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HASHEMITE KINGDOM OF JORDAN

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With special thanks to Mary Saba

JORDAN'S ENERGY EFFICIENCY AND RENEWABLE ENERGY INITIATIVE

Introduction

The Hashemite Kingdom of Jordan has little indigenous energy resources, with about 96 percent of energy supply imported. This raises the issue of security and reliability. The supply of reliable energy at reasonable cost has been recognized by the Government as one of the crucial elements required to transform the economy into an export-oriented economy with the private sector playing a leading role. To achieve this, the Government is undertaking a number of initiatives, comprising both local alternative energy sources and energy efficiency. The former includes the development of the country's oil shale potential over the longer term, conversion from liquid fuels to natural gas for both power generation and direct residential and industrial use and the development of its solar, geothermal and wind energy potential.

The Government requested World Bank support for the development of wind energy potential and the establishment of an energy efficiency fund. This article not only focuses on energy efficiency, but also explains the advantages of combining energy efficiency and renewable energy under a common energy fund. This article also suggests how energy efficiency designs used in other countries could be adapted for Jordan.

Direct Benefits Of Energy Efficiency

Increased energy efficiency:

- is the lowest-cost way to optimize the availability of energy supplies and reduce demand in order to lessen the vulnerability to disruptions in energy markets, and thus improve **energy security;**

- maximizes output or value added per unit of energy consumed and is thus related to **economic growth** and industrial and commercial competitiveness;

- for a country relying on energy import, **reduces the country's import bill, and hence its external indebtedness**;

- helps maximize welfare per unit of energy consumed for social services which benefit the poor, such as water, education and health, and minimize fiscal expenditures associated with subsidy schemes to increase energy access to the poor, thus directly linking to **poverty reduction;** and

- helps shift energy systems towards a low carbon global economy, conserve the natural resources endowment for future generations, mitigate the global and local **environmental impact** of energy production and use and, therefore, minimize the need for and cost of adaptation.

Scope Of Energy Efficiency And Progress In Jordan

To be effective, an energy efficiency program needs to take a multi-sectoral approach to include all key supply and consuming sectors: oil, gas, transportation, industry, households, agriculture, etc. Table 1 illustrates the potential sector coverage and interventions to improve energy efficiency.

Jordan has made significant progress in improving energy efficiency in electricity supply. With energy supply losses[1] at about 15percent, the power supply system in Jordan is one of the most efficient in the Middle East Region. Jordan has also converted most of the power plants that originally ran on Heavy Fuel Oil (HFO) to run on natural gas, and plans for new thermal power plants to be of the combined cycle design and using natural gas.

Jordan's overall energy intensity is below the average for the Middle East, but is higher than most of North African, OECD and Latin American countries as illustrated in Figure 1. The

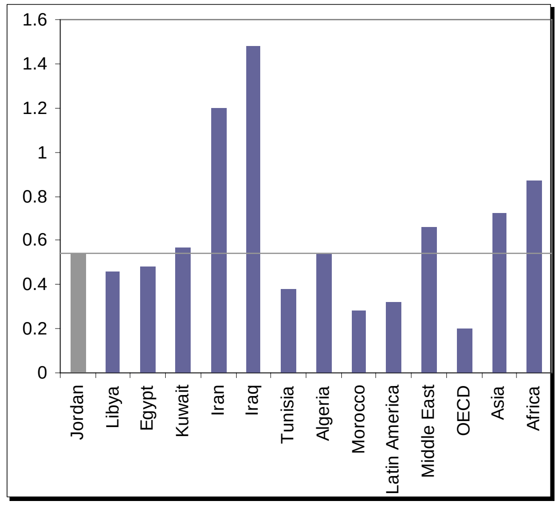
[1] Energy losses between the point of transmission and the point of consumption.

Government, therefore, now plans to facilitate scale-up of energy efficiency by the consuming sectors, especially in industry and commerce, while developing alternative sources of supply, including renewable-based power generation; in particular wind, solar, bio-energy and geothermal. The Government also plans to substitute electrical heating with solar and natural gas heating, thereby eliminating conversion loses.

Table 1: Potential Sectoral Interventions

Sector	Measure
Power	• Refurbishment and/or replacement of existing power plants • Increased gas-fired combined cycle plant • Increased renewable-based generation • Reinforcement of transmission and distribution systems • Tariff design; e.g. kVA- instead of kW-based max. demand
Transport	• Tighter vehicle fuel-efficiency and emissions standards and enforcement • Improvement, coordination and expansion of multi-mode mass transport facilities
Industry	• Mandatory energy-efficiency standards for new industrial equipment • Tax incentives and lower cost financing for investment in efficient technologies • Energy auditing, target setting and monitoring • Substituting electrical heating with solar and natural gas
Residential and Commercial	• Tighter efficiency standards for appliances and equipment • Mandatory energy labeling of appliances • Tighter codes for residential and commercial buildings • Substituting electrical heating with solar and natural gas • Use of compact fluorescent lamps (CFLs)
Health	• Tighter efficiency standards for stoves

Figure 1: Energy Intensity Comparison[2] (TOE/US$1,000)



Barriers To Energy Efficiency

The provision of more energy-efficient products, systems and services could reduce the pressure for increased energy imports and for investments in energy supply infrastructure, and ease the burden of high-energy costs. However, despite the huge potential for savings, there are several barriers to scaling up private or public initiatives in developing countries. The most daunting barriers include:

- Lack or inconsistency of knowledge by energy users of the benefits of energy efficiency–demand-side intervention complements supply-side interventions.
- Lack of expertise to develop energy efficiency projects.
- High initial implementation costs.
- Lack of suitable financing mechanisms: banks lack experience and awareness in energy efficiency and renewable energy projects and need assistance on risk analysis and mitigation to achieve bankability.
- Lack of consistent institutional frameworks.

The next section discusses an institutional arrangement that could help eliminate these barriers and scale up energy efficiency, using experiences in countries that have successful energy efficiency programs.

[2] Energy Balances of Non-OECD Countries 2002-2003; IEA Statistics, 2005 Edition.

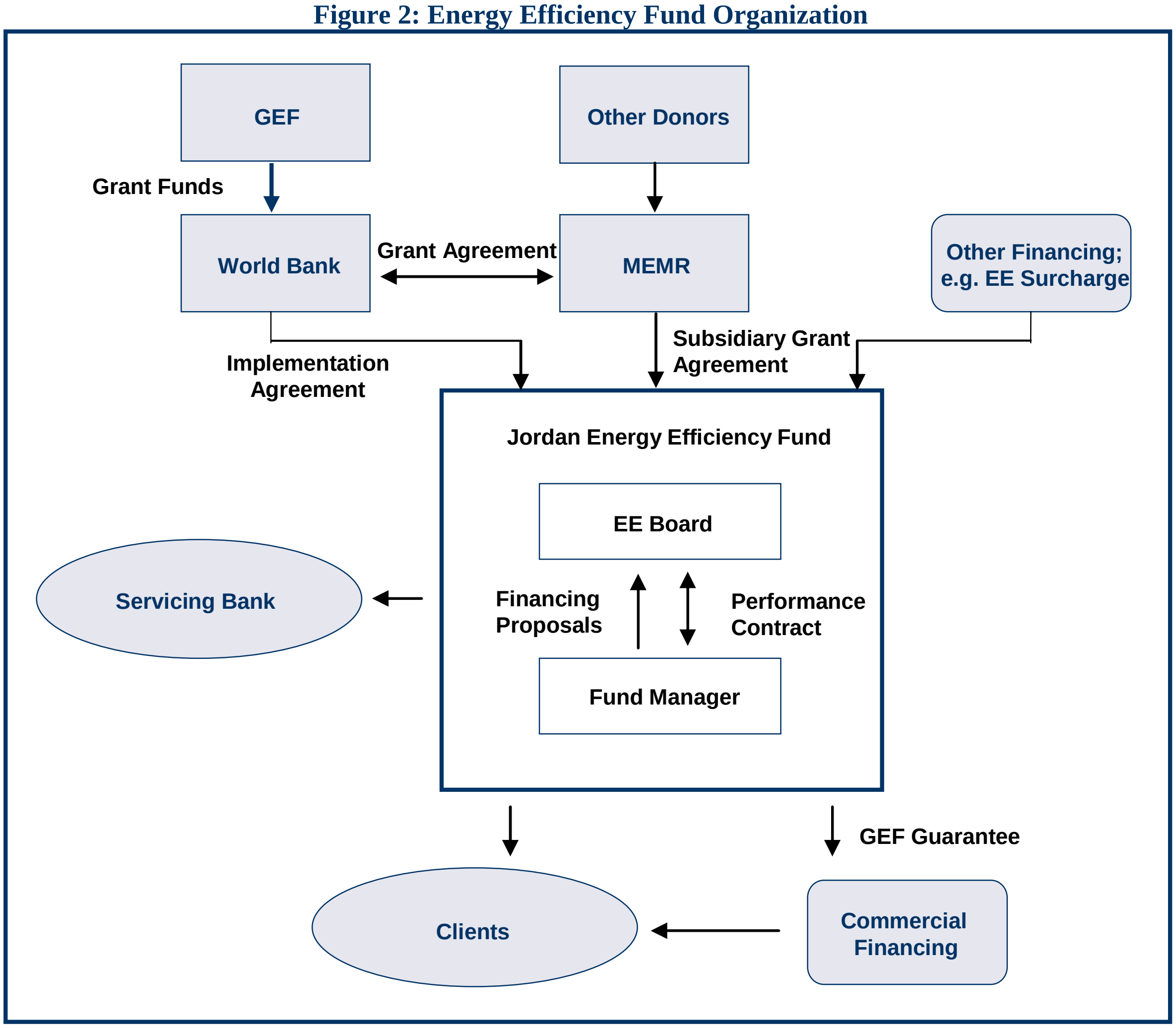
A Typical Energy Efficiency Program That Could Be Adapted For Jordan

