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JORDAN INCLUSIVE, TRANSPARENT AND CLIMATE RESPONSIVE INVESTMENTS PROGRAM FOR RESULTS (P180285)

Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 03-Mar-2023 | Report No: PIDA277347



BASIC INFORMATION

A. Basic Program Data

Country Jordan	Project ID P180285	Program Name JORDAN INCLUSIVE, TRANSPARENT AND CLIMATE RESPONSIVE INVESTMENTS PROGRAM FOR RESULTS	Parent Project ID (if any) P175662
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 05-Mar-2023	Estimated Board Date 06-Apr-2023	Practice Area (Lead) Governance
Financing Instrument Program-for-Results Financing	Borrower(s) Hashemite Kingdom of Jordan	Implementing Agency Ministry of Planning and International Cooperation	

Program Development Objective(s)

Improve accountability to foster climate responsive investments and growth, where:

- investment is defined as public and private investment
- climate responsive investments refer to public sector and private sector opportunities in Jordan’s NDC and measured by the MRV System
- accountability rests on a framework of enhanced transparency and feedback loops that inform investment and policy decisions

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	1,000.00
Total Operation Cost	842.80
Total Program Cost	842.80
Total Financing	842.80
Financing Gap	0.00

FINANCING (USD Millions)



Total World Bank Group Financing	400.00
World Bank Lending	400.00
Total Government Contribution	242.80
Total Non-World Bank Group and Non-Client Government Financing	200.00
Multilateral and Bilateral Financing (Concessional)	200.00

B. Introduction and Context

Following the COVID-19 crisis and despite a challenging global environment, Jordan’s economic recovery has been solid, supported by the reopening of the economy, a rebound of travel and tourism and a recovery in domestic demand and key services sectors. Jordan’s growth rate in the first nine months of 2022 reached 2.7 percent, exceeding expectations. However, the rebound in economic activity was only modestly reflected on labor market indicators with unemployment rates declining only gradually and continued high rates of youth unemployment (at nearly 50 percent) and low female labor participation (at 14 percent). 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.

In the face of a series of external shocks over the past decade and recent global economic turbulence, the Government of Jordan (GoJ) remains committed to its economic reform agenda with the strategic objective of promoting investment-led growth and job creation. The GoJ’s Five Year Reform Matrix was launched in 2018, with the aim of stimulating growth, investment and exports, reducing business costs, and countering labor market segmentation; and was updated in 2021 as the Reform Matrix to expand and deepen reforms as part of COVID-19 recovery. In October 2022, the Cabinet of Ministers approved another update to the Reform Matrix—extending its end date to 2024 and broadening its scope by adding three pillars to the initial nine on: 1) public sector efficiency and governance; 2) agriculture; and 3) tourism. The Reform Matrix also bolsters climate action and gender across sectors. The Matrix is designed as a rolling policy document which will be regularly updated and extended in the coming years to promote reform action and results.

In June 2022, the GoJ also adopted the Economic Modernization Vision 2033, an economic reform strategy for the next ten years which aims at doubling Jordan’s growth rate and increasing quality of life, and which calls for a significant increase in both public and private investment. The Vision bolsters the achievement of reform action under the Reform Matrix, not only regarding investment, public and private, but also on data and evidence-based policy making, service delivery and climate response. The Economic Modernization Vision targets the acceleration of the annual growth rate to 5.6 percent, the creation of over one million jobs for men and women, doubling female labor force participation, an increase of per capita income by 3 percent per year on average, the improvement of economic competitiveness, and the strengthening of environmental sustainability.



Overall estimated investment needs for achieving the Vision’s objectives amount to a net increase of capital investments between 2023 and 2033 by JD 41.4 bn (i.e., US\$ 58.4 bn), most of which (73 percent) being private investments.

Since Jordan is highly vulnerable climate change and extreme weather conditions, the country is also integrating climate concerns as a key pillar of the country’s economic reform agenda and investment plans. Since 2021, the GoJ has strengthened its climate agenda including by scaling up its commitments to the Nationally Determined Contribution (NDCs), by significantly increasing emission reduction targets, and by prioritizing green public and private investment in the updated Reform Matrix and Economic Modernization Vision 2033. Jordan updated its NDC commitments in October 2021, raising its Greenhouse Gas emission reduction target from 14 percent to 31 percent of the Business as Usual (BAU) scenario by 2030. This includes an unconditional commitment to 5 percent reduction to be financed by the government and 26 percent reduction conditional upon the availability of and access to funding support. In 2021, the GoJ also approved a National Adaption Plan which aims at mainstreaming adaptation to climate change in development planning processes. And in November 2022, it has approved an updated Climate Change Policy for 2022-2050. In addition, the Vision promotes environmental sustainability as one of its main pillars and aims at developing Jordan as a regional hub for green entrepreneurship and innovation and at attracting investments to sustainable projects.

