



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 10-Sep-2019 | Report No: PIDA27733



BASIC INFORMATION

A. Basic Project Data

Country Jordan	Project ID P171965	Project Name RE Window - Strengthening Reform Management in Jordan	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 11-Sep-2019	Estimated Board Date 23-Sep-2019	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Planning and International Cooperation	Implementing Agency Ministry of Planning and International Cooperation	

Proposed Development Objective(s)

Strengthen management, monitoring and evaluation, and outreach functions for policy reforms in Jordan with a focus on the Five Year Reform agenda.

Components

1. Support to reform management
2. Strengthening the PIM-PPP framework and function
3. Strengthening of the public procurement framework and function

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	6.50
Total Financing	6.50
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	6.50
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Trust Funds	6.50
Environmental and Social Risk Classification	
Moderate	
Decision	
The review did authorize the team to appraise and negotiate	

Other Decision (as needed)

B. Introduction and Context

Country Context¹

1. **Over the past decade, Jordan has faced a number of external shocks that directly affected economic growth. As a consequence, the economy has not been able to create the large number of productive jobs required to meet the needs of the young and fast-growing population.** Shocks started with, first, the global financial crisis in 2009 leading to a dampening of economic activity, while the accompanying policy response—including lower taxes and debt accumulation— was not enough to stimulate growth. Second, the Iraqi and Syrian conflicts disrupted trade routes to key trade partners, including Turkey and the EU. The yet to be fully assessed costs of these disruptions in trade are large. Third, the disruption of favorably-priced natural gas supplies from Egypt (also in 2011), led the Government to cap electricity tariffs to spare the bulk of the population from large tariff increases and produced an accumulated energy sector debt of about 18 percent of GDP, held by the Central Government and the National Electric Power Company. Fourth, the slowdown in the major Gulf economies (because of depressed oil prices in 2014) led to a drop in remittances (of about 0.4 percent of GDP a year) and lower official grants to Jordan (of about 1 percent of GDP a year). These external shocks have affected Jordan’s macroeconomic stability as well as growth and job creation prospects.

2. **Besides, due to the Syrian crisis, Jordan is hosting almost 1.3 million Syrians², of which 666,217 are registered refugees with UNHCR.** About 90 percent of the refugees are living in Jordan’s cities, towns and villages exhausting existing social and physical infrastructure and impacting delivery of basic services. There has been a noticeable deterioration in the quality of services provided across numerous critical sectors, including health, education, municipal services, and others. The influx of these refugees has raised Jordan’s overall population to 9.5 million in 2017. Overall, the Government estimates that the budgetary cost of hosting the Syrian population has been around US\$2.5 billion per annum.

3. **In this context, and with the support of the Bank, the Government of Jordan (GoJ) has recently approved and launched at the London Conference in February 2019 its reference plan for economic reform and growth, the Five-Year Reform Matrix.** The Matrix is based on the economic elements of the

¹ This section borrow largely from the context section of the Second Development Policy Financing (DPF II, P168130).

² According to the 2015 Department of Statistics Census.



Prime Minister's Path Towards National Revival. Its implementation has started in 2018, with the first set of reforms comprising the actions under the World Bank's First and Second Development Policy Financing (DPF I, P166360 and DPF II, P168130).

4. The Five-Year Reform Matrix comprises a set of policy and structural reforms over a period of five years (2018-2022), that pertain to the most critical economic policy issues facing Jordan. To jumpstart growth, make the economy more competitive, and create jobs, GoJ has prioritized and sequenced a set of cross-cutting (horizontal) reforms and sectoral (vertical) reforms. Horizontal reforms include macroeconomic adjustment; reduction in business costs; increased competition; flexibility in labor markets; development of exports and investment; deeper access to finance; and expansion and better targeting of social safety nets. Vertical reforms include increasing access to and reducing the cost of public transport (a constraint for getting to work, especially for women); ensuring the financial viability and efficiency of the water sector; and promoting competitiveness through energy sector measures.

Sectoral and Institutional Context³

5. To finance the implementation of the Five-Year Reform Matrix, a Bank-managed "Inclusive Growth and Economic Opportunities Multi Donor Trust Fund" (MDTF) has been put in place. The MDTF, is currently financed by the UK, with additional financing expected from the Netherlands, EU, France, Germany and Canada.

