed played a key role in assessing the achievement of the results of the indicator.  <i>Source: Second Education Reform for Knowledge Economy Project.</i></p>	
<p><b>Indicator 3:</b> Number of school reports produced by the Education Quality and Accountability Unit  <b>Baseline:</b> 0 (2015)  <b>Target:</b> 50 (2017)</p>	<p><b>Target Exceeded</b>  <b>Target status:</b> 188 (2020)  The Education Quality and Accountability Unit, established with support of the Bank, is institutionalized in the Ministry of Education and is continuing its work without additional Bank support.  <i>Source: Second Education Reform for Knowledge Economy Project.</i></p>	

Objective 2.3: Improved delivery of municipal services		
<p><b>Indicator 1:</b> Total number of priority service delivery or community infrastructure projects implemented by participating municipalities  <b>Baseline:</b> 69 (2015)  <b>Target:</b> 90 (2017)</p>	<p><b>Target Exceeded</b>  <b>Target status:</b> 190 (2020)  The municipal subprojects, which aimed to promote improved service delivery, reached and exceeded the target.  <i>Source: Municipal Services and Social Resilience Project.</i></p>	<p><u>IBRD:</u></p> <ul style="list-style-type: none"> <li>• Emergency Services and Social Resilience Project (IBRD) - P147689</li> <li>• Municipal Services and Social Resilience Project (MDTF) - P161465</li> <li>• Strengthening Municipal Financial Management Systems to Sustain Service delivery in Municipalities affected by the refugee Crisis (TA)</li> <li>• National Housing Strategy Update (TA)</li> </ul>
<p><b>Indicator 2:</b> Share of participating municipalities that implement/facilitate at least two priority local economic development subprojects identified in local economic development plans  <b>Baseline:</b> 33 percent (2015)  <b>Target:</b> 75 percent (2017)</p>	<p><b>Target Dropped</b>  <b>Target status:</b> 50 percent (2015)  This indicator was dropped during the additional financing for the MSSRP.  <i>Source: Municipal Services and Social Resilience Project.</i></p>	
<p><b>Indicator 3:</b> Number of municipalities with capital investment plans  <b>Baseline:</b> 0 (2016)  <b>Target:</b> 16 (2019)</p>	<p><b>Target Achieved</b>  <b>Target status:</b> 23 (2020)  This indicator was dropped during the additional financing for the MSSRP.  <i>Source: Emergency Services and Social Resilience Project.</i></p>	