PforR Program Scope

The proposed additional financing (AF) and restructuring of the Jordan Transparent, Inclusive and Climate Responsive Investments Program-for-Results (PforR) aims to align the PforR with the updated Reform Matrix (associated Government program), and scale up the impact of the well-performing parent program. An additional financing amount of US\$ 400 million is proposed (the original loan amounts to US\$500 million and is supported by co-financing from the Asian Infrastructure Investment Bank (AIIB) for an amount of US\$250 million). The parent program became effective on August 24, 2021 and has disbursed to date 46 percent of its amount (triggering parallel disbursements by the AIIB). The Program’s closing date is also proposed to be extended from June 30, 2026, until June 30, 2028 aligned with the Reform Matrix updated timeline. The AIIB has been requested by the GoJ and is processing in parallel a proposed additional financing of US\$ 200 million.

The rationale for AF and restructuring of the Program is to improve the development effectiveness and fiscal sustainability of public investment, to scale up support to climate responsive public and private investment, to promote job and business opportunities for women, and to strengthen government effectiveness through participatory and evidence-based policy making based on data. The program development objective remains unchanged—to improve accountability to foster climate responsive investments and growth. Restructuring proposes to adjust the Program to policy developments and institutional reorganization in the past year and scale up and improve the initial result framework across result areas.

Proposed AF is mostly allocated to the following updated and added results under restructuring:

- 1) in result area 1 (public investment), AF and restructuring is proposed to further strengthen the quality of public investment (through green procurement and strategic prioritization); strengthen fiscal sustainability of capital spending; and further incentivize the prioritization of climate responsive public investment, including through public-private partnerships.



2) in result area 2 (private investment), AF and restructuring is proposed to enable a stronger set of interventions to scale up financing through the issuance of a possible green bond by MOF and the implementation of a National Green Taxonomy; support investments that create job opportunities for women; enhance job and business opportunities for women in tourism; and help operationalize the newly enacted legal framework for private investment;

3) in result area 3, AF and restructuring is proposed to incentivize government responsiveness to citizen feedback through e-participation, supporting the production and analysis of critical statistical information to inform policy making, including on gender, and leveraging carbon markets by mobilizing carbon credits.

AF and restructuring proposed would significantly improve the Program's impacts on gender, climate and private capital mobilization.

The Program boundaries, which were initially delineated in reference to the 2018 Reform Matrix and its underlying expenditure framework, are updated to align with the 2022 updated Reform Matrix. The updated Reform Matrix is itself better anchored to the overarching government medium-term economic strategy as reflected in its Economic Modernization Vision 2033.

C. Program Development Objective(s)

Program Development Objective(s)

Improve accountability to foster climate responsive investments and growth.

PDO-Level indicators are updated to align with both the scale-up and restructuring of the operation. The targets of three out of four indicators (on capital spending, climate response, and open data) are upgraded in light of achievements so far under the parent Program and the extended timeline of the Program under AF and restructuring, the indicator on business environment is replaced by one focusing on green investment and a new indicator on gender responsive public and private investment is added.

D. Environmental and Social Effects

The assessment of the Environmental and Social Risks Screening of the AF and Restructuring of the Program is maintained as Substantial as for the Parent program. Similarly, the AF and Restructuring will have a number of positive environmental and social effects (benefits) in the areas of government accountability; information sharing and accessibility; citizen engagement; improvement of livelihoods; resilience to climate change and reduction of GHG emissions. The AF will directly support an increase in climate responsive infrastructure investments, which are tied to Disbursement-Linked Indicators. These investments could be in various sectors, supported with either public or private financing. Their environmental and social impacts and risks will be assessed and mitigated in line with relevant laws of Jordan and the core principles of Bank Policy on Program for Results Financing. Several of the program activities are designed to improve the overall investment policies and regulatory framework in the country. This in turn, is expected to attract more investment, particularly in infrastructure development. The increase in infrastructure investment in all sectors will bring significant



socioeconomic benefits, but might be accompanied with a range of direct and indirect adverse environmental and social impacts, such as pollution, land acquisition or involuntary relocation, labor risks, etc. Measures to improve the national environmental and social management systems and processes, have accordingly been incorporated into the Program.

E. Financing**Program Financing (in US\$ m)**

Financing Source	Original Program	AF Program	Total under revised Program
BORROWER/RECIPIENT	463.5	242.8	706.3
IBRD/IDA	500.0	400.0	900.0
AIIB	250.0	200.0	450.0
TOTAL	1213.5	842.8	2056.3

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Implementing Agencies

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