



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 12-Apr-2019 | Report No: PIDC25366



BASIC INFORMATION

A. Basic Project Data

Country Jordan	Project ID P168130	Project Name Jordan Second Equitable Growth & Job Creation Programmatic Development Policy Financing (P168130)	Parent Project ID (if any) P166360
Region MIDDLE EAST AND NORTH AFRICA	Estimated Board Date Jun 04, 2019	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Hashemite Kingdom of Jordan	Implementing Agency Ministry of Planning and International Cooperation		

Proposed Development Objective(s)

The program development objective is to support Jordan to set foundations to: (i) reduce business costs and improve market accessibility, (ii) create more flexible and integrated labor markets and provide better and more efficient social assistance, and (iii) improve fiscal sustainability and take more informed decisions regarding risk.

Financing (in US\$, Millions)

SUMMARY

Total Financing	1,450.00
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DETAILS

Total World Bank Group Financing	1,450.00
World Bank Lending	1,450.00

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

The Government of Jordan has identified an ambitious two-year economic action plan (2019-2020), which clearly delineates the country's development priorities and renews its commitment to create an enabling business environment, implement labor market reforms, and continue its fiscal consolidation efforts with due consideration for social impacts and growth. The two-year action plan was developed in response to the country's urgent need for economic revival, through deepening and accelerating reforms earlier defined by the Five-Year Reform Matrix and is in line with both (i) the ten-year vision - Jordan 2025 which places citizens at the center of development and sets out goals for improving social outcomes, the business environment and the functions of government and (ii) the 2017 Jordan Economic Growth Plan (JEGP) 2018-2022.

The proposed Second Equitable Growth and Job Creation Development Policy Financing is part of a series of programmatic Development Policy Financing (DPF) operations that supports the Government of Jordan to lay the foundations for a higher and more sustainable economic growth path, while creating more jobs. This operation continues and deepens the policy reforms established under the first DPF (\$500 million, approved by the Board on June 27, 2018). The proposed operation has been strengthened with the addition of critical reforms aiming to assist Jordan to reinforce its 'Open for Business' objectives and the efficiency of its energy sector, which is a source of significant fiscal risks for Jordan.

Relationship to CPF

The 2017-2022 World Bank Group Country Partnership Framework (CPF) for Jordan focuses on mitigating the immediate impact of the regional crisis while at the same time supporting long-term development objectives and structural reforms, to improve the equity and quality of public service delivery. The proposed DPF contributes to the CPF objectives of improving economic opportunities, improving the institutional and regulatory environment for private sector activity and public investments, improving access to finance, export development and women's access to job opportunities. The proposed DPF is also closely aligned with the recently updated Middle East and North Africa Regional Strategy, including the pillars on renewing the social contract, strengthening resilience to shocks, promoting digital economy, and empowering women and youth. By reducing business costs and improving market accessibility, as well as increasing access to both jobs and social assistance for all those living in Jordan, the proposed DPF further supports the maximizing finance for development (MFD) approach and the WBG twin goals of ending extreme poverty and boosting shared prosperity. The operation also seeks to create greener energy sector and greener growth thereby also contributing to the regional climate change mitigation and adaptation agenda.

C. Proposed Development Objective(s)

The PDO of the Second Equitable Growth and Job Creation Programmatic is largely unchanged from DPL-1. To reflect Government objective of reforming FDI, procurement and PPP legislation as well as the commitment to create a more sustainable energy sector and green growth, the PDO has been *amended to*: (i) reduce business costs and improve market accessibility, *and to encourage new investment*, (ii) create more flexible and integrated labor markets and provide better and more efficient social assistance, and (iii) improve fiscal sustainability and take more informed *public sector* decisions regarding *energy sector sustainability and efficiency*, and risk.