6. To ensure the implementation of the Five-Year Reform Matrix, proper follow-up and efficient coordination, a dedicated Reform Secretariat will be established in MoPIC. This new Secretariat will build on the existing Compact Project Management Unit (PMU) and its current staff, who have played an essential role in coordinating the design of the Five-Year Reform Matrix with GoJ entities, World Bank and development partners. Besides, the PMU has played the key role in coordinating the implementation of DPFs I and II.

7. The Secretariat will be partially financed through the recipient-executed window of the MDTF. The recipient-executed window of the MDTF will also finance a set of other activities to be carried out by the GoJ to implement the Five-Year Growth Matrix. These activities will include the strengthening of the Project Investment Management (PIM) and Public-Private Partnerships (PPP) legal and institutional frameworks and functions and the continued modernization of the public procurement system.

8. The PIM and PPP functions are key to improving GoJ use of financial and investment resources for the benefit of its citizens. Jordan fiscal space for public investment has narrowed and it is critical to improve its effectiveness as well as increase the leveraging private sector involvement through PPP transactions. A 2017 IMF PIM assessment estimates the efficiency gap at 21 percent (i.e. the gap with the level of output of the most efficient country with comparable levels of the public capital stock per capital) and points out to the following areas in need of improvement: strategic planning, project selection and prioritization, ex-post audit and evaluation, oversight of SOEs' investment and asset management⁴. One of the project's goals is to put in place a combination of policy and legislative reforms, as well as

³ This section borrow largely from the context section of the Second Development Policy Financing (DPF II, P168130).

⁴ IMF, 2017, Jordan. Technical Assistance Report-Public Investment Management Assessment (PIMA). See Jordan's comparative rating in annex.



institutional support and incentives to build an efficient Public Investment Management (PIM) Governance Framework comprised of Public Investment and Public- Private Partnership (PPP) projects. This will ensure that selected priority projects will be fiscally prudent, economically and socially viable, and environmentally sustainable. Such investment projects will be well worth undertaking and, where possible, will be procured as PPPs to free fiscal space and mobilize private sector experience, skills and expertise.

9. The GoJ has recently modernized its public procurement function. Various assessments and reports by international organizations in the past decade as well as a self-assessment conducted by GoJ, elaborated on the main shortcomings of Public Procurement being fragmented, without a clear regulatory and oversight function, lacking an independent complaint resolution mechanism, without performance measurement, and the need for e-public procurement, and capacity building. In February 2019, GoJ approved a modernized and unified public procurement bylaw addressing the identified shortcomings and improving the transparency and efficiency of public procurement. To address the need for e-procurement, it also includes the functional enhancement of the e-public procurement system “JONEPS”. The three main central procuring entities of Jordan (The General Tender Directorate (GTD), the General Supply Department (GSD) and the Joint Procurement Directorate (JPD)), issued a circular in January 2019 making the use of the JONEPS mandatory.

C. Relevance to Higher Level Objectives

10. The proposed project supports the implementation of the Five-Year Reform Matrix, which is aligned with the World Bank Group Country Partnership Framework (CPF) for Jordan (2017–2022). The CPF focuses on mitigating the immediate impact of the regional crises while supporting long-term development objectives and structural reforms, to improve the equity and quality of public service delivery. It is therefore relevant to the current challenge of setting the foundations for equitable growth and job creation.

11. The proposed project also contributes to implementation of the expanded Middle East and North Africa Regional Strategy, originally presented to the Board in 2015 and updated in 2019, particularly its pillars on renewing the social contract; and resilience to shocks. The proposed project is also supporting the maximizing finance for development approach, and the regional climate change mitigation and adaptation agenda, through energy sector reforms included in the Five-Year Reform Matrix.

12. Policies supported by the proposed project will contribute to the twin goals of ending extreme poverty and promoting shared prosperity in a sustainable manner. The Five-Year Reform Matrix includes reforms related to improving fiscal sustainability through more efficient public spending and better management of risks, which will support the attainment of fiscal objectives, reducing business costs, improving market accessibility, improving productivity; creating flexible and integrated labor markets, and more efficient social assistance thereby allowing more Jordanians to work and access social safety nets.