## ANNEX 4: JORDAN SELECTED ECONOMIC INDICATORS

Table 1 Jordan Selected Economic Indicators							
	2018	2019	2020	2021	2022	2023	2024
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.
<b>Real sector</b>							
Real GDP growth	1.9	2.0	-1.6	1.4	2.2	2.3	2.3
Real GDP per Capita growth <sup>1/</sup>	0.1	0.5	-2.5	0.7	1.9	2.2	2.2
Agriculture (share of GDP)	4.7	4.7	4.9	4.9	4.9	4.9	4.9
Industry (share of GDP)	24.4	24.3	24.1	24.0	23.9	23.7	23.7
Services (share of GDP)	58.2	58.5	58.7	58.8	58.9	59.0	59.1
Net taxes (share of GDP)	12.7	12.5	12.4	12.3	12.3	12.3	12.3
<b>Money and prices</b> (annual percentage change, unless otherwise specified)							
CPI Inflation (p.a.)	4.5	0.8	0.3	2.0	2.0	2.3	2.3
Money (M2)	1.2	4.8	5.8	2.5	4.0	4.6	4.6
<b>Government finance</b> (percent of GDP, unless otherwise specified)							
Total revenues and grants	25.7	24.3	22.5	24.5	24.4	23.6	23.5
Domestic Revenue	22.8	21.8	20.0	22.0	22.2	22.5	22.5
Foreign Grants	2.9	2.5	2.5	2.5	2.2	1.1	1.0
Total expenditure and use of cash	29.3	28.9	29.9	31.7	31.6	31.4	31.2
Current <sup>2/</sup>	25.0	25.0	27.0	28.5	28.0	27.8	27.4
Capital Expenditure	3.1	2.9	2.7	3.2	3.6	3.6	3.9
Adjustment on receivables and payables (use of cash) <sup>7/</sup>	1.2	1.0	0.2	0.0	0.0	0.0	0.0
Statistical discrepancy, net	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Additional fiscal measures (fiscal gap) <sup>3/</sup>	0.0	0.0	0.0	0.7	1.8	2.9	3.9
<b>Overall balance after fiscal measures</b>							
Overall balance (deficit (-), excl. grants)	-6.2	-7.1	-9.9	-8.9	-7.6	-6.1	-4.9
Overall balance (deficit (-), incl. grants)	-3.3	-4.6	-7.4	-6.5	-5.4	-5.0	-3.8
Primary Balance (deficit (-), excl. grants)	-2.9	-3.6	-5.9	-4.8	-3.6	-2.0	-0.7
Primary Balance (deficit (-), incl. grants)	0.0	-1.1	-3.3	-2.3	-1.4	-0.9	0.3
Advances to WAJ <sup>4/</sup>	1.4	1.6	1.4	1.3	1.2	0.8	0.9
<b>External sector</b> (percent of GDP, unless otherwise specified)							
Current Account	-6.9	-2.1	-8.0	-8.4	-6.7	-4.4	-3.7
Trade Balance	-24.0	-19.6	-16.5	-19.3	-19.7	-19.0	-18.6
Export FOB	18.1	18.7	18.2	18.9	19.0	19.1	19.2
Import FOB	42.0	38.3	34.6	38.2	38.6	38.1	37.8
Services and income (net)	5.3	6.6	-1.8	0.2	2.7	4.9	5.4
Services balance	5.8	6.6	-1.5	0.6	3.0	5.3	5.7
Travel Receipts	12.2	13.0	3.2	4.4	7.3	10.6	11.5
Current Transfers	11.8	10.9	10.3	10.6	10.4	9.7	9.6
Gross usable Foreign Currency Reserves (US\$ million)	12,512	13,511	15,127	15,026	14,937	14,389	15,743
in months of next year's imports of GNFS	6.8	7.9	8.8	8.2	7.7	7.1	7.4
<b>Total Debt</b>							
Debt to GDP Ratio (%) <sup>5/</sup>	92.9	97.4	106.5	111.2	113.3	113.9	113.5
Debt to GDP Ratio (%), net of SSC's holdings <sup>6/</sup>	74.3	78.0	85.6	88.1	88.3	87.2	85.2

Source: Preliminary forecast, Upcoming Jordan Economic Monitor Spring 2021.

<sup>1/</sup> Based on World Bank population projections.

<sup>2/</sup> Includes net lending and transfers to NEPCO and WAJ.

<sup>3/</sup> Additional fiscal measures to target deficit reduction based on IMF Country Report No. 21/11 (January 2021).

<sup>4/</sup> Based on information from the 2021 Budget law and IMF staff report No. 21/11 (January 2021).

<sup>5/</sup> Government's direct and guaranteed debt (including NEPCO and WAJ debt) and securitization of domestic arrears in 2019.

<sup>6/</sup> SSC stands for Social Security Corporation. Projected SSC holdings of public debt as estimated in IMF staff report No. 21/11 (January 2021).

<sup>7/</sup> Based on information from IMF staff report No. 21/11 (January 2021).

## ANNEX 5: WORLD BANK GROUP PORTFOLIO DETAILS

### World Bank Portfolio Trends

Portfolio Data	FY17	FY18	FY19	FY20	FY21*
<b>Portfolio and disbursements</b>					
Active operations (number, cum)	5	6	7	9	9
Net commitments amount (US\$ millions, cum)	580.1	891.8	1,986.5	2,212.0	2,212.0
IBRD disbursement ratio (%)	100.0	40.3	39.4	53.5	9.8
<b>Portfolio risk</b>					
Actual problem project number	0	0	1	0	0
Proactivity (%)	N/A	N/A	100	N/A	N/A

\*Note: Data as of March 2021.

