



# Program Information Document (PID)

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Appraisal Stage | Date Prepared/Updated: 20-May-2019 | Report No: PIDA26960



**BASIC INFORMATION**

**A. Basic Project Data**

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

<b>Total Financing</b>	1,450.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	1,450.00
World Bank Lending	1,450.00

**Decision**

The review did authorize the team to appraise and negotiate



## B. Introduction and Context

### Country Context

The Government of Jordan identified an ambitious two-year Renaissance Plan (2019-20), that renews its commitment to reduce the cost of doing business, opens the country to foreign knowhow through investment, skills and technology, creates a flexible and inclusive labor market that generates jobs for all, continues its path toward prudent fiscal management while at the same time protecting the neediest and most deserving from the social impacts these reforms may generate in the short-term. The two-year action plan addresses 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 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.

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

### 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, improving market accessibility, and to encourage new investment 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 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.



#### Key Results

**Under Pillar 1**, the proposed DPF seeks to: (1) promote Foreign Direct Investment; (2) increase transparency, cost-savings and efficiency, competition in the public procurement market; and (3) broaden the base of digital economy through the National Broadband Network PPP opportunity.

**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; and (3) improve the efficiency of targeted social assistance during the time of economic transformation.

**Under Pillar 3**, the operation aims to: (1) support energy sector reform, given its significant fiscal challenges; (2) raise additional domestic revenues; (3) support climate-resilient growth; and (4) support revisions to the PPP Law.

#### D. Project Description

**The Government's economic program - underpinned by the Prime Minister's Renaissance Plan (2019-20) tackles Jordan's growth, jobs and productivity challenges.** The program draws on the Five-Year matrix. It seeks to enhance inclusive growth, sustain macroeconomic stability through gradual fiscal consolidation, and advance structural reforms to strengthen growth, competitiveness, job prospects, while at the same time fostering equity, fairness, and good governance. Continued and timely implementation of these reforms, over the medium-term, is critical to unlock Jordan's growth potential. The proposed operation supports the Government efforts to lay foundations for a higher and more sustainable economic growth by adding support to its 'Open for Business' economic objectives and improving the efficiency of its all-important energy sector.

**The first pillar of the proposed DPF supports reductions in business costs, improvement in market access to all businesses, including for public procurement, and encourages new foreign investment.** First and foremost, the pillar includes reforms that support the gradual opening of the economy to foreign investment. A primary aim is to better utilize Jordan's comparative advantages in services and to upgrade this sector, and other sectors, with investments that bring best foreign management knowhow in practices, talent and technology. This will make all sectors, especially services, more competitive in the global market and create jobs at home. This operation also supports a full-fledged public procurement reform that is expected to increase access of smaller firms. Generally, it is considered that larger firms can afford the higher fixed costs of accessing large, public contracts while smaller firms cannot. With increased transparency, lower costs of entry, smaller contract and easier means to compete, smaller business will be able to contest for business that government agencies generate to support their mission. In addition, the Government will reduce costs of operations with more competitive bidding for their business.

**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 in the medium term but priority is adjusted to focus more on reducing gender segmentation in DPF2.** The reforms comprising Pillar 2 continue the reform track initiated under DPF1; namely, 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) to address the drastically low female labor force participation rate; and (b) stimulate job creation by introducing more high-skilled foreign talent as necessary to allow high-valued added sectors to grow. With respect to low female labor force participation, the economy will find it difficult to grow faster without better utilizing the increasingly more educated female labor force that is at present sitting on the sidelines of the economy. Addressing discriminatory policies, regulations, as well as, providing better childcare and



transport services will help encourage women to enter the labor force. This DPF supports changes to the legal system to eliminate barriers to women in the labor market.

**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. Implementation

### Institutional and Implementation Arrangements

The operation will be implemented through the coordination mechanisms provided by the Office of the Prime Minister, and by the Ministry of Planning and International Cooperation. The operation will utilize, as strengthen as necessary with technical knowhow and global expertise, the processes for coordination and decision making of the Government of Jordan.

Implementation support will be provided by the Multi-Donor Trust Fund which is already operational.

## F. 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 Aspects

**An 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.** Indeed, 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.

## G. Risks and Mitigation

The overall risk rating of this operation is high. The major risks to the operation’s ability to achieve its development objective include: (a) political and governance; (b) macroeconomic challenges associated with further fiscal drain from the power sector, underperformance on revenue administration, and shortfalls in the prospective financing indicated; (c)



technical design, especially the energy sector; (d) institutional and implementation capacity, as many of the reforms involve several agencies; (e) and geopolitical risks, given Jordan’s volatile neighborhood. The Bank will continue to closely monitor these risks, which are mitigated through strong ownership by the government and a robust program of technical assistance.

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**APPROVAL**

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**Approved By**

Country Director:	Saroj Kumar Jha	31-May-2019
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