Figure 2 shows a typical Energy Efficiency (EE) institutional arrangement. This is followed by a discussion of the key elements of the design and suggestions as to how this could be adapted for Jordan.

The **Fund Manager** consists of a team of business, technical and financial experts in EE project development, as well as technical support staff. For Jordan, there may be a need for outsourcing external support to establish the Fund and help develop local capacity that would later take over responsibility for running the Fund. Remuneration would comprise a retainer fee, deal origination (or closing) fee and a success fee. The retainer fee is partly fixed and partly dependent on performance. The deal origination/closing fee is paid by borrowers in line with prevailing market norms. The success fee is paid from revenues of the Fund at the end of the contract period. The performance-based retainer fee includes incentives for expanding the client base of the Fund, while ensuring that defaults are minimized. The Fund Manager is responsible to the **EE Board**, comprising representatives of key stakeholders in energy efficiency. The Fund Manager and EE Board constitute the **Energy Efficiency Fund**.

Investment Financing: The financing of energy efficiency investments through Energy Service

Figure 2: Energy Efficiency Fund Organization



Companies (ESCOs)[3] or directly by energy users is normally through equity and debt. The Fund would broadly coordinate three major funding sources: first, funding from commercial sources through a Credit Enhancement Facility (GEF Guarantee). This is considered a better option for Jordan than the provision of sub-loans by the EE Fund, due to the high liquidity of the banking sector. Second, the provision of an output-based subsidy based on suitable outputs, such as efficiency improvements achieved. Third, a subsidy mechanism would also be required for renewable energy investments. The source of funding would be "other financing and GEF", channeled through the Fund.

Technical Assistance Financing: This component would normally cover the following areas: (i) capacity building to activities in the initial project pipeline development, project evaluation, marketing and dissemination of information; and (ii) set-up and running costs of the Fund. The costs directly related to an energy efficiency activity, such as the design and implementation support could be cost-shared or contingent grants. The source of funding would be "other financing and GEF", channeled through the Fund.

Commercial Financing: As noted above, most commercial financiers are reluctant to finance energy efficiency projects due to their unfamiliarity with such projects and perceived weak client/project credit profiles. To mitigate this risk, credit enhancement instruments such as partial credit guarantees are used. A guarantee fee is charged based on the risk coverage level, with higher risk projects being charged higher fees.

For Jordan, the EE Fund or other relevant institution would act as a credit guarantor. A guarantee account or similar arrangement would be established with a commercial bank, the **Servicing Bank**.

Why A Common Energy Fund?

The Government's objective to improve supply reliability at reasonable cost, reduce the import bill, and hence external indebtedness, calls for both energy efficiency intensification, as well as energy supply diversity. Alternative indigenous resources include solar, wind, hydro, oil shale, bio-energy and geothermal. Most of these require subsidies in their initial stages of development, and therefore, call for an appropriate subsidy-transfer mechanism and relevant policy and regulatory frameworks. Several aspects of these, such as incentives for investments, capacity building and business development, also apply to energy efficiency. A common fund would thus avoid unnecessary proliferation and ensure a more efficient institutional arrangement.

[3] Companies that offer to reduce clients' utility costs, often with the cost savings being split between the company and the client through an Energy Performance Contract (EPC) or a shared-savings agreement.

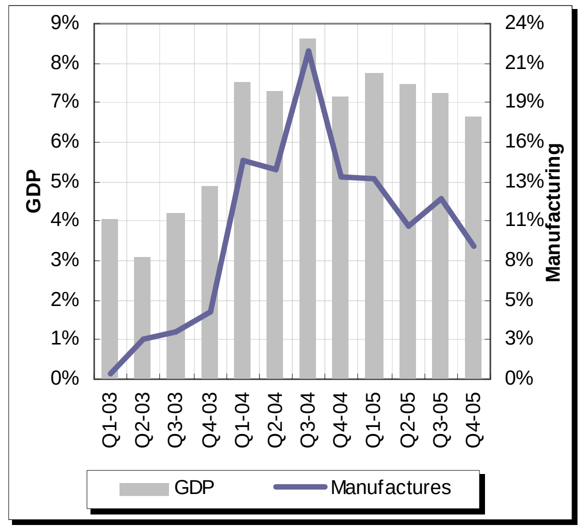
RECENT ECONOMIC DEVELOPMENTS

Real Sector Developments

Jordan continued to achieve exceptional economic growth in 2005. Real GDP growth remained at over 7 percent for the second year in a row. Furthermore, while the real growth rate of 2004 (7.7 percent) was partly explained by a rebound effect following the Iraq war-induced recession of 2003, the 2005 performance illustrates the dynamism of the Jordanian economy. Jordan's economy took advantage of evolving positive external circumstances in the region, and absorbed negative shocks—such as those affecting the energy and tourism sectors. The high growth rate helped boost public revenues, but the economy also showed signs of increasing vulnerabilities, with public expenditures rising by 15 percent, the Current Account Deficit reaching 17.7 percent of GDP, and the inflationary impact of rising fuel prices becoming tangible. The Current Account Deficit was compensated by large remittances and public transfers from abroad and by a massive increase in capital inflows. On the fiscal side, higher revenues and reduction in oil subsidies helped control the budget deficit before grants, which remained high—around 10 percent of GDP.

On the supply side, the leading sector is services, which benefited from higher external inflows—notably the finance and insurance services grew by 13.4 percent against 6.4 percent a year earlier, and wholesale, retail trade grew by 9.6 percent against 5.4 percent in 2004. The *manufacturing, construction and transportation sectors* continued to perform well, though at a more normalized pace than in 2004. The *manufacturing sector* grew by 11.3 percent compared to 16.3 percent in 2004, benefiting from the recovery in exports to Iraq, and from the rise in demand for Jordan's products from the oil exporting countries. Activity with Iraq continued to stimulate growth in the *transport and communications sector*, which grew by 7.7 percent in 2005 compared to 12.1 percent in 2004. The *construction sector* continued to benefit from transfers linked to oil prices and Iraqi immigration, growing by 9.0 percent in 2005, compared to 12.3 percent in 2004.

Figure 1. Real GDP Growth and the Manufacturing Sector



Source: Ministry of Planning and World Bank staff calculations.

The *services sector*'s supporting role in production is gaining renewed importance, while the *manufacturing sector* is reflecting the maturing performance of Qualified Industrial Zones (QIZs). The contribution of manufacturing value added to GDP growth, still strong at 27 percent in 2005, declined from 34 percent in 2004. This is mainly due to the application of the Multi-Fiber Agreements which reduced the comparative advantages of Jordan's textile sector/exports; and the maturing activity in the QIZs, operating at nearly full capacity and with relatively few new comers.