### World Bank ASA Program – at CPF (2016) and PLR (2021)

(bolded\*: core ASA)

Pillar 1			Pillar 2		
ASA at CPF					
Initiation FY	ASA/TA	Delivery FY	Initiation FY	ASA/TA	Delivery FY
2015	Public Investment Management	2017	2014	<b>Jordan Education PER (ESW)*</b>	2016
2016	Jordan-On-the-Job-Voucher Program	2018	2016	Creating Jobs for Syrian Refugees by Manufacturing Future Reconstruction Supplies	2017
2016	Reform implementation support	2018	2016	Jordan National Housing Strategy Update	2018
2016	Syrian refugees: Reconstruction and Jobs	2017	2016	Jordan Household Expenditure and Income Survey 16	2019
2016	Jordan Access to Finance Review	2016	2016	Environmental Impact of the Syria Crisis in Jordan	2018
2016	Jordan Business Legislation Reform	2019	2017	Service Delivery in Health and Education	2017
2017	Support to Youth Empowerment	2018	2017	Jordan Energy Sector Support for Reform	2019
2018	Jordan MSME Development	2019	2016	Support to the Jordan Water Sector	Dropped
2018	Jordan PPP	2020	2016	<b>Jordan Poverty</b>	2016
Pillar 1			Pillar 2		
ASA at PLR					
Initiation FY	ASA/TA	Delivery FY	Initiation FY	ASA/TA	Delivery FY
2017	Jordan Partnership for Market Readiness	2021	2018	<i>(Regional)</i> Mashreq Platform for Transboundary Water	2023
2019	Refugee Investment and Matchmaking Platform	2022	2019	Jordan Electricity Sector Financial Sustainability	2022
2018	Jordan: Inclusive Growth & Economic Opportunities	2024	2019	<i>(Regional)</i> Pensions, SSN, Labor, and HCP in Mashreq	2022
2019	<i>(Regional)</i> Developing the Mashreq Displacement Strategy	2023	2019	<i>(Regional)</i> Mashreq Poverty and Shared Prosperity Program	2024

### IFC Portfolio Trends-FY16-FY21

	FY16	FY17	FY18	FY19	FY20	FY21YTD	FY16 - YTD21
<b>Long-Term Finance (US\$m)</b>	<b>46.8</b>	<b>368.0</b>	<b>365.0</b>	<b>155.5</b>	<b>55.0</b>	-	<b>990.3</b>
<i>of which is IFC's Own Account (US\$m)</i>	21.2	168.0	230.8	42.9	55.0	-	517.8
<i>of which is Core Mobilization (US\$m)</i>	25.6	200.0	134.3	112.6	0.0	-	472.5
<b>Long-Term Finance Project Count</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>2</b>	-	<b>12</b>
<b>Short-Term Finance (US\$m)</b>	43.0	16.4	19.1	7.4	28.7	7.4	122.0

