

**COUNTRY PARTNERSHIP FRAMEWORK
FOR
HASHEMITE KINGDOM OF JORDAN
(FY17-FY22)**

Executive Summary

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

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

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

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

5. **In parallel, Jordan's implicit social contract by which the state provided citizens with jobs and heavily subsidized public services is evolving.** The most recent drive for reforms has focused on Jordan's need to achieve self-reliance and stability based on enhanced productivity, increased competitiveness, the gradual removal of subsidies, and financial sustainability. Jordan 2025 calls for a transformation of Jordan's development model to increase competitiveness, and to provide more private sector development opportunities and better service delivery to its citizens. The overarching objective of the Country Partnership Framework (CPF), which is jointly prepared with the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), is to help renew Jordan's social contract and promote economic and social inclusion.

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

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

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

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

to support reform implementation and address sectoral gaps, these operations will be complemented by a strong mix of Advisory Services and Analytics (ASA), including technical assistance, economic and sector work, and IFC's advisory services to support private sector development. Given the magnitude of the challenges facing Jordan as it addresses the impact of the Syria crisis, concessional financing will be mobilized to bring to scale the WBG interventions in support of the Government's response.

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

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

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

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

13. **The CPF's principles of engagement will be selectivity, flexibility, adaptability and partnership.** The CPF is selective and focuses on key sectors, drawing from the SCD, the Government's priorities, the MENA Strategy and comparative advantage, as well as lessons from the implementation of previous Country Partnership Strategies. Under the new CPF, the WBG will work in partnership with others, build and nurture strong relationships with the United Nations (UN) agencies, donors and a broad

range of stakeholders to implement the strategy with a leveraging effect. In a fast paced regional environment, the WBG will be flexible in adjusting the mix of instruments and priority intervention areas throughout the CPF and adapt as demands and circumstances evolve on the ground.