Despite strong growth performance, high unemployment persists. Unemployment increased from 13 percent in 2004 to 16 percent in 2005. Jordan suffers from chronically high rates of unemployment, which contribute to the poverty problem, with families of the unemployed being significantly more likely to be poor (22 percent versus 13 percent for the employed).[1]

Table 1. Sector Share in Real GDP Growth

	2001	2002	2003	2004	2005
Total GDP	**5.3%**	**5.7%**	**4.1%**	**7.7%**	**7.2%**
Share of the sector value added growth in the GDP growth					
Agriculture	1.0%	12.2%	9.9%	1.0%	2.6%
Mining	2.6%	6.1%	-1.7%	-1.4%	-0.4%
Manufacturing	22.4%	48.8%	11.3%	34.3%	27.1%
Electricity and Water	2.6%	0.3%	2.1%	3.8%	2.2%
Construction	10.4%	7.2%	0.1%	7.4%	6.0%
Trade and Tourism	4.9%	3.7%	10.6%	8.9%	11.7%
Transport and Communication	28.2%	2.1%	26.8%	24.4%	17.0%
Business Services-Net	10.1%	1.2%	14.2%	5.5%	10.3%
Public and Private Services	12.2%	15.8%	16.2%	7.2%	10.3%
Total Sector Share	94.5%	97.3%	89.5%	91.2%	86.9%
Indirect Taxes Share	5.5%	2.7%	10.5%	8.8%	13.1%
Total GDP	100%	100%	100%	100%	100%

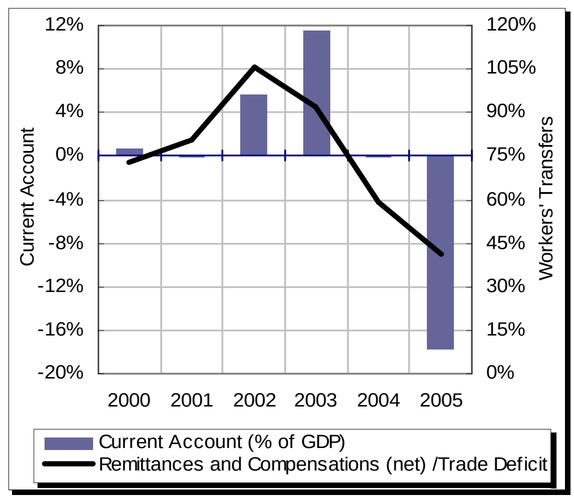
Source: Ministry of Planning and World Bank staff calculations.

External Sector Developments

Jordan registered a large Current Account Deficit of 17.7 percent of GDP, compensated by considerable net inflows of capital. This increase in the external deficit stems from a large increase in the Trade Deficit of goods and services, reaching 41 percent of GDP (approximately US$5.3 billion). The Trade Deficit grew by 53 percent in 2005 because of a 26 percent increase in imports, partially compensated by a 10 percent increase in exports. Net Workers Remittances and Net Compensations of Employees remained high at 16.7 percent of GDP, but fell short of financing the growing Trade Deficit—covering only 41 percent of the Trade Deficit. The major financing for the Current Account Deficit came from the capital inflows, with Foreign Direct Investments and other capital inflows increasing to record levels in 2005.[2] The capital account surplus soared to 11.0 percent of GDP in 2005 compared to a negative 1.5 percent in 2004, with Net Errors and Omissions, including short-term capital inflows, reaching 8 percent of GDP from 4 percent in 2004.

The large net capital inflows allowed Jordan to maintain the foreign currency reserves of the Central Bank at high levels. Reserves remained close to US$5.3 billion between end-2004 and end-2005. However, expressed in months of imports of goods and services, reserves declined to 5.3 months in 2005 from 6.7 months in 2004. Similarly, the coverage of the broad money supply by the foreign reserves dropped to 29.8 percent in 2005, compared to 35.3 percent in 2004.

Figure 2. Current Account Deficit and Net Workers' Transfers
(Remittances and Compensations)



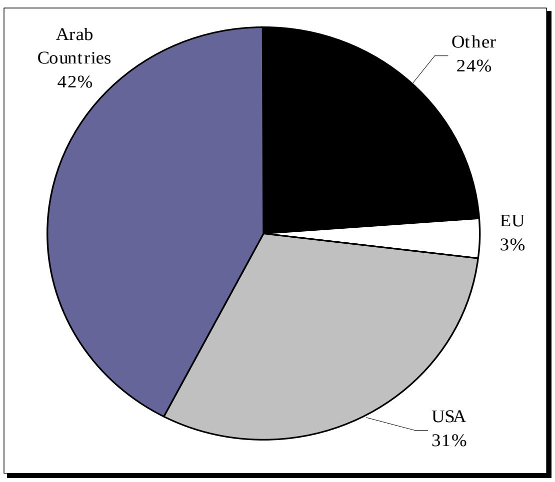
Source: Central Bank of Jordan, Ministry of Planning and World Bank staff calculations.

Exports of goods increased at a lower pace in 2005, but Jordan seems to be diversifying its export offer. Exports of goods rose by 10 percent in 2005 against 26 percent in 2004. The *clothing industries* located in the QIZs remain major exporters of *manufactured goods*, is no longer the leading export sector. Clothes exports increased by 5 percent in 2005 against 48 percent in 2004 and account for 24.5 percent of total exports in 2005. Exports of *chemicals and manufactured goods* other than clothes rose by 18 percent and now account for 31 percent of total exports. These exports have higher value added and are mainly directed to Arab countries and the European Union. Exports of *food and beverage* increased by 33 percent in 2005 compared to 20 percent in 2004, bringing their share in exports to 10.6 percent, up from 8.8 percent in 2004.

[1] World Bank (2004), Jordan Poverty Assessment.
[2] FDI inflows alone amounted to US$1.7 billion (13 percent of GDP in 2005), roughly four times the level recorded in the past five years.

Exports to the European Union increased by 24 percent, as Jordan continues to benefit from the appreciation of the Euro against the US Dollar, a currency to which the Jordanian Dinar is pegged. The propensity to import from Arab countries also increased due to the rise in oil prices, with exports to this destination rising by 15 percent (21 percent excluding Iraq)[3]. Exports to the United States increased by 8 percent against 56 percent a year earlier, due to slowdown in clothes exports. Nevertheless, the share of clothes in total exports to this destination remains high at 86 percent, against 88 percent in 2004.

Figure 3. Domestic Exports by Destination in 2005



Source: Central Bank of Jordan and World Bank staff calculations.

Imports of goods increased by 28 percent, mainly due to higher prices of imported commodities. The price dynamic accounts for 18 percentage points of the increase in imports, while the remaining 10 percentage points are due to a volume increase[4]. Over 36.6 percent of the increase in imports is linked to the increase of oil prices (a 47 percent increase) and volume (a 7.4 percent increase). But non-oil imports also significantly increased, accounting for 34 percent of the increase in imports. This is largely explained by a sharp increase in the prices of machinery and equipment imports (43 percent), while volumes remained relatively stable. Overall, these developments underline both the high dependence of Jordan's economy on imported intermediary goods and the developing re-export activity with Iraq.

Fiscal Developments

Government's domestic revenues increased significantly for the second consecutive year. Domestic revenues reached 28 percent of GDP compared to 26 percent in 2004. The most dynamic components of revenues were income tax and land registration fees, which increased by 30 percent and 84 percent, respectively. The latter reflects both the price and activity dynamics of the real estate sector in 2005 and the former reflects the economic dynamic in 2004. All in all, domestic revenues rose by 20 percent in 2005.

The increase in oil prices exerted important pressures on public expenditures. Expenditures reached 38 percent of GDP against 37 percent a year earlier—reflecting the combination of an 18.5 percent increase during the First Half of 2005, and of an 11.6 percent increase in the Second Half of 2005. The Government has taken two sets of measures in the Second Half of 2005 in order to contain the rise in oil subsidies. First, in response to the sharp increase in subsidies in July and August, the Government contained and restricted other types of expenditures, especially capital expenditures, which decreased by 29 percent in the Second Half of 2005, compared to the same period in 2004. Second, the first round of cut in oil subsidies became effective in September, and despite the continuous rise in oil prices, subsidies for the last four months of the year increased only by 49 percent, compared to the same period of 2004—in contrast, subsidies through September increased by 139 percent over the same period in 2004. All in all, oil subsidies in 2005 rose by 104 percent and represented 61 percent of the total increase in expenditures. The defense and security expenditures represent 10 percent of the total increase in expenditures.

Despite significant fiscal consolidation efforts in response to the sharp increase in the cost of

[3] Data for the past ten years suggest an oil price elasticity of 0.55 for Jordanian exports to the Arab countries, Iraq excluded. Calculations show an oil price elasticity of 0.24 for the share of these exports to the total exports, excluding exports to Iraq and clothes exports.

[4] This suggests a reversal in the 2004 pattern, when imports increased by 43 percent, with volume increase representing 23 percentage points of the total increase, and the price increase the remaining 20 percentage points.

oil subsidies and diminishing external grants, the budget deficit (before grant), remained high in 2005. The sharp rise in expenditures combined with signifcantly lower grants kept the total and primary deficits before grants at levels close to those of 2004. The budget deficit stood at 10.1 percent of GDP in 2005, slightly lower than the 2004 ratio of 11 percent. The primary defict, has shown a more tangible improvement at 7.8 percent of GDP against 9 percent in 2004. Grants declined from 9.9 percent in 2004 to 5.5 percent of GDP.