### IFC Commitments

FY	Project Name	Industry	Product	Commitment Amount (US\$ millions)
2018	Tamweelcom	FIG	LN	3
2011	Cairo Amman Bank	FIG	GT	13.6
2007	Capital Bank Jor	FIG	GT	10.8
2009	Bank Al Etihad	FIG	GT	10
2017	Nuqul Group	MAS	LN	17.5
1999	MAICO	MAS	ET, LN	0.8
2018	Hikma UK	MAS	ET, LN	150
2017	MS Pharma	MAS	ET	45
2020	Abdali Medical Center	MAS	LN, QL	30
2014	Luminus	MAS	ET	8.8
2014	JIFCO	MAS	LN, RM	53.1
2020	Classic Fashion	MAS	LN	25
2018	Foursan II	CDF	ET	15
2014	AIG Company	INFRA	LN, QL, RM	114.5
2017	ACWA Power Zarqa	INFRA	LN, RM	91.7
2018	Baynouna Solar	INFRA	LN, RM	73.5
2014	JWPC	INFRA	LN, QL, RM	65.2
2019	About Energy	INFRA	LN, RM	32.7
2016	FRV Solar Jordan	INFRA	LN, QL, RM	25.6
2015	JSO	INFRA	LN, RM	14
2019	Daehan Wind	INFRA	LN, RM	12.9
2015	Falcon Maan	INFRA	LN, QL, RM	11.1
2015	Adenium Holdco	INFRA	QL	10.4
2015	Arabia One Solar	INFRA	LN, RM	9.9
2015	Adenium 3	INFRA	LN, RM	9.8
2015	Zahrat	INFRA	LN, RM	9.8
2015	Adenium 2	INFRA	LN, RM	9.8
2015	Shamsuna	INFRA	LN, QL, RM	6.3
	Al Raeda	INFRA	ET	1
<b>Total</b>				<b>880.9</b>
LN: Long-term debt, RM: Risk Management, QL: Quasi loan, ET: Equity, GT: Guarantee				

### MIGA Jordan Portfolio as of April 30, 2021

Fiscal Year	Project Name	Effective Date	Expiration Date	Investor Country	Business Sector	Gross Exposure (US\$)	Description
FY06	As Samra*	May-06	Jun-33	France/ United States	Infrastructure	13,124,790	The project involved the expansion of the existing wastewater treatment plant at AS-Samra, northeast of Amman by Samra Wastewater Treatment Plant Company, Ltd., on an extended 25-year build-operate-transfer (BOT) basis.
FY12	Jordan Bromine Company	Jun-12	Jun-27	United States	Manufacturing	199,800,000	The project involved the expansion and operation of existing bromine and bromine derivative manufacturing plants.
FY17	Al Zarqa Power Plant for Energy Generation PS	Dec-16	Dec-35	China	Infrastructure	167,132,039	The project involved the design, construction, ownership, operation and maintenance of a combined cycle dual fuel thermal power generating facility (APZ) with a net installed capacity of 485 megawatt in Zarqa Governorate of Jordan.
FY18	Airport International Group - Queen Alia International Airport	Mar-18	Nov-32	France	Infrastructure	195,154,839	The project consisted of the acquisition by Meridiam of a 32% stake in AIG, which entered a 25-year concession agreement with the Government of Jordan (GoJ) in 2007 to rehabilitate, expand and operate QAIA.

