



1. Project Data:		Date Posted : 09/08/2003	
PROJ ID: P066121		Appraisal	Actual
Project Name: Jo-psrl 1	Project Costs (US\$M)	120.00	120.00
Country: Jordan	Loan/Credit (US\$M)	120.00	120.00
Sector(s): Board: PS - Central government administration (50%), Law and justice (21%), General education sector (14%), General industry and trade sector (13%), Health (2%)	Cofinancing (US\$M)	N/A	N/A
L/C Number: L4618			
	Board Approval (FY)		01
Partners involved : None	Closing Date	12/31/2001	12/31/2001

Prepared by :	Reviewed by :	Group Manager :	Group:
Fareed M. A. Hassan	Ridley Nelson	Kyle Peters	OEDCR

2. Project Objectives and Components

a. Objectives

The Public Sector Reform Loan (PSRL I) was the first in a series of three one-tranche policy loans designed to meet Jordan's fiscal needs and to support its medium-term reform program. The loans were the pillars of the Bank strategy (CAS 2000-2003) to promote rapid and sustainable outward oriented and private-sector led growth. Specifically PSRL I objectives were strengthening private investment, diversifying the economy, achieving closer integration with the global economy, and ensuring better access to services to citizens, particularly the poor.

b. Components

The project's components included: (a) communications strategy to promote public awareness of the reforms and to consult with the various constituencies (e.g. public sector employees); (b) judicial reform including modernization of the court system, training of the magistrates, and improving compensation and streamlining workload; (c) civil service reform focusing on a new civil service by law and pay reform; (d) government restructuring including the creation of the Ministry of Administrative Reform to implement the civil service by law, to improve service standards, and to organize civil servants training; (e) improvements in services to the public including simplification of public service procedures and departmental front offices delivering services to the public; and (f) financial management and budgetary reform, involving the development of a program structured budget (i.e., Medium-Term Expenditure Framework (MTEF)) at the center and in ministries and parallel reforms in financial management.

c. Comments on Project Cost, Financing and Dates

The PSRL I was a single tranche operation and disbursed against actions taken prior to loan approval.

3. Achievement of Relevant Objectives:

The overall macroeconomic situation was satisfactory. GDP growth picked up to about 4% in 2000 and 2001. After a period of slow export growth in the 1995-2000 period, export growth increased to over 20% in 2001. Jordan Qualified Industrial Zones have been an important reason for the increased exports. Jordan also diversified its products and markets helped by the free-trade agreements with the United States and the European Union, increasing the country's integration in the world economy. The rate of private investment improved and economic growth reached 4% in 2001.

Communications strategy: Service delivery guides were distributed but the envisaged consultations with the various constituencies were not frequent;

Judiciary reforms: Preparation and presentation to the parliament of new legislations, computerization of the Amman Palace of Justice, and training of judges were accomplished.

Civil service reform: Implementation of reforms have experienced substantial delays.

Government restructuring: Cabinet approval of the newly created Ministry of Administrative Reform, and formulation of a terms of reference for a study on a centralized human resource information system were the main achievements.

Improvements in services to the public: Simplification of processes in 15 government departments and publication of

public service directories for 33 departments were undertaken.

Financial management and budgetary reforms: Progress toward a result oriented budgetary allocation system and the MTFF was limited.

4. Significant Outcomes/Impacts:

The loan, along with IMF Enhanced Fund Facility, was successful in stabilizing the economy. Macroeconomic stability--inflation at 3% per annum and comfortable foreign exchange reserves (7 months of imports)--was an impressive achievement given that Jordan's fortunes are firmly tied to those of a region that has been beset by prolonged turmoil. Jordan's neighbors account for half its exports and a quarter of its imports. Maintaining the country in a stronger financial position to weather economic and political shocks, in a region always marked by high volatility is vital.

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

Communications strategy and implementation of civil service reform have experienced substantial delays, while financial management and budgetary reform has met so far with limited success. The newly created Ministry of Administrative Affairs mandated training for civil servants in the English language and computers; and this could prove costly and ineffective because there is no system to evaluate effectiveness built into the training program. Judiciary reform involves hiring more judges and training them in English and computers, but no changes are planned in the rest of the legal system (e.g., curriculum for lawyers and the system of notaries). Economic growth barely exceeded the high population growth rate, resulting in stagnant real per capita income and poverty may have risen. More importantly, limited progress was made in enhancing access and improvements in public services to the poor. The National Aid Fund (NAF), the major government agency providing assistance to the poor, is facing financial and management problems. Its cash assistance program reaches no more than half of the poor population.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	Macroeconomic stability is a commendable achievement given the regional volatility. Other objectives are expected to be achieved but with significant shortcomings.
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		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:

The program addresses civil service reform, and a recent OED Review of Bank assistance in this area finds that adjustment loans are particularly ill suited to this. It may have been more prudent to support some of these measures through lending instruments that allow adequate time for implementation such as investment or adaptable lending (World Bank 1999, page 26).

8. Assessment Recommended? ☒ Yes ☐ No

Why? It is too early to evaluate the outcome of a one-year policy-based loan, which is the first part of a planned three-phased program, 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 program as a whole through a PPAR is appropriate.

9. Comments on Quality of ICR:

The ICR is of satisfactory quality. It provides an excellent view of progress with reforms as of to date.