



<b>1. Project Data:</b>		<b>Date Posted :</b> 09/08/2003	
<b>PROJ ID:</b> P066826		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Jo-psrl li	<b>Project Costs (US\$M)</b>	120.00	120.00
<b>Country:</b> Jordan	<b>Loan/Credit (US\$M)</b>	120.00	120.00
<b>Sector(s):</b> Board: PS - Central government administration (65%), Law and justice (25%), Tertiary education (10%)	<b>Cofinancing (US\$M)</b>	0.0	0.0
<b>L/C Number:</b> L4670			
	<b>Board Approval (FY)</b>		03
<b>Partners involved :</b> None	<b>Closing Date</b>	07/31/2002	07/31/2002
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
Fareed M. A. Hassan	Ridley Nelson	Kyle Peters	OEDCR

**2. Project Objectives and Components**

**a. Objectives**  
The second Public Sector Reform Loan (PSRL II) continued supporting reforms to strengthen public institutional capacity and the quality and delivery of public services . Besides maintaining macroeconomic stability, the reform program objectives were to improve the contractual environment for the private sector through judicial strengthening, to improve the delivery of public services via improved management of the civil service and administrative reforms, and to strengthen public expenditure management and accountability .

**b. Components**  
Civil service and administrative reform : (i) improving the management, incentive, and accountability systems of the civil service; and (ii) streamlining and simplification of government agencies .  
Improvements in Financial and budgetary management : (i) transition toward a result-oriented budgetary allocation system under the Medium-Term Financial Framework (MTFF); (ii) improving investment programming and better integration of capital and recurrent spending; and (iii) better revenue forecasting and improving the predictability of actual spending .  
Reform of the Judicial system: (i) modernization of the court system; (ii) improving the working conditions (e.g., training, hiring judges); and (iii) devising an alternative dispute resolution system to reduce the backlog of cases .

**c. Comments on Project Cost, Financing and Dates**  
The PSRL II is a single tranche loan and fully disbursed against actions taken prior to approval .

**3. Achievement of Relevant Objectives:**  
The PSRL II achieved most of its stated specific objectives as discussed below :  
*Overall macroeconomic situation* was satisfactory .  
*Civil service reform.* The new civil service by law is being implemented, but the salary structure remains to be tackled. It is worth noting that the wage bill remains large (5% of GDP).  
*Improvements in services to the public.* Information to the public through directories of services and websites have been provided; an e-Government Program Management Unit has been established; and a limited number of service delivery surveys have been conducted . The ICR does not provide information on what do the surveys show .  
*Expenditure programming and budget preparations.* A Foreign Aid and Investment Projects Information system (FAPIS) has been created as a tool to forecast capital expenditures and recurrent costs of both aid -funded and treasury-funded projects. The forecasts produced by FAPIS are expected to become an integral part of the three-year MTFF. However MTFF reforms have been progressing at a slow pace . Concerns persist regarding the transition toward a result-oriented budgetary allocation system and the MTFF . Also a revenue forecasting tool is in place in the Ministry of Finance, but it is not yet fully integrated with other ministries' system .  
Legal and judicial reform. The Ministry of Justice (MoJ) is implementing a program to build new courthouses; tools of case processing are being installed, and training has been provided . The MoJ has recruited 80 new judges, with process underway for additional 140 with increased pay and improved pensions . However, the actual impact of the

Judiciary reform in terms of improving the contractual environment for the private sector has not been assessed .

#### 4. Significant Outcomes/Impacts:

The PSRL II, along with the Fund EFF program, led to successful stabilization (single digit inflation and comfortable foreign exchange reserves). Macroeconomic stability is a commendable achievement given the volatile economic and political environment in the Middle East Region .

#### 5. Significant Shortcomings (including non-compliance with safeguard policies):

With a large fiscal deficit and high external debt ratios (e.g., debt to GDP ratio of nearly 100%), Jordan still remains vulnerable to adverse events in a volatile region . While the budget deficit is quite high, about half of the deficit (3.5--4%) has been covered by external grants over the years . The loan did not support a reduction in government expenditures and an improvement in the quality of expenditures that the underlying analytical work (i.e., 1999 Public Sector Review) has identified as being poorly managed . The review noted that a significant part of public spending stems from large public employment (World Bank 1999, page 36). Reorienting Jordan's budget process to becoming more-results oriented is an area which has experienced the weakest progress . The PSL performance indicators are input oriented (e.g., upgrading computers in courts, and having a new civil service bylaw ) not results- based (e.g., quality of government services or reductions in expenditures that the analytical work has identified as being poorly spent).

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Satisfactory	Moderately Satisfactory	Sound overall macroeconomic management continued, a commendable achievement, considering the political and economic difficulties Jordan faced . The project is expected to achieve most of its other major objectives but with significant shortcomings.
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability:</b>	Likely	Likely	
<b>Bank Performance:</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR:</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

#### 7. Lessons of Broad Applicability:

Strengthening monitoring and evaluation capacity is essential for successful implementation of a complex and broad-based public sector reform program .

#### 8. Assessment Recommended? ☒ Yes ☐ No

**Why?** Assessing the outcome of a one-year policy- based loan in a series of three quick-disbursing public sector reform loans is problematic . This is especially true given the short time horizon for assessing outcomes and given the broad-based nature of the PSRL program, forming a continuum in judicial and legal reform, civil service and service delivery reform, government restructuring, and budgetary and financial reform . Further analysis of the entire program through a PPAR is recommended .

#### 9. Comments on Quality of ICR:

The ICR is of satisfactory quality and covers all relevant aspects of the loan . The analysis benefited from a detailed policy matrix of achievements prior to Board and after Board approval .