I. Project Context

Country Context

More than two years of violent conflict in Syria has resulted in massive movements of people within Syria, as well as into neighboring countries. In mid-September 2013, more than 2 million people had registered, or were awaiting registration with the United Nations High Commissioner for Refugees (UNHCR) in Jordan, Lebanon, Turkey, Iraq and Egypt. Of these, approximately 530,000 have crossed the border into Jordan. UNHCR estimates that by the end of 2013, the number of refugees in Jordan could surpass 650,000, constituting more than 10 percent of the population.

While some of the Syrians are living in camps, the majority — as much as 70 percent — are staying in urban centers, where they share space, resources and services with their Jordanian hosts. This influx has rapidly expanded the population of many towns. The additional pressures are undermining the coping mechanisms of public institutions, communities, households and individuals. Public authorities lack the resources to keep up their service provision, such as maintaining health and education services, providing adequate roads, transportation and street lighting, ensuring waste collection and disposal, and delivering core social services. Due to emergency needs, funds from planned capital expenditures have been diverted towards immediate operating costs. These may eventually impact...
longer term development outcomes.

Many individuals and households in affected areas are now experiencing downward pressures on their incomes as well as increased competition for housing, employment and basic commodities. Community life has also been interrupted with the large influx of Syrian refugees. Because of the close ties across the border and a belief in the short-term nature of the crisis, Syrians benefited from large amounts of in-kind and financial support from Jordanian individuals, charities and businesses. However, with the continuation of the crisis and limited support targeting hosting communities, the burden on Jordanians is becoming untenable. The hospitality is now wearing thinner and symptoms of tension among communities are increasing. As the uncertainty around the refugee situation prolongs, adaptive coping strategies targeting communities and public institutions may be required to manage tensions and strengthen resilience, especially at the local level.

At a broader level, Jordan has experienced large exogenous shocks over the past years that have resulted in a sharp and unsustainable deterioration of its fiscal and external balances. The imports for electricity generation, mostly in the form of gas from Egypt at preferential rates, drastically shrunk in 2012. To meet its generation needs, Jordan had to substitute cheap gas with expensive oil imports. Combined with increased demand for electricity and Liquefied Petroleum Gas (LPG), caused in part by the refugee situation, this has resulted in a drastic and unsustainable widening of both the current account deficit (18 percent of GDP in 2012, up by 6 points from 2011) and the fiscal balance deficit (16 percent of GDP, excluding arrears, in 2012) for the non-financial public sector, while the central government’s deficit reached 10 percent of GDP (excluding grants). Faced with mounting macroeconomic vulnerabilities, including a large deterioration in its foreign exchange reserves, Jordan entered into an International Monetary Fund (IMF) Stand-by Arrangement (SBA) program in August 2012. Given the magnitude of the vulnerabilities and financing needs of the country, the SBA required exceptional access from the IMF.

The consequences of the pressures on Jordan’s fiscal and external balances are also felt at the household level. In November 2012, the Government of Jordan (GOJ) eliminated its large petroleum products subsidy program (with the exception of the LPG program) resulting in price increases of 14-33 percent, while compensating households by introducing a broad-based cash transfer scheme. Rising macroeconomic vulnerabilities and tepid growth led to renewed increase in already high unemployment — about 12.8 percent in the first quarter of 2013, with unemployment levels particularly high among women and youth.

The rising influx of Syrian refugees has increased the burden on public service provision, worsened already stretched public finances, and is also having an impact on Jordanians working in the informal labor market, both in terms of competition for jobs and reduction of wages. Some Jordanians are marginally profiting from the increased demand for commodities, housing and jobs. But most communities - particularly those in the north - are being squeezed by higher prices and lower wages. Overall, the conflict across Jordan’s border continues to pose significant downside risks to growth, stability and public wellbeing in Jordan.

Sectoral and institutional Context

Jordan has three tiers of Government: central, governorate and municipal. Governorates focus mainly on public order, while also serving as the provincial seat through which deconcentrated units of line ministries plan and coordinate investments and provide services. Municipalities operate under the Ministry of Municipal Affairs (MOMA). There are currently 99 municipalities that are classified into four categories: (i) Grade A that functions as the center of a governorate or have more than 100,000 people; (ii) Grade B that functions as the center of a district or have between 15,000 and 99,999
people; (iii) Grade C that functions as the center of a sub-district (qada’) or have between 5,000 and 14,999 people; and (iv) Grade D that have less than 5,000 inhabitants.