\* Various contracts signed in FY13

## ANNEX 6: ACTION PLAN TO EXPAND WOMEN'S ECONOMIC OPPORTUNITIES FOR INCLUSIVE RECOVERY

1. **The impact of COVID-19 has been unprecedented, exacerbating existing crises and widening disparities by gender across all countries, and Jordan is no exception.** Women's increased care and household responsibilities, intensified by school closures and lockdowns, limit their voice and agency, as well as their possibilities of participating in the labor market. Women are more likely to lose their jobs compared to men—in the first months after the outbreak, the share of female permanent full-time workers declined by six percentage points in Jordan. The risk of women being pushed out of the labor market for a longer term can have far-reaching consequences on the labor market composition in a country like Jordan, where less than 15 percent of women are in the labor market and unemployment among women increased to an all-time high of 32.8 percent in Q4-2020.
2. **In addition to these impacts related to economic participation, women face additional challenges posed by the COVID-19 pandemic.** Many women are in lower status positions and under-recognized, with limited protections, which put them at greater risk during times of crises, such as a pandemic. Disruptions in maternal and reproductive health services may lead to increased maternal mortality and adolescent fertility. Women are also at risk of becoming victims of gender-based violence, in particular intimate partner violence, which has increased since the outbreak due to heightened household tensions. For example, in a study by Plan International in Jordan, 69 percent of respondents consider that gender-based violence has increased since the pandemic started.<sup>26</sup>
3. To respond to this situation, and **support a recovery that allows for building back to an economy that is more inclusive of women than prior to the pandemic**, the World Bank will take a three-pronged approach:
  - a) **Ensure that operational responses include targeted activities to address gender-differentiated needs and specifically promote expanded economic opportunities for women.** Projects will set ambitious targets that push the agenda for women's access and uptake of services and opportunities. All monitoring data will be gender-disaggregated to further inform and support effective and inclusive implementation. In addition, projects related to service delivery will consider supporting the expansion of services to survivors of gender-based violence.
  - b) **Promote women's participation, representation, and leadership in identifying and implementing recovery efforts.** Teams will advocate for women, gender experts, and women's rights organizations to be part of the dialogue and decision-making spaces related to response and recovery both at a sectoral level, and in the higher-level policy dialogue. Communications-related activities will incorporate women's voices and targeted outreach.
  - c) **Provide technical assistance and analytical underpinnings to support an inclusive recovery.** Analytical and advisory activities related to response and recovery, including technical assistance provided through trust-funded initiatives, will incorporate a focus on women. Reports and other documents will include gender-differentiated analysis and recommendations.

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<sup>26</sup> Plan International & UNFPA. July 2020. *Daring to Ask, Listen, and Act: A Snapshot of the Impacts of COVID-19 on Women and Girls' Rights and Sexual and Reproductive Health*. Note that the study, which was carried out in April 2020, combines quantitative and qualitative methods with about 400 respondents.

<b>Inclusive and Transparent Business Regulatory Environment for Investment PforR (P175662; PIPELINE, indicative results chain)</b>		
<b>Gender gap</b>	<b>Proposed actions to address the gap</b>	<b>Proposed indicators/targets</b>
<p>1. Low levels of women's employment and entrepreneurship.</p> <p>2. Gender gaps in voice and agency.</p> <p>3. Women carry the brunt of climate-related food insecurity.</p>	<ul style="list-style-type: none"> <li>- Support the creation of economic opportunities in tourism by developing a gender and inclusion project plan for the national tourism strategy.</li> <li>- Related to women's voice and agency, improve sex-disaggregated data and produce gender sensitive regulatory impact assessments, in addition to ensuring representation of women in identifying capital projects.</li> <li>- Develop and implement a Climate Change and Gender Strategy to address the lack of an institutional mechanism to implement the Jordan Climate Change and Gender Action Plan.</li> </ul>	<p>Gender specific indicators:</p> <ul style="list-style-type: none"> <li>- Gender Action Plans in tourism and for climate change adopted</li> </ul>
<b>Rural Employment and Agri-Food Transformation Project (P167946; PIPELINE, indicative results chain)</b>		
<b>Gender gap</b>	<b>Proposed actions to address the gap</b>	<b>Proposed indicators/targets</b>
<p>1. Limited participation in formal agriculture labor markets and agri-food chains.</p> <p>2. Limited access to financing and financial services, information, and digital technologies.</p> <p>3. Limited access to inputs, equipment, service, and other productive assets, training, and markets.</p>	<ul style="list-style-type: none"> <li>- Support the creation of formal jobs and economic opportunities (farm and off farm) for vulnerable groups especially youth, refugees, and host communities.</li> <li>- Rollout of a targeted communications strategy to inform and attract potential women rural entrepreneurs, with promotional events, activities, campaigns through electronic and print media, workshops, training events, mass information.</li> <li>- Introduce measures to support female farmers' access to and control over productive resources, financial and information services, and entrepreneurship opportunities.</li> </ul>	<p>Gender-disaggregated indicators:</p> <ul style="list-style-type: none"> <li>- Formal on- and off-farm jobs created</li> <li>- Farmers receiving e-vouchers for seeds, fertilizers, tools, other inputs</li> <li>- Beneficiaries accessing job opportunities on project-created platform and employment centers</li> <li>- Increase in sales volume of participating rural organizations and SMEs</li> <li>- Producers adopting climate and water-efficient practices promoted under the project</li> </ul> <p>Gender specific indicator:</p> <ul style="list-style-type: none"> <li>- Increased participation of women in rural employment and entrepreneurship</li> </ul>
<b>COVID-19 Private Sector Resilience and Recovery Project (P175420; PIPELINE, indicative results chain)</b>		
<b>Gender gap</b>	<b>Actions to address the gap</b>	<b>Indicators/targets</b>
<p>1. High pre-COVID-19 unemployment rates for women, especially young women.</p> <p>2. Low female labor force participation and low female ownership/leadership of firms. These gaps are exacerbated by the COVID-19 pandemic.</p>	<p>Overall need to lay the foundation for a stronger support MSME ecosystem that includes specific measures for women-owned and led MSMEs, and to build the capacity of female firm owners/leaders:</p> <ul style="list-style-type: none"> <li>- Microfinance that targets women-owned microenterprises</li> <li>- Gender Action Plan to define support for female-owned and led MSMEs' resilience and growth</li> <li>- Support to HBBs (often female-led)</li> </ul>	<ul style="list-style-type: none"> <li>- Number of female-owned MSMEs receiving guaranteed loans and total loan amount</li> <li>- Share of women beneficiaries of capacity building activities</li> </ul>
<b>Economic Opportunities for Jordanians and Syrian Refugees PforR AF (P171172)</b>		
<b>Gender gap</b>	<b>Actions to address the gap</b>	<b>Indicators/targets</b>