Table 2. Central Government Budget

	2004	2005
Domestic Revenues	**2139**	**2562**
Tax Revenues	1429	1766
Income and Profits	218	284
Sales Tax	827	1023
Customs	267	305
Other	117	154
Non-Tax Revenues	650	756
Repayment	60	40
Total Expenditures	**3034**	**3479**
Current Expenditures	2259	2848
Excluding Debt Service	2098	2641
o/w Defense and Security	653	699
o/w Oil Subsidies	260	531
Debt Service	161	207
External	98	113
Internal	64	94
Capital Expenditures	776	631
Surplus / Deficit	**-895**	**-917**
as percentage of GDP	*-11.0%*	*-10.1%*
Primary Balance	**-734**	**-710**
as percentage of GDP	*-9.0%*	*-7.8%*
Balance Including Grants		
Surplus / Deficit	**-226**	**-417**
as percentage of GDP	-2.8%	-4.6%
Primary Balance	**-65**	**-210**
as percentage of GDP	-0.8%	-2.3%
Grants	811	500

Source: Ministry of Finance and World Bank staff calculations.

The total debt stock of the public sector decreased by an equivalent of US$131 million in 2005. The ratio of the total debt to GDP dropped from 91 percent in 2004 to 83 percent, and the ratio of the foreign debt decreased from 65.5 percent to 55.5 percent. The foreign debt is now below the 60 percent ceiling established by the Government. In contrast, the share of domestic debt in total debt increased, currently representing 32.8 percent of the total debt against 28 percent a year earlier.

Prices, Money and Banking

The Consumer Price Index (CPI) inflation accelerated in the Fourth Quarter of 2005 following the cuts on oil subsidies. Oil subsidies were helping to absorb the effects of the increase in oil prices on consumer prices as revealed by a monthly pattern of price increases. The CPI increased by only 2.5 percent over the first eight months. For the last four months of 2005, and with the transmittal of the effect of the cut on oil subsidies to consumer prices, CPI inflation reached 5.6 percent. On annual average terms, however, the CPI increased by 3.5 percent, comparable to a 3.4 percent increase in 2004.

The GDP deflator rose by 4.2 percent in 2005, reflecting the price dynamic of several sectors. The deflator of the *mining and quarrying sector* increased by 15.6 percent, the *restaurant and hotel sector* by 5.3 percent, the *manufacturing sector* by 4.5 percent and the *finance and insurance services sector* by 5.5 percent. Higher demand for goods and services, partially reflecting Iraqi immigration, the inflows of oil money and the rise in import prices have all contributed to inflate prices in Jordan, both in tradable and non-tradable sectors.

The broad money supply (M2) increased by 17 percent in 2005, mostly reflecting the dynamics of deposits in the banking sector. Time deposits in Jordanian Dinars increased by 15.3 percent and time deposits in foreign currencies increased by 10.9 percent. Demand deposits in Jordanian Dinars remained the most dynamic aggregates of the money supply with a 35 percent increase, while demand deposits in foreign currencies decreased by 2.3 percent. Money supply ratio to GDP increased to 136 percent from 129 percent a year earlier.

Deposits at the commercial banks continued to rise along with the inflow of capital triggered by the soaring cost of oil, despite the low interest rate spread compared to international markets. Resident deposits increased by 5 percent since June 2005 and by 16.9 percent since end-

2004. The dollarization[5] of resident deposits decreased to 26.9 percent in December 2005, compared to 29.5 percent at end-2004. The gradual decrease in the dollarization rate reflects the rise in the real interest rates on Jordanian Dinar time deposits by 200 basis points (bpt) between December 2004 and December 2005. Nevertheless, the spread between the nominal interest rate on the Jordanian Dinar-denominated Time Deposits and the three months Libor became negative in 2005—at 0 bpt in December 2004, the spread reached a negative 100 bpt in December 2005. Despite the low level of interest rates compared to the international market rates, substantial financial inflows have continued throughout 2005. This is, in part, explained by the large amount of liquidity available through expatriate workers/residents, who benefited from the sharp increase in oil prices, but usually have little access to the international markets and are naturally inclined to transfer their funds to the *domestic banking sector*.

Lending to the *private sector* continued to increase, in line with the strong GDP growth and the rise in banks' resources. Claims on the *private sector (resident)* increased by 30 percent in 2005, compared to a 17 percent increase in 2004. In value, this corresponds to an increase of JD1.8 billion, or 19.6 percent of GDP. The share of these claims in the commercial banks' assets rose to 36 percent in December 2005 from 33 percent in December 2004. The breakdown of lending by sector shows that lending to the *agriculture, industry, construction, and trade sectors* increased by 10.6 percent. Lending to the *tourism sector* remained stable reflecting the difficulties encountered by this sector due to building regional tension. Consumers and Stock Market investors remained the most dynamic borrowers, with a 58 percent increase in the lending to these two categories during 2005. Claims on *the public sector* jumped by 18.5 percent and deposits with the Central Bank increased by 10.9 percent.

The Authorities followed a restrictive monetary policy with a substantial impact on interest rates. The discount rate of the Central Bank is now 275 bpt higher than that of year-end 2004. The Authorities also raised the nominal interest rates by 335 bpt on the Three Months Certificate of Deposits (CDs) and by 375 bpt on the Six Months CDs, hence, managing to absorb part of the market liquidity. Consequently, the re-financing cost for the banks rose by 369 bpt in real terms, while the real interest rate on Three Months CDs increased by 425 bpt, and on Six Months CDs by 464 bpt. However, the upward pressures on the banks' real re-financing interest rates have not been mirrored in the same proportions on the lending interest rates to the private sector. Large resources in the *banking sector* for lending prevented interest rates from increasing substantially, while lending to the *private sector* expanded significantly. Among the factors explaining this outcome are the large external inflows/increase in bank resources, and the optimism of private investors about the country's outlook despite external shocks and the regional environment.

Box.1 Price Effect of Reduction in Oil Subsidies

The CPI of fuel and electricity increased by only 3.7 percent over the first eight months, but jumped by 19.4 percent in the last four months. This price increase contributed directly by 0.8 percentage points to the difference in the total CPI between the two periods. The indirect effect of reduction in oil subsidies can also be roughly assessed through the evolution of the CPI, excluding the fuel and electricity items: the CPI excluding fuel and electricity increased by 3.2 percent during 2005, but by only 2.3 percent in the first eight months and by 4.8 percent in the last four months, compared to the same period last year. This increase contributed by 2.3 percentage points to the difference between the two periods, providing a proxy indirect effect of the partial removal of the oil subsidies on consumer prices.

Large external inflows, however, seem to be limiting the effectiveness of the restrictive interest rate policy. The availability of large resources in the *banking sector* is keeping the deposit rates at relatively low levels. Large resources are also undermining the effects of an interest rate policy that is relevant only in an environment with a moderate increase in resources and where banks depend on the Central Bank for their refinancing, which increase their sensitivity to the re-discount rates. In the case of Jordan, the availability of large resources in the

[5] Figures for end-2004 changed due to the adoption of a new definition of dollarization, which excludes currency in circulation.

banking sector is removing liquidity constraint on banks, thus sheltering them from the effects of the rise in the re-financing rates of the Central Bank. Also, the increase in the CD's rate is having a perverse effect with over-liquid banks benefiting from a substantial and safe remuneration on a part of their assets, while competing with each other on the private lending market, which keeps the lending interest rates at a relatively low level.