C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

Strengthen management, monitoring and evaluation, and outreach functions for policy reforms in Jordan with a focus on the Five Year Reform agenda.

Key Results

- Number of additional reforms coordinated by the Reform Secretariat under the Reform Matrix (20)
- Share of investment projects approved using the PIM-PPP project evaluation framework (100%).
- Share of public contracts award results published online (100%).

D. Project Description

13. This project is funded by the Bank-managed “Inclusive Growth and Economic Opportunities Multi Donor Trust Fund” (MDTF) for a total amount of US\$ 6.5 million. The funds to implement all the proposed activities described below have not yet been secured, hence the activities will be implemented in phases, following the trust funds becoming available through additional contributions to the MDTF. The first available tranche at project effectiveness amounts to US\$ 1.6 million and will finance a subset of activities-called phase 1- as described in the next section.

Component 1. Support to reform management (US\$ 3.8 million)

Sub-component 1.1. Support to the Reform Secretariat (US\$ 0.5 million)

14. The recipient-executed window of the MDTF, through this project, will finance the set up and first year operations of the Reform Secretariat. Namely, the project will support the establishment and structuring of an efficient Reform Secretariat to coordinate, advance and implement reforms under the Five-Year Reform Matrix. The support will specifically be targeted to fully resourcing the Secretariat with qualified fulltime staff, both technical (project management and technical staff) and support (M&E and Communications); providing technical assistance to GoJ to address capacity issues and advance the implementation of reforms; and financing other direct and indirect operational costs including IT equipment, office supplies, professional services, travel etc. Beyond the first year, the Reform Secretariat will be financed by other donors.

15. The Reform Secretariat will be housed within MoPIC and will oversee the implementation of the Five-Year Reform Matrix; ensure reforms are designed in consultation with stakeholders; report to GoJ and development partners on progress; and coordinate between GoJ entities and development partners to ensure implementation and alignment of donor programs with national priorities. Besides, the Reform Secretariat will coordinate with GoJ entities and development partners to produce and disseminate information and communication material to inform all target groups of the progress of implementation and importance of reforms, including the private sector and the public. The Reform Secretariat include a Gender Specialist and will undertake to design reform implementation, consultations, and outreach with



differentiated approaches as needed to reach women, youth, and other target groups (see Box 1).

16. Given the large number of government entities involved in the Five-Year Reform Matrix, the establishment of an effective cross-ministerial mechanism for reforms will be needed to support effective implementation of the Five-Year Reform Matrix. Such a mechanism will be orchestrated by the Reform Secretariat. Progress will be reported by the Reform Secretariat directly to the Minister of Planning and International Cooperation and to the Prime Minister. The proposed organizational structure and missions of the Reform Secretariat are provided in Annex 1.

Sub-component 1.2. Reform Support Fund (US\$ 3.3 million)

17. This fund will be lodged at MoPIC and will finance just-in-time expertise in support to line Ministries and Government agencies in designing, implementing and monitoring the reforms of the Five-Year Reform Matrix. Expenses will include: short and long-term consultants, procurement of contractors, procurement of equipment, systems and services needed to design, implement and monitor reforms. The multiyear budget of this subcomponent is detailed in Annex 3.

18. Phase 1 of project implementation for component 1, to be financed by the first tranche of US\$1.6 million, will cover the entire cost of the Reform Secretariat of US\$ 0.5 million and will cover expertise through the Reform Support Fund up to US\$ 0.2 million.