While a number of services are channeled directly from line ministries to users through deconcentrated units at the Governorate level (e.g. education and health), at the lowest level, municipalities remain responsible for a range of functions and services, among them solid waste collection, road construction, rehabilitation and maintenance, street lighting and cleaning, construction and operation of slaughterhouses, markets, public parks, and libraries, and town planning activities. These activities are funded through their own-revenues, central government grants, and loans channeled through the Cities and Villages Development Bank (CVDB). The World Bank is currently financing municipal infrastructure through the Regional and Local Development Project (RLDP), whose objectives also include the improvement of central-local resource transfers, financial management, revenue generation and service delivery capacity.

Although municipalities have constraints on authorities and resources, in this crisis they have been called upon to address a broad range of service delivery and socio economic issues by their constituents. The large majority of Syrians is living in Jordanian communities, concentrating in a number of municipalities in Northern Jordan. This rapid increase in their population has added tremendous pressure on these municipalities. The increased demand for housing has led to a boom in new construction, which has resulted in the establishment of new neighborhoods needing roads, street lighting and connections to services. Garbage has doubled and is piling up in many urban centers, leading municipalities to overwork their waste collection fleets. In addition, high unemployment, rising rents and cost of living has highlighted the need for municipalities to take on a more active role in promoting local economic development, fostering livelihood opportunities and enhancing communal wellbeing.

Jordan held municipal elections in August 2013, instituting elected Mayors and representatives in the local councils. The elections have the potential of enhancing the profile of municipalities in service delivery, local development and social sphere. With enhanced external support and more robust systems of accountability, municipalities could be on a path towards responding better to the needs, priorities and grievances of their citizens, civil society organizations (CSOs) and the private sector.

II. Project Development Objective(s)

The project development objective is to help Jordanian municipalities and host communities address the immediate service delivery impacts of Syrian refugee inflows and strengthen municipal capacity to support local economic development.

III. Project Description

The Project will improve living conditions in affected municipalities, and promote broader crisis resilience through support to participating municipalities to provide additional services based on local needs, the strengthening of community resilience through local economic development and community engagement, and the strengthening of institutional resilience to crises through development of emergency preparedness systems. The Project will initially support nine municipalities most affected by Syrian refugee inflows. These municipalities will receive support based on the number of refugees accommodated. Depending on ground conditions, the Project may include additional municipalities in the future. This programmatic approach will allow the Project to remain flexible and evolve over time. The Project will be implemented over a period of 38 months. The project consists of two components: (i) Municipal Grants; and (ii) Institutional Development and Project Management.
Component Name
Municipal Grants

Comments (optional)
This component will provide direct Municipal Grants to municipalities that are hosting the largest concentration of Syrians (i.e., weighting the number of Syrians hosted and their ratio to the host population). Reflecting the increased size of their populations, the Grants will allow municipalities to finance additional public services and programs to help improve living conditions, reduce communal tensions and enhance social cohesion for the benefit of the Jordanians and Syrians living in their jurisdictions. These services would include those that are directly within the municipal competence (e.g., solid waste management, rehabilitation of roads, street lighting, pest control, recreational facilities, local economic development and livelihoods, etc.), as well as certain services that can be contracted out by municipalities to other service providers (e.g., water, wastewater, sanitation, etc.). Grants will also allow municipalities to support community development programs and services amongst vulnerable communities, including women and children. Municipalities can also procure urgent and temporary human resources to ramp up their capacities to deliver various services and programs. The simplicity and flexibility attached to the Grants will allow municipalities to be quick and responsive to local needs and thus win the confidence of their citizens. The Municipal Grants will finance goods, works and services.

The municipalities would employ a participatory model, leveraging platforms supported by other donors and local stakeholders, to involve local populations in prioritizing needs and identifying solutions. This will help build strong local ownership and thereby foster community resilience and social cohesion. Involving vulnerable communities and social groups, be it women, the poor or the conflict affected, in both the participatory processes and in the provision of benefits will help amplify their voice and inclusion and strengthen community-based coping mechanisms.

Component Name
Institutional Development and Project Management

Comments (optional)
This component will provide technical assistance to municipalities in utilizing the Municipal Grant effectively and efficiently and thus meet the service delivery, local economic development and livelihoods needs of host communities. This support will not only allow municipalities to immediately ramp up delivery of urgent services but also to reach out to communities, prioritize needs and plan investments and activities for years two and three. A central element of this will be the preparation/upgrading of simple local economic development plans that will tap into the latent endowments and comparative advantages of municipalities, local communities and the private sector to identify potential drivers of local growth and job creation.