Table 3. Real Interest Rate and GDP Inflation

	Dec-03	Dec-04	04/03 (bpt)	Dec-05	05/04 (bpt)
Central Bank Re-Discount Rate	**0.38%**	**-1.44%**	**-182**	**2.25%**	**369**
Certificates of Deposit - three months	**-0.01%**	**-2.29%**	**-228**	**1.96%**	**425**
Certificates of Deposit - six months	**0.04%**	**-1.96%**	**-200**	**2.68%**	**464**
Treasury Bills - six months	**-0.06%**	**-1.81%**	**-175**	**2.30%**	**410**
Treasury Bonds	**2.42%**	**1.70%**	**-72**	**4.48%**	**278**
Average Interest Rates on Deposits					
Demand	-1.58%	-4.66%	-308	-3.54%	112
Saving	-1.21%	-4.30%	-309	-3.19%	110
Time	0.62%	-2.62%	-325	-0.61%	201
Average Interest Rates on Lending					
Overdrafts	7.17%	3.37%	-380	4.90%	153
Loans and Advances	6.67%	2.21%	-446	3.79%	157
Discounted Bills and Bonds	7.96%	3.51%	-445	3.61%	10
Prime Rate Served to Best Clients	4.30%	0.70%	-360	2.73%	203
GDP Deflator (period average)	2.11%	5.26%		4.16%	

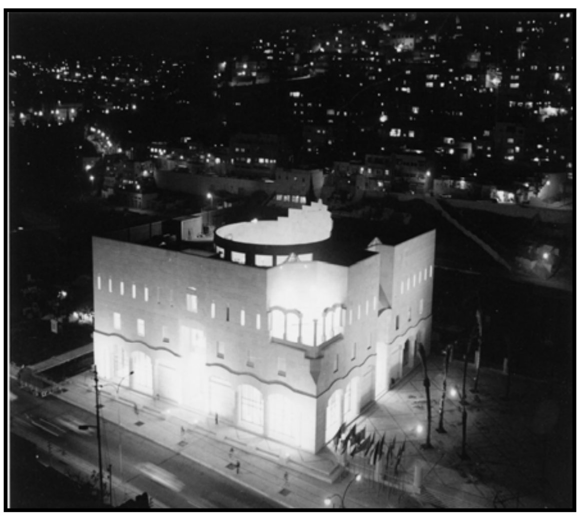
Source: Central Bank of Jordan, Ministry of Planning and World Bank staff calculations.

AMMAN: USING A CITY DEVELOPMENT STRATEGY FRAMEWORK TO IMPROVE CITY SERVICES AND COMPETITIVENESS

In 2004, the World Bank received a US$200,000 grant from the Cities Alliance to support the Greater Amman Municipality (GAM) in implementing its City Development Strategy (CDS). The specific focus of GAM's CDS is on strengthening municipal management and governance, while upgrading its urban planning capacities, including adoption of a city-wide upgrading strategy for squatter settlements and refugee camps. City officials see GAM's future success and competitiveness hinging on the city's effectiveness, inclusiveness and responsiveness in planning and delivering services to all city residents, including the urban poor.

Background

As the Capital of the Hashemite Kingdom of Jordan, Amman is home to more than two million people, representing just under 40 percent of the total population. Its rapid expansion in population and area over the past decade, however, has placed extraordinary new pressures on the city to plan and deliver municipal services, particularly following the first Gulf War when there was an immediate influx of some 300,000 refugees. In a region marred by instability and conflict, Amman has become for many a safe haven and refuge, which, at the same time makes city planning and management a particularly vexing challenge.



Development of the city of Amman follows a guiding framework which was prepared as a Development Plan for the period 2002-2005 with specific objectives and programs targeting a wide range of sectors, among which are institutional development, including improvement of the system of local revenue collection and management, and urban planning. After three years of implementation, Amman's Development Plan revealed an urgent need to refine and further detail two programs within the existing strategy, namely the **municipal management and governance** program and the **urban planning and development** program.

What Is A City Development Strategy?

A City Development Strategy (CDS) is a vehicle for building a ***Vision*** for a city or economic region, a ***Strategy*** for its implementation and an ***Implementation Plan*** for its realization. A CDS is built around the following elements:

- Assessment: A good CDS starts with a sound understanding of the city's existing situation and potential. Stakeholders would review and determine the comparative and competitive advantages of the city; values and preferences of its residents; relationship to global and domestic economies and physical and locational characteristics, among other factors.
- Vision: Asks the question "Where do we want to be in 10 years time?" Should include broad participation to build a "shared vision" of the city, while being realistic and achievable.
- Strategy: Focuses on results and accountability; should be realistic but challenging; clearly identifies institutional responsibilities, resource requirements and incentives for performance.
- Implementation Plan: Assigns responsibilities, establishes a monitoring and assessment system; sets clear milestones and a realistic timeframe.

Why Develop A CDS for Amman?

Traditionally, the World Bank has focused on single sector urban infrastructure projects addressing urban water, wastewater, roads and other infrastructure needs in isolation from the broader urban context. Increasingly, however, the Bank has moved away from these "single sector" approaches and adopted a more integrated approach that is more responsive to city needs.

Partnering With Cities Alliance And The Arab Urban Development Institute

Several reasons account for this shift in approach, among which are: (i) **The Economic Role of Cities.** Cities play a major role in the national economy representing, in most cases, well over 50 percent of the contribution to GDP based on an existing manufacturing base and expanding service sectors—infrastructure services needed to attract investment are thus key; (ii) **Long-term Investment Planning.** Effective investment planning depends on identification of broad resource needs over a multiyear timeframe, addressing a range of infrastructure service requirements requiring O&M budgeting that needs to be addressed in an integrated and consolidated manner; (iii) **The CDS Tool.** In many ways, the CDS provides a tested approach for integrated planning purposes and a set of tools that help guide cities in preparing their development strategies and investment plans. As such, cities have become more effective development partners and are less dependent on central government-designed investment programs; and (iv) **Impact and Results.** CDSs help establish a strategic framework for investments, reforms, and capacity building measures designed around a results orientation responsive to city residents and businesses.

There are over 96 countries globally that have undertaken a CDS in one form or another with the support of the Cities Alliance (CA), and Amman was the second to do so in the Middle East. In the case of Amman, the CDS proved to be just the approach and set of tools that city officials were looking for. With financial support from the CA in the amount of US$200,000, technical support from World Bank consultants, and an effective partnership established with the Arab Urban Development Institute (AUDI), Amman has made serious strides in thinking through and reshaping its city vision and strategy to guide it over the coming years.

Focusing On Municipal Management

Under the Municipal Management and Governance theme of the CDS, GAM officials have recruited a Municipal Management Specialist, with CA funding to carry out a broad stocktaking exercise aimed at assessing weaknesses, gaps, overlapping mandates and functions within the municipality, with the aim of streamlining GAM's organizational structure, while realigning newly reorganized functional departments with defined service delivery targets and standards. A communications strategy for the city and measures to enhance performance of GAM's "Citizen Services Center" are also under preparation.

One particular area of weakness is GAM's existing array of Information and Communications Technology and management information systems (MIS). GAM has more than 15 legacy systems with different platforms and database engines, each working as a separate island with significant breakdowns in communications. In parallel with CA assistance, the World Bank has provided support in assessing system weaknesses and in mobilizing a GAM team to map out business processes as a first step toward a major overhaul of GAM's MIS, including a proposal for implementing a completely integrated enterprise system.

Improving Urban Planning

The second component of the grant focuses on urban planning improvements. In addition to advising on the approach to update its master-plan, the CA-funded Urban Planner is providing GAM with guidance regarding how it will implement a participatory planning process, paying particular attention to urgent urban upgrading needs. Strengthening land use planning, zoning and building regulations are intended to increase efficiency by reducing low density areas and minimizing urban sprawl, thus enabling the city to better accommodate and service the recent influx of new city residents.

Following the launch of the CDS process in 2004, a series of CDS workshops have taken place, including one in February 2006 when the final recommendations of the consultants were presented to over 400 participants for discussion.

The workshop succeeded in promoting vibrant discussion and debate about city planning activities, citizen participation and soliciting feedback and ideas from city residents as to how GAM can improve its services and responsiveness to resident needs. Among the adopted recommendations was the need to establish a performance-based management system at GAM to improve performance (which is already recognized as a regional model for citizen engagement through its city feedback and complaint monitoring and resolution system). The workshop also confirmed the need to update urban planning guidelines and regulations and initiate a process of updating Amman's master plan. All of these initiatives are geared toward increasing participation and citizen engagement in shaping the city in which they live and work.

The success of Amman's CDS process thus far has prompted other cities in Jordan to seek World Bank and Cities Alliance assistance in developing their own city development strategies. In support of the Government's regional initiative in which greater autonomy and authority is being granted to the Kingdom's newly defined regions as a means of empowering communities to pursue local development, the World Bank and AUDI are working together in partnership with the Ministry of Planning's Local Development Department, Ministry of Municipal Affairs and selected cities in setting up a Programmatic CDS Facility. This approach will not only support the Government's broader objective of decreasing regional disparities in access to services and economic opportunities, but would also help secondary cities to elaborate their strategies and implementation plans as a means of improving their ability to plan and deliver municipal services. As with any other CDS initiative, this process would be driven by the cities themselves and participation of city residents through workshops and other consultative means will remain the hallmark of the approach. The proposed facility would also underpin and provide a vital city to a central government link within the framework of the proposed Regional and Local Development Project (RLDP) which is being prepared by the Government of Jordan with support from the World Bank and AFD.