Key Results

Under Pillar 1, the proposed DPF seeks to (1) promote Foreign Direct Investment (2) rationalize and streamline Jordan's inspections and licensing regimes; (3) increase Jordanian export competitiveness and improve access to new markets; (4) reduce the cost of cargo transport for containers on the Aqaba-Amman corridor; (5) facilitate an increase in the volume



of financing provided to SMEs and women-led businesses; (6) increase transparency, cost-savings and efficiency, competition in the public procurement market; and (7) broaden the base of digital economy.

Under Pillar 2, the operation aims to: (1) expand women's jobs options and improve their participation in the labor market; (2) allow investors, foreign and domestic, the flexibility to manage and run their investments with the skilled labor they need; (3) reduce the growth of the informal sector; (4) reduce the impact of energy reforms on the most vulnerable households.

Under Pillar 3, the operation aims to: (1) improve the equity and transparency of energy generation and distribution in Jordan; (2) raise additional domestic revenues; and (3) support the passage of a revised PPP Law.

D. Concept Description

The Government's economic program- underpinned by the Prime Minister's two-year priority plan for 2019-2020, Vision 2025, Jordan Economic Growth Plan, and the Five-Year Reform Matrix (2018-2022)- provides a comprehensive menu of reforms needed to tackle Jordan's growth, jobs and productivity challenge. All these programs seek to enhance inclusive growth by sustaining macroeconomic stability through gradual fiscal consolidation, while advancing structural reforms to strengthen growth, competitiveness, and job prospects, and fostering equity, fairness, and good governance. Continued and timely implementation of these reforms over medium-term is critical to unlock Jordan's economic growth potential. The proposed operation will support the Government in its quest to lay the foundations for a higher and more sustainable economic growth. The operation includes critical reforms aiming to assist Jordan to strengthen its 'Open for Business' objectives and the efficiency of its energy sector.

The first pillar of the proposed DPF seeks to reduce business costs and improve market accessibility, and to encourage new investment. First and foremost, the pillar introduces an FDI component, that supports the gradual liberalization of foreign investment with a focus on services, and second, it supports a full-fledged public procurement reform which is expected to increase access of smaller firms to public spending opportunities (in addition to achieving cost savings).

The second pillar of the proposed DPF supports a more flexible and inclusive labor market and develops a more effective social safety net; the labor market component on reducing labor market segmentation remains critical but priority is adjusted to focus more on reducing gender segmentation in DPL2. There are three sets of reforms comprising Pillar 2 which continue the reform track initiated under DPL1 to reduce segmentation in the labor market and improve the job performance of the Jordanian economy. The reforms address the following challenges that have been prioritized by the new government: (a) the drastically low female labor force participation rate; (b) growth and large size of the informal sector attenuates the number of entry-level jobs available to young workers; and (c) the relatively high cost of hiring young workers.

The third pillar of the proposed DPF supports the Government's fiscal consolidation efforts by focusing on efficiency in public investment, strengthening the public investment and PPP governance framework and updating the approach to managing public sector debt and contingent liabilities. To this pillar, the energy sector reforms have been added given the significant fiscal challenges the sector posed in 2018. The rationale behind the focus of the original components was to maintain fiscal sustainability and to increase public investment in a fiscally responsible way, while containing the fiscal risks that came from exemptions to the PPP law. However, the reform agenda has been strengthened as the Government plans to overhaul and strengthen the PPP process and revise the PPP law to correct current shortcomings.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts



A poverty and social impact analysis (PSIA) of the impacts of the program’s prior actions on households was conducted in support of the program. The PSIA found that the reform program is expected to have positive effects on the economy and social welfare in the long term. Adverse effects are likely to be offset by measures already under implementation as part of earlier reforms (including the expansion of the National Aid Fund for example) and other mitigation measures.

Environmental Impacts

A environmental analysis was also conducted as part of preparation of this operation and concluded that the DPF-supported policies are not likely to have significant negative impacts on Jordan’s environment or its natural resources.

A recently approved Climate Change bylaw as well as recent reforms relating to the energy sector are expected to significantly reduce Greenhouse gases (GHG) emissions in Jordan’s transport sector among others.

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Approved By

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