Another key element of Component 2 is strengthening resilience at the municipal, governorate, and central levels and among vulnerable communities to external crises and shocks through risk planning, management and financing, emergency preparedness systems and capacities. A study identifying existing systems, capacities, gaps and needs will be undertaken in the first year to inform the design of the specific support that will be provided to the relevant institutions and vulnerable communities under this sub-component. Based on the study, the subcomponent could support the preparation and operationalization of emergency preparedness plans, training of communities and public officials, establishment of crisis management protocols and systems, and so forth. This subcomponent would also support strategic communications and information flows with the aim of strengthening crises resilience and emergency preparedness among key stakeholders.
IV. Financing (in USD Million)

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<th>Financing Source</th>
<th>Amount</th>
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<td>Borrower</td>
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<tr>
<td>International Bank for Reconstruction and Development</td>
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<tr>
<td>Canada – Department for Foreign Affairs, Trade and Development (DFATD)</td>
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<td>Canada – DFATD through the Global Program for Forced Displacement (GPFD)</td>
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<td>United Kingdom - Department for International Development (DFID)</td>
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<tr>
<td>State and Peace Building Fund (SPF)</td>
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<th>Expected Total Project Cost:</th>
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<tr>
<td>Total Bank Financing:</td>
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V. Implementation

To ensure prompt and efficient implementation, the Project’s institutional set up and implementation arrangements will follow the systems and procedures that have already been established under the ongoing RLDP, financed by the World Bank and the French Agency for Development, to the extent possible.

An inter-ministerial Steering Committee (SC) will, as for the RLDP, provide strategic direction and exercise overall coordination and oversight at the national level. It will be headed by the Secretary General, MOMA and include key ministries and agencies such as MOPIC, MOI, MOMA, MWI and CVDB. It will also include representatives of participating governorates and municipalities (on a rotating basis). MOMA, especially the Project Management Unit (PMU — noted below) will function as the Secretariat to the SC. The SC will meet at least once every six months.

MOMA will be responsible for overall project coordination, management and reporting, and for implementing Subcomponent 2B. Similar to the RLDP, a PMU within MOMA, comprising a Project Director, two Deputy Directors (one each from MOMA and CVDB) and support staff will be responsible for day-to-day project coordination, management and implementation oversight. This will involve, inter alia: (i) providing support to the SC, planning and supervision of project activities, coordination amongst institutional partners and donors, organizing annual joint missions, etc.; (ii) overall fiduciary oversight of the Project, including project monitoring, financial management, audits, safeguards compliance, etc.; (iii) project reporting to the Government and donors, including the preparation and dissemination of project progress reports; (iv) Project related information and communication activities; and (v) management and implementation of Subcomponent 2B, which involves building capacities for emergency preparedness and risk management systems in Jordan.
The CVDB will support MOMA and be responsible for providing (i) fiduciary support to the project, including the preparation of withdrawal applications and other financial requests; (ii) procurement of works, goods and services for items that are beyond the procurement thresholds set for municipalities under the current regulations; (iii) financial management and reporting; and (iv) procurement of annual audits for the entire project, including expenses made under Component 2 and assurance audits of participating municipalities. CVDB will assign a nodal officer who will be Deputy Director of the PMU and will report to the Project Director on the above set of activities.

The Ministry of Water and Irrigation (MWI) through Yarmouk Water Company (YWC) will be responsible for supporting municipalities identify short term priorities and implement priority subprojects in water, wastewater and sanitation. A Memorandum of Understanding (MOU) will be signed to facilitate this collaboration between MOMA and MWI.

The participating municipalities will be responsible for the identification and delivery of priority infrastructure and services to be financed through the project, in close collaboration with the beneficiary communities.

The Project will seek the services of UNDP to provide implementation support to municipalities, particularly during the first year of implementation. UNDP will assist municipalities in the planning and implementation of services and in reaching out to citizens and communities by organizing participatory needs identification and prioritization processes.

The beneficiary communities will contribute to the selection of priority activities through the participatory process outlined in the Project Operations Manual (OM), which will underline the need for definition of affordable levels of service and the importance of a common arbitrage among various project activities. Local society organizations (NGOs, CBOs, charities, etc.) will be expected to facilitate the process. The local communities and organizations will also be consulted throughout project implementation.

**VI. Safeguard Policies (including public consultation)**

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<tr>
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<tr>
<td>Environmental Assessment OP/BP 4.01</td>
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**Comments (optional)**
VII. Contact point

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