Amman's Vision of the City's Future: Effective Urban Planning Seen As a Vital Ingredient

City planners and residents alike agree that Amman's future competitiveness will depend greatly on how it plans its future development. Using a participatory CDS process helped to elaborate a framework for citizen participation and contributed in identifying some key objectives and characteristics of the city in the coming years:

- Improved public transport and integrated regional transport.
- Reduced and better managed traffic.
- Better housing opportunities for low income communities.
- Upgraded informal settlements integrated within the urban fabric.
- Clear, regulated and favorable environment for private sector investments.
- Conserved agricultural land.
- Preserved quantity and quality of water resources.
- Improved control over urban sprawl.
- Stronger identity and preservation of the city's cultural heritage.
- Increased green areas.
- Increased public safety.

WORLD BANK'S FOUR-YEAR PROGRAM FOR JORDAN PRESENTED IN ITS COUNTRY ASSISTANCE STRATEGY

On May 4th, 2006, the World Bank's Board of Executive Directors discussed the Country Assistance Strategy (CAS) for Jordan—a four year program to help Jordan meet its key development challenges of reducing poverty and creating jobs while maintaining fiscal stability and development sustainability.

This CAS differs from the previous CAS in that the Jordan context for reform has matured, a greater sense of urgency prevails (given the regional volatility) and recent analytical (largely in poverty, expenditure management and the investment climate) and project work (largely education) have enabled the World Bank Group to better focus on results and organize the agility needed to be responsive.

Jordan's economy performed well over the past five years with a growth rate of 5-7 percent, despite regional uncertainties and a poor resource base. This growth has been broad-based, supported by exports and manufacturing expansion. Jordan has also performed well in terms of human development—education, health and closing the gender gap in access to basic services. In governance, Jordan has outpaced most countries in the region, though further improvements are needed.

Comprehensive structural reforms over the last decade have underpinned the good economic performance. These reforms have helped improve the environment for private investment, liberalized the trade regime, supported a robust privatization program and initiated establishment of modern regulatory and institutional framework in some key areas, such as energy and water. In the 1990s, Jordan ranked as one of the best reformers, not only in the region, but also compared to other middle-income countries. This process of structural reforms has been accompanied by a painful, but effective, fiscal consolidation that has steadily reduced government debt from above 200 percent of GDP in the early 1990s, to around 82.2 percent at year-end 2005. The past three CASs have focused on these reforms.

In juxtaposition to the gains, over the past two years, Jordan has experienced a double external shock: (i) diminishing external grants; and (ii) doubling of the price of oil. These shocks are experienced by the population through increasing energy prices and austerity measures dictated by sharp fiscal constraints which threaten public services and the robust economic growth rate needed to maintain and improve public welfare.

Despite the improved economic performance, high unemployment, particularly among the young, and deep pockets of poverty persist. Jordan's population growth is among the highest in the region and nearly 70 percent of the population is under the age of 30. Looking forward, about 60,000 new jobs and continued strong growth of 7 percent plus would be needed each year to avoid higher levels of unemployment and poverty. Distribution of the gains is geographically uneven. Poverty reduction and job creation remain Jordan's most important challenges.

Sustaining gains, advancing reforms and cushioning hardships for the vulnerable, while managing external shocks are the developmental challenges confronting the Jordanian economy in the coming years. This requires carefully calibrated adjustments to the fiscal situation and maintenance of the pace of structural reform for growth, including a radical upgrading of the quality of education, modernizing the public sector and modernizing institutions to support private sector development. These efforts need to be particularly focused on expanding the opportunities and access of the poor and unemployed to share more fully in Jordan's growth, while strengthening safety nets and social protection measures.

To meet these challenges, Jordan has recently developed a National Agenda—a strategic plan that covers the main development areas, and establishes objectives and broad strategies in an integrated way. Its main objective is to increase the welfare for Jordanians and to reduce poverty and create jobs through sustained and broadly-shared growth, while achieving fiscal sustainability and external balance.

This Country Assistance Strategy, in support of the National Agenda objectives, aims at tangible progress in poverty reduction and job creation, while assisting the country in its transition through the medium-term economic shocks.

The Bank program's under the CAS is organized into four cross-sectoral clusters:

- Strengthening the investment environment for a skill-intensive and knowledge-based economy;
- Supporting local development through increased access to services and economic opportunities;
- Reforming social protection and expanding inclusion; and
- Restructuring public expenditures and supporting public sector reform.

The first two clusters tackle issues related to private investment and job creation, respectively at the macro level and at the local level. The third cluster deals with programs to support those who cannot by themselves achieve sufficient welfare through market mechanisms. The last cluster is focused on supporting improvements in the government budget and the administration as the main tools of public policy. Important cross-cutting issues, such as gender and the environment, will be mainstreamed into the clusters. Various sectoral concerns, such as water and energy, will be integrated in these programmatic clusters through a thematic approach.

The CAS is designed to provide flexibility for interventions. It is not expected that all activities contemplated in the program will be undertaken. Rather, the Bank will respond to Jordan's main challenges flexibly through the strategic thrust of the clusters. Thus, the CAS mix among policy lending, investment lending and analytical services reflects the emerging needs with respect to short-term financial challenges and longer-term institutional developments, with a lending ceiling of up to US$540 million over four years. The total CAS envelope for IBRD lending is US$440 million in the base case.

Development Policy Lending (DPL) will be considered flexibly in any of the four clusters, or could be designed across the four clusters, and be strongly linked to the implementation of the National Agenda to underscore the ownership of the policy program supported by Bank policy lending. Investment lending will focus on implementing institutional reforms, leveraging other donors' resources and linkages to analytical and technical assistance activities. Partial risk guarantees will be considered on request, provided the overall framework for Public Private Partnership is satisfactorily enhanced.

IFC's strategy will seek new investment opportunities in the private sector to increase its portfolio, provide strategic and technical assistance for private sector development, and carry on advisory services for private participation in infrastructure and privatization.

IFC and IBRD work closely on privatization, Public-Private Partnerships and enhancing the enabling environment for the private sector. Going forward, the collaboration will include: (i) the design of IBRD's Private Sector Development (PSD) diagnostic assessments in order to identify and implement IFC's technical assistance activities; (ii) joint identification of Private Participation in infrastructure opportunities, and (iii) identification of opportunities for providing sub-national financing through the Municipal Fund. The new IFC field office in Amman has advanced collaborative efforts. The PSD consultations for this CAS were jointly prepared and led by the two institutions.

While many large donors are present in Jordan, the World Bank Group's comparative advantage is in providing integrated support for complex institutional reforms, coupled with its ability to provide critical financial support if needed. As in many middle-income countries, the Bank's advantages can only be realized through matching the Bank's counterpart's sophistication and challenges with a more focused program, higher quality services, more flexibility and a better understanding of its mission in the country.

The full report is available on-line at :
www.worldbank.org/jo

BANK GROUP OPERATIONS

As discussed above, to support Jordan's recently developed National Agenda, the Bank's lending program over the next four years will revolve around the following four cross-sectoral clusters:

- strengthening the investment environment for a skill-intensive and knowledge-based economy;
- supporting local development through increased access to services and economic opportunities;
- reforming social protection and expanding inclusion; and
- restructuring public expenditures and supporting public sector reform.

IBRD Projects In The Pipeline

○ ***Regional and Local Development Project*** (US$35 million). The objectives of the Project are to: (i) strengthen the intergovernmental finance system; (ii) upgrade financial management, technical and administrative capacities at the local level; and (iii) increase the coverage and quality of municipal service provision, with particular emphasis on under-served areas.

○ ***Cultural Heritage, Tourism and Urban Development*** (US$35 million). The objective of the Project is to develop regionally balanced cultural tourism through regeneration of historic urban neighborhoods and creation of cohesive and culturally rich urban attraction poles.

IBRD Ongoing Projects

The current portfolio in Jordan consists of six projects for a total commitment amount of US$268 million, of which US$123 million has been disbursed to-date.

○ ***Amman Water and Sanitation Management Project (AWSMP).*** (US$55 million.) The Project aims at: (i) improving the efficiency, management, operation and delivery of water and wastewater services for the Amman Service Area; and (ii) laying the groundwork for the sustainable involvement of the private sector in the overall management of these services.

○ ***Higher Education Development Project (HEDP).*** (US$34.7 million.) The objective of the Project is to initiate improvements in the quality, relevance and efficiency of Jordan's higher education, and to support Jordan’s program to reform sector governance.

○ ***Horticultural Exports Promotion Learning and Innovation Loan*** (US$5 million). The Loan will initiate the process of establishing Jordan as a reliable supplier of non-traditional, high-value export crops to niche markets in the European Union and Gulf countries.