<p>1. Low labor force participation and gaps in economic activity. Gaps in economic participation have been exacerbated by the COVID-19 crisis.</p> <p>2. Limited access to financial services and formality.</p> <p>3. Differences in attitudes and norms surrounding women's work.</p>	<ul style="list-style-type: none"> <li>- Expansion of women's entrepreneurial activity through improving the investment climate for HBBs.</li> <li>- Facilitate registration procedures with attention to HBBs, such as childcare facilities to create jobs for women and free their time to attend work, promote early childhood development benefits.</li> <li>- Improve women's digital financial inclusion through financial literacy programs.</li> <li>- Engage the Jordanian National Commission for Women (JNCW) to develop educational content and a set of communication campaigns all targeting the image of masculinity and combating gender stereotypes about the role of women in private and public spheres.</li> </ul>	<p>Gender-disaggregated indicators in:</p> <ul style="list-style-type: none"> <li>- Established HBBs</li> <li>- Private workers registered in social security system</li> <li>- E-wallets and bank accounts</li> <li>- Work permits issued to Syrian refugees each calendar year</li> <li>- Direct jobs created in post-harvest logistics for select exports</li> </ul> <p>Indicators with specific targets to improve the share of women in the workforce include:</p> <ul style="list-style-type: none"> <li>- Active childcare facilities e-licensed and women's financial inclusion</li> <li>- Five disbursement-linked indicators on communications work led by JNCW to address norms impeding women's work</li> </ul>
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**Youth, Technology and Jobs Project (P170669)**

Gender gap	Actions to address the gap	Indicators/targets
<p>1. Low female labor force participation and high unemployment, especially among young women.</p> <p>2. Gender gaps in digital access and participation.</p>	<ul style="list-style-type: none"> <li>- Encourage women entrepreneurs/freelancers in the digital space through women's mentorship programs, peer networks, investment matching.</li> <li>- Organize skills-building sessions to address knowledge and experience gaps.</li> <li>- Introduce tech hubs and incentives for women and girls to participate in training activities, with considerations for transport, timing, childcare.</li> <li>- Establish selection criteria that favors firms with women-friendly policies.</li> <li>- Include Women's Economic Empowerment expertise in the project management unit to support monitoring and evaluation, use of services of women-owned firms, and targeted outreach and communications.</li> </ul>	<p>Gender-disaggregated indicators and targets on:</p> <ul style="list-style-type: none"> <li>- Beneficiaries trained on employable digital skills reporting new income opportunities</li> <li>- Trained individuals on ICT skills</li> <li>- Tech Hub users;</li> <li>- Individuals with digital skills benefiting from technology adoption</li> <li>- Startups supported with business matchmaking</li> <li>- Individuals trained to access and offer their services on digital platforms</li> </ul>