○ ***Education Reform for the Knowledge Economy*** (US$120 million). The Project supports systemic educational reform in Jordan that extends from Early Childhood Education through

Active Portfolio	Approval Date	Loan Amount US$ M	Undisbursed Amount US$ M	Primary Sector	Closing Date
Amman Water and Sanitation Management	Mar-99	55.0	2.2	Water Supply/Sanitation	Jan-07
Higher Education Development	Feb-00	34.7	9.0	Education	Jun-07
Horticultural Exports Promotion Learning and Innovation	Jun-02	5.0	2.8	Agriculture Markets and Trade	Dec-06
Education Reform for Knowledge Economy	May-03	120.0	80.4	Education	Dec-08
Amman Development Corridor	Jun-04	38.0	35.9	Transport	Jun-09
Public Sector Capacity Building	Mar-05	15.0	14.4	Public Sector	Mar-09
Total		**267.7**	**144.7**		

Secondary Education. The Project will contribute to the development of human capital with the skills and competencies required by the Knowledge Economy.

○ ***Amman Development Corridor*** (US$30 million). The Project aims at: (i) assisting Jordan's growth strategy by providing needed infrastructure to support Amman's role as a regional center for trade and services; and (ii) helping ensure that Jordan's road assets are managed in a cost-effective and sustainable manner.

○ ***Public Sector Capacity Building Project*** (US$15 million). The objective of the Project is to support the ongoing implementation of the Government's public sector reform strategy by ensuring that the required institutional infrastructure is in place and functioning. It also seeks to support an important set of cross-cutting reforms in areas ranging from policy coordination to improved financial and human resource practices.

Ongoing Grants

o ***Institutional Development Fund Grant to Support the Development of a Monitoring and Evaluation System*** (US$395,000). The Grant is expected to contribute to the design and implementation of a sound monitoring and evaluation framework for the Government to: (i) adequately monitor input requirements of large scale reform projects; and (ii) follow implementation of large-scale, multi-sectoral reform projects through various activities.

o ***Integrated Ecosystems/Rift Valley Grant*** (US$350,000). The objective of the Grant is to assist in the preparation of the Integrated Ecosystem Management in the Jordan Rift Valley Project, whose main objective is to secure the ecological integrity of the Jordan Rift Valley as a globally important ecological corridor and migratory flyway, through a combination of site protection and management, nature-based socio-economic development and land use planning.

o ***Sustainable Development of Renewable Energy Resources and Promotion of Energy Efficiency Grant*** (US$1 million). The objectives of the Grant are to: (i) contribute to the Government's efforts to integrate climate change concerns in its economic development strategy by removing the barriers to promoting the development of Jordan's renewable energy resources (wind, solar and geothermal), and in enhancing the efficiency of energy use in line with the policy to meet the energy needs of Jordan in an economic and environmentally sustainable manner; and (ii) support a feasibility study for the future development of a commercial size wind energy project with private sector involvement.

○ ***Conservation of Medicinal/Herbal Plants Project*** (US$5 million). The Project supports the conservation, management and sustainable utilization of medicinal and herbal plants in Jordan through ensuring effective *in-situ* protection of threatened habitats and ecosystems and *ex-situ* sustainable use. The main components are: (i) institutional strengthening; (ii) pilot sites conservation; (iii) public awareness and education; and (iv) income generation activities.

○ ***Ozone Depleting Substances (ODS) Phaseout II*** (US$5 million). The overall objective is to assist Jordan in phasing out the use of ODS within its territory through, *inter alia*: (i) the introduction of appropriate policy measures; (ii) the institutional strengthening of responsible governmental entities; and (iii) the implementation of specific cost-effective priority investments to reduce consumption of Ozone Depleting Substances in the manufacturing and servicing sectors.

○ ***Promotion of a Wind Power Market*** (US$350,000 Global Environment Facility). The objective of the Project is to remove barriers to wind farm development, including lack of a legal and regulatory framework, lack of institutional capacity and inadequate information on wind resources, with the reforms clearing the way for a private entity to build a 60MW wind farm.

○ ***Privatization Technical Assistance*** (US$9.5 million). The objectives of the Grant are to strengthen the investment climate and job creation, leading to new investments and improve effectiveness and efficiency of the delivery of public services, and creation of fiscal space.

Further information on ongoing and pipeline projects can be found at:
http://www4.worldbank.org/sprojects/

IFC's Activities in Jordan

IFC has historically experienced solid demand for financing from successful private sector companies in Jordan. In recent years, however, there has been a decline in the portfolio due to competition (cheaper alternative financing) and excess liquidity in the market—which has resulted in prepayments and cancellations. In 2005, IFC established a new field office in Amman to accelerate its investments and technical assistance business development activities, enhance the relationship with the private sector and the government and improve coordination and collaboration with IBRD and the donor community.

IFC's strategy in Jordan places a high priority on seeking new investment opportunities in the following areas: (i) promoting export-oriented and foreign exchange generating investments, particularly in manufacturing and services; (ii) encouraging private participation in infrastructure; (iii) attracting foreign private investment, particularly to the Aqaba Special Economic Zone (ASEZA); (iv) developing the financial sector through promoting housing finance, microfinance and trade finance; and (v) contributing to improving the private provision of health and education, and support for the tourism and ICT sectors. In addition, as a result of the establishment of IFC's regional Technical Assistance (TA) Facility—the Private Enterprise Partnership (PEP-MENA)—TA activities in Jordan have significantly increased, covering a wide range of areas that contribute to private sector development. These activities are being strategically selected and positioned to fill gaps, complement what other organizations and donors are doing, respond to client demands, and ensure effective implementation. With this wider range of products that IFC can offer, a coherent country strategy has been formulated to utilize new opportunities.

IFC's total committed portfolio in Jordan stands at US$59 million in 11 companies. In FY05, IFC committed US$25 million, and in FY06, the expected commitment is US$18 million. Portfolio performance has been generally good. Extensive efforts have been devoted, however, to improve the status of three projects in the manufacturing and agribusiness sectors. Recovery and restructuring options are being considered.

The collaboration with IBRD has been significantly increased. It has involved working closely on areas such as privatization, Public-Private Partnerships, and enhancing the enabling environment for the private sector. Going forward, the collaboration will include: (i) participation in the design of IBRD's PSD and financial sector diagnostic assessments leading to the identification and implementation of IFC's TA activities; (ii) joint identification of Private Participation in Infrastructure opportunities; and (iii) exploration of the possibility for providing sub-national financing through the Municipal Fund. The new IFC field presence has facilitated better coordination with IBRD on a systematic and continuous basis. The PSD consultations for this CAS were jointly prepared and led by the two institutions

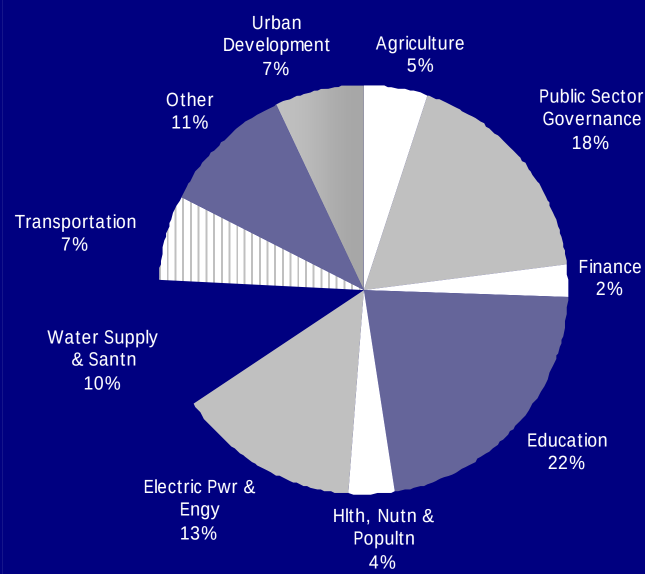
Further information on IFC ongoing and pipeline projects can be found at:
http://www.ifc.org/projects

Bank Lending To Jordan – Fact Sheet

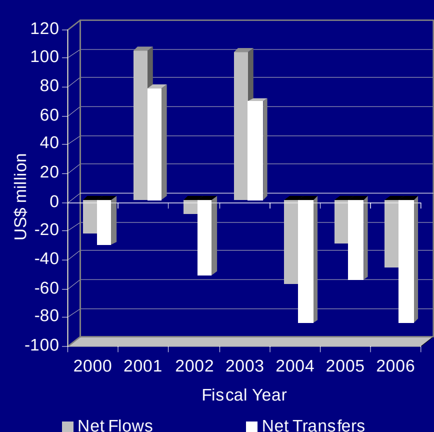
Jordan joined the World Bank in 1952, and received its first IDA credit in 1961. Over the past 42 years, a total of 86 credits, loans, and grants have been granted to Jordan for a total amount of US$2,228 million. Jordan is also a member of IFC, ICSID, and MIGA.

IDA	US$86 million (15 Credits)
IBRD:	US$2,142 million (66 Loans)
Of Which:	
Investments:	US$1,358 million
Development Policy Loans:	US$870 million (8 Projects)
Disbursements:	US$2,079 million
Repaid:	US$1,107 million
Obligation:	US$953 million

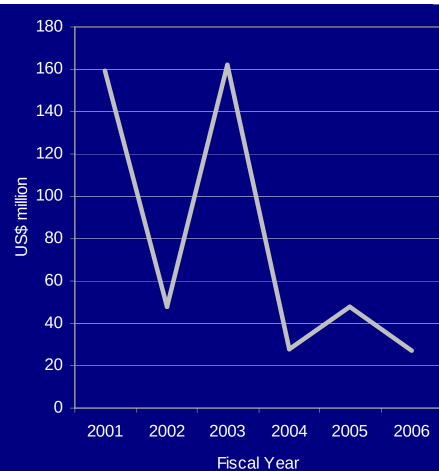
Sectoral Distribution by Value



Net Flows and Net Transfers



Disbursements



Projects Approved by Fiscal Year

Fiscal Year	# Of Projects	US$ M.
1994	2	100.0
1995	3	146.6
1996	2	120.0
1997	2	140.0
1998	3	67.0
1999	3	210.0
2000	1	34.7
2001	1	120.0
2002	1	5.0
2003	2	240.0
2004	1	38.0
2005	1	15.0
Total	22	1236.3

NEWS, RECENT AND UPCOMING ACTIVITIES

The World Bank's Webcasting Service

B-SPAN is the web casting service of the World Bank Group, presenting seminars, workshops and conferences on a variety of sustainable development and poverty reduction issues via streaming video.

The World Bank and its partners play host to numerous seminars, workshops and conferences where the world's leading development experts and practitioners discuss the latest developments in a range of sectors, including agriculture, sustainable development, finance, poverty reduction, health, education, governance, environment, energy, infrastructure, rural and urban development, and more. Through B-SPAN, the discussions, debates, and key points of these events can be preserved and made available to a worldwide audience.

B-SPAN web casts are free to view. World Bank staff, academics, students, researchers, journalists, NGO representatives, and members of the public-at-large can virtually attend events from anywhere in the world where the Internet is accessible. By bringing World Bank events to the computer screen, B-SPAN is an invaluable tool for the World Bank's missions of promoting transparency and sharing knowledge.

All B-SPAN events appear in their original format—videos are not edited for content. B-SPAN also provides indexing for quick access to specific speakers, display an accompanying summary to assist in watching the video, archive videos on the B-SPAN Web site, and inform World Bank officials of new releases which might be of interest to them.

B-SPAN recently introduced "the Best of B-SPAN pod cast series" to provide an introduction to the complicated problems of development, with each episode focusing on a new topic.

For further information, please visit*:*
www.worldbank.org/bspan

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2006 Annual Meetings-Information for Civil Society Organizations

In 2006, the Annual Meetings and related events will be held in Singapore from September 13th-20th.

All Civil Society Organizations (CSO) representatives who wish to participate in the 2006 Annual Meetings will need to obtain formal accreditation. The accreditation system is fully web-based.

As in previous years, the Civil Society Teams at the Bank and IMF will organize a **Civil Society Forum** (the agenda will be available in July 2006) for accredited CSOs during the 2006 Annual Meetings.

Representatives from established CSOs that focus on development issues and other issues relevant to the work of the World Bank and the IMF, and have a track record in these areas, are encouraged to apply for accreditation.

Accredited CSOs are responsible for obtaining a visa, if necessary, to enter Singapore.

For more information, please contact:
civilsociety@worldbank.org

or consult:
www.worldbank.org/civilsociety

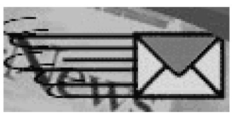
Online Media Briefing Center

The Online Media Briefing Center (OMBC) is a password-protected site for working journalists only. Most information in the OMBC is released to the public soon after it is provided to the media. Non-journalists who would like to be informed when new World Bank information is released are invited to subscribe to one or more of the World Bank's free e-mail newsletters.

Accredited journalists only are invited to complete the brief registration form to tell the Bank about their interests and the media outlets where their work appears. The site offers advance access to World Bank information and opportunities to submit questions through online press conferences.

For more information, please visit:
http://media.worldbank.org/

The World Bank Newsletters



The Newsletters System provides access to a variety of electronic newsletters published by the World Bank. The newsletters available include regional, thematic, partnership, and global newsletters.

Simply set up an account and begin controlling the flow of information, by managing all subscriptions in one place.

For more information, please visit:
https://wbssoextcl.worldbank.org/

Poverty and Growth Blog – Building Capacity to Reduce Poverty

The Poverty and Growth Blog is written by the staff of the World Bank Institute's (WBI) Poverty and Growth Program (PGP). It is supported by the WBI's Multimedia Center and the Bank's Information Solutions Group (ISG).

The blog aims to share knowledge and improve common understanding of the challenges of reducing poverty and accelerating growth. The Bank is looking forward to an open, on-going dialogue with anyone interested in Poverty and Growth issues. To facilitate this process, the blog tries to bring together all aspects of poverty, and growth: knowledge, news, resources, tools, ideas and commentary on issues relating to the design, implementation, monitoring, and evaluation of poverty reduction policies and strategies.

The blog seeks to reach the participants in Bank's courses, partners, researchers, academia, civil society, government officials, and, in general, the broad public interested in poverty reduction.

All of the Poverty and Growth Blog authors are members of the World Bank Institute's Poverty and Growth Program (PGP). Occasionally, guest bloggers from outside the PGP are invited to comment on specific topics of their expertise. In all cases their posts are their own, and do not necessarily reflect the views and opinions of the World Bank Group, its Board of Directors, or the governments they represent.

For more information, please visit:
http://pgpblog.worldbank.org/

RECENT WORLD BANK PUBLICATIONS

MENA Publications

Morocco—Fostering Productive Diversification to Higher Growth and Employment: Country Economic Memorandum (Report No. 32948). This Country Economic Memorandum (CEM) for Morocco focuses on the outlook for growth and employment and seeks to provide a clear understanding of the main constraints to growth, the potential policy adjustments that are needed to remove them, and the degree of activism these policies require from the Government in order to change course. Through separate, but integrated sections, the Report addresses five main questions: What can be learned from past growth performance, and what remains unexplained? What are the main binding—actual and potential—constraints to growth? How can Morocco improve its business environment while addressing productive diversification? What are the key elements of a trade strategy that would eliminate the anti-export bias and contribute to exports diversification, enhanced competitiveness, and growth? What key elements of an employment strategy would complement a growth strategy? Proposals for a new growth strategy include a set of measures that would further encourage productive diversification and enhanced competitiveness.

Rebuilding Iraq: Economic Reform and Transition (Report No. 35141). Iraqi reconstruction is stalled by the lack of security. Oil production and exports have yet to reach pre-war levels, and non-oil sectors remain sluggish. High unemployment, poverty, and weak social protection systems dominate public concerns and threaten the fragile democracy. Violence and crime, which have increased substantially since late 2003, hamper reconstruction and undermine governance efforts. Increased violence also limits people's access to much-needed public services and thus stifles progress in human development, particularly for the growing number of the poor and the vulnerable. Thirty years ago, Iraq led the Middle East and North Africa region in social development indicators, such as maternal and child mortality, nutrition, literacy, and secondary school enrollment. Since then, as a result of decades of conflict, sanctions, and underinvestment, living conditions have declined.

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Global Monitoring Report 2006: Strengthening Mutual Accountability—Aid, Trade, and Governance (ISBN: 0-8213-6477-4 SKU:16477). This third edition of the *Global Monitoring Report* examines the commitments and actions of donors, international financial institutions, and developing countries to implement the Millennium Declaration, signed by 189 countries in 2000. Many countries are off track to meet the Millennium Development Goals, particularly in Africa and South Asia, but new evidence is emerging that higher-quality aid and a better policy environment are accelerating progress in some countries, and that the benefits of this progress are reaching poor families.

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Little Book of External Debt 2006 (ISBN: 0-8213-6605-X SKU: 16605). This first edition of *The Little Book on External Debt* provides a quick reference for users interested in external debt stocks and flows, major economic aggregates, key debt ratios, and the currency composition of long-term debt for all countries reporting through the Debtor Reporting system.

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