**Emergency Cash Transfer COVID-19 Response Project (P173974)**

Gender gap	Actions to address the gap	Indicators/targets
<p>1. Women are disproportionately affected by the COVID-19 crisis, with female-headed households especially vulnerable.</p> <p>2. Women's access to financial services is limited.</p>	<ul style="list-style-type: none"> <li>- Add weight to female-headed households and use a range of modalities to ensure beneficiaries register and receive payments digitally, which will be analyzed in a gender-disaggregated way.</li> <li>- Develop communications and outreach messaging that aim to raise</li> </ul>	<ul style="list-style-type: none"> <li>- The project integrates a gender lens into activities, studies, and evaluations by way of a high frequency phone survey to monitor the socioeconomic impacts of the COVID-19 crisis, allowing a disaggregated analysis by gender of the household head.</li> </ul>

<p>3. There are increased risks of gender-based violence.</p> <p>4. Limited access to information about managing household stress and risks of domestic violence.</p>	<p>awareness about COVID-19, address the increased risks of gender-based violence as well as promote healthy conflict resolution and stress management at the household level.</p>	<p>Gender-disaggregated indicators with specific targets for women:</p> <ul style="list-style-type: none"> <li>-Households receiving cash support through the project</li> <li>-Individual beneficiaries receiving temporary cash transfers</li> <li>- NAF individual beneficiaries receiving temporary benefit top-ups</li> <li>- Percentage of beneficiary households receiving payments digitally</li> </ul>
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## ANNEX 7: JORDAN'S ENERGY SECTOR AND DEBT SUSTAINABILITY

1. Jordan's electricity sector provides contrasts in terms of reforms, marked by previous success in attracting new private investment in the electricity sector, followed by macroeconomic imbalances related to financial sustainability and debt accumulation. As a result of 25 years of reforms, Jordan today has an unbundled, single-buyer electricity market structure, with an independent regulator, private sector participation in electricity generation and distribution, and significant installation of renewable energy capacity.
2. The energy sector today accounts for about 20 percent of public debt, due to the debt levels of NEPCO, a public company that carries out four different functions: fuel purchase and supply, electricity trading, transmission, and load dispatch. Power distribution was privatized over a decade ago. The prices at which the electricity distribution companies on-sell electricity to retail consumers is regulated, with retail electricity tariffs ultimately decided on by the Council of Ministers. NEPCO is central to the electricity sector of Jordan, and being a publicly-owned company, links the performance and sustainability of Jordan's electricity sector to that of its public finances.<sup>27</sup> The electricity sector is the largest single source of contingent liabilities in Jordan because it is the sector with the largest volume of long-term contracts that are guaranteed by the GoJ. Addressing electricity sector debts and financial sustainability is therefore critically important to addressing Jordan's wider macro-fiscal and public debt challenges. An efficient electricity sector is also essential for enhanced competitiveness and continued growth of the economy.
3. From 2010 to 2015, wholesale electricity in Jordan was bought by NEPCO at a higher price than it could be sold for, resulting in financial losses and the accumulation of debts on NEPCO's books. That legacy debt still comprises the bulk of NEPCO's corporate debt. To date, there is no provision for principal repayments to be recovered from the tariffs. Instead, NEPCO is obliged to roll over hundreds of millions of dollars in debts every year. The accumulation of financial losses has also led to NEPCO's total equity value becoming negative (it fell from positive JD 184 million at the end of 2008 to negative JD 4.679 billion at the end of 2019).
4. On the positive side, Jordan has been effective in attracting new private investment in the electricity sector in the past: according to the World Bank's Private Participation in Infrastructure Database, between 1997 and 2019, private sector investments in Jordan's infrastructure sectors totaled approximately US\$10.6 billion, of which US\$7 billion were for the electricity sector. The vast bulk of private investments in the electricity sector during that period were in new power generation projects, starting in 2007. Private investments in new (or greenfield) generation capacity accounted for almost 97 percent of the US\$7 billion in private capital investments in Jordan from 2007 to 2019. Jordan was successful in attracting FDI for power generation (thermal and renewables), using a combination of (i) long-term power purchase agreements backed by sovereign guarantees; (ii) leveraging of foreign capital markets through private investments; (iii) leveraging of concessional financing from a range of bilateral and multilateral development banks; and (iv) strong positive perceptions of Jordan's relative risks. During 2014 to 2020, successive Jordanian governments took positive steps to: (i) increase energy security by diversifying the country's sources of natural gas supplies and rapidly developing power generation capacity from renewable energy; (ii) improve the financial sustainability of the electricity sector via a combination of

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<sup>27</sup> There are three important consequences of NEPCO being a publicly-owned company: (i) all its debts are effectively sovereign guaranteed and form part of Jordan's overall public debt; (ii) NEPCO's fuel supply contracts and power purchase agreements are also sovereign guaranteed, presenting contingent liabilities to the government in the event that NEPCO struggles to meet its contractual payment obligations; and (iii) the financial performance of NEPCO, one of the largest state-owned enterprises, directly affects the returns (or losses) on the government's overall portfolio of investments.

price reforms, efficiency improvements, and reductions in costs; and (iii) begin to effectively address the large and unsustainable legacy debts assigned to NEPCO with the adoption of the *Debt Optimization Implementation Plan* in 2020.

5. However, lack of progress on electricity tariff reforms has directly contributed to the accumulation of financial losses and debts by NEPCO, which flow into the overall public debt level and have other macroeconomic effects—such as those caused by public borrowings squeezing the credit available to the private sector. The sector had a small operating loss in 2017 (about JD 6 million), and 2018 closed with a loss of JD 79 million (about 5 percent) mainly due to a sudden escalation in global fuel prices and a 2 percent fall in demand for NEPCO-supplied electricity—even as the Automatic Electricity Tariff Adjustment Mechanism helped recover an additional JD 237 million in revenues. By the end of 2019, NEPCO was again able to achieve a positive income of JD 0.275 million, but accumulated electricity sector debts made up approximately 20 percent of total public debt, as previously mentioned.

6. The COVID-19 pandemic further exposed Jordan’s electricity sector structure, regulation, and finances. The first half of 2020 financially squeezed the electricity sector from a revenue and cost side, with the financial consequences of that falling heavily on NEPCO. The GoJ’s efforts to tackle fiscal imbalances and debt sustainability are supported by the IMF EFF.

7. The large increases in power generation capacity—both thermal and renewable energy— present immediate and long-term challenges to the financial sustainability of the electricity sector and growing debt and contingent liability risks. In 2021, Jordan is scheduled to have an additional 1,270MW of new generation capacity that will add to its existing capacity of around 5,800MW. Most of Jordan’s thermal and renewable energy capacity is contracted under long-term take-or-pay contracts, which recover the vast bulk of the plants’ costs (capital, returns on capital, operation and maintenance, and depreciation) via capacity availability fees. Unless electricity demand and revenues rise significantly, NEPCO will be increasingly squeezed by take-or-pay obligations for electricity and its primary fuel supply (LNG, piped natural gas). The contingent risks and liabilities arising from energy sector contracts by NEPCO need to be fully understood, quantified, monitored, and mitigated—as is required under the new PPP Law.