Component 2. Strengthening of the PIM-PPP framework and function (US\$ 2.2 million):

19. This component supports the development of Jordan's PIM-PPP institutional, procedural and capability strengths through the following activities (background and details of these activities are provided in Annex 2):

- Adoption and establishment of the legal and institutional framework for PIM-PPP
- Establishment of the Jordan National Registry of Investment Projects (NRIP) which will contribute to PIM-PPP strategic planning and performance monitoring, alignment of the project cycle to the budget cycle, and increase efficiency and rationalization of the PIM-PPP pipeline and portfolio. With guidance from the WB, the NRIP will be procured and developed by MoPIC as a modular web-based information management system and will include sub-accounts for PIPs and PPPs.
- Capacity building and technical assistance to the PIM and PPP units on strategic planning, project appraisal, asset management, oversight of PIM by SOEs, and ex-post project and portfolio evaluation and audit.
- Preparation for the operationalization of the Project Development Fund (PDF): The PDF will finance feasibility and technical studies and PPP transaction advisory services for proposed PPP projects. This project will support the creation and institutionalization of the PDF through the development of the legal framework, development of a business plan and manual of procedures as well as preparation of project concept note templates.
- The Bank will provide complementary technical assistance for this component through the Bank-Executed window of the MDTF.



20. **Phase 1 of project implementation for component 2**, to be financed by the first tranche of US\$1.6 million, will cover the cover the following activities up to US\$ 0.5 million:

Component 3. Strengthening of the public procurement framework and function (US\$ 0.5 million)

21. This component aims to pursue the GoJ modernization efforts of public procurement. It will support the strengthening of the legal framework and infrastructure including the recently established e-public procurement system (JONEPS). The unified procurement bylaw makes the use of JONEPS mandatory for the three central procuring entities that adopted it since February 2019.

22. A number of critical enhancements and functionalities along the whole procurement cycle have been identified by the GoJ and the Bank. This component will support the GoJ to implement the action plan for the elaboration and roll out of functionalities and features of the e-public procurement system, through the following activities:

- Business Process Re-engineering of the e-public procurement system including a security audit to assess security of the hardware & software, internet for hosting services (e.g. cloud), etc.
- System enhancements and functionalities development along the whole procurement cycle, namely, streamlining online registration of bidders and procuring entities, contract management and supplier performance management, e-payments and e-guarantees, administrative reviews (e.g. complaints management), and new public procurement methods such as e-bidding, framework agreements, and e-catalogues.

23. The recipient-executed activities of this component will be led by MoPIC. However, for efficiency reasons, MOPIC will delegate the implementation of e-procurement related activities to the General Procurement department (GPD) to ensure e-procurement platform (JONEPS) continuous operation. The Bank will provide complementary technical assistance for this component through the Bank-Executed window of the MDTF. Regular reporting on milestones and Results Framework indicators shall be sent by GPD to MOPIC.

24. **Phase 1 of project implementation for component 3**, to be financed by the first tranche of US\$1.6 million, will cover the cover the following activities up to US\$ 0.4 million:

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts



25. The social risk rating is considered moderate. The project will support the establishment and activities of a Reform Secretariat to coordinate and implement the Five-Year Reform Matrix and the World Bank's First and Second Development Policy Financing (DPF). The project will not involve any civil works nor land acquisitions. Main social risks are related to indirect social implications of reforms stemming from the five-year Growth Matrix, led by respective line ministries (with support from the Reform Secretariat). According to the World Bank's Environmental and Social Framework (ESF) this project is of 'low' environmental risk as activities supported by this project are expected to have no negative environmental impacts.

E. Implementation

Institutional and Implementation Arrangements

26. The project will be implemented by Ministry of Planning and International Cooperation (MOPIC), which will delegate implementation of component 3 related to public procurement to the General Procurement Department (GPD) in the Ministry of Finance previously designated by General Supplies Department (GSD). Both agencies shall observe due diligence in processing procurement transactions and will be responsible for (a) procurement implementation, (b) monitoring and managing contracts, and (c) for reporting to the Bank on related fiduciary and technical aspects.

27. **Components 1 and 2.** MoPIC will be the sole recipient and implementer of the funds for these two components. The Reform Secretariat will be lodged at MoPIC as a continuation of the current Compact PMU. The Reform Secretariat will coordinate the implementation of the Five-Year Reform Matrix, including managing the Reform Support Fund, the procurement of the NRIP, and preparatory work for a new PIM-PPP framework including the definition of the setup of the Project Development Fund (PDF).

28. **Component 3.** While MOPIC will have the overall responsibility of implementation, it will delegate the implementation of e-procurement related activities to GPD to ensure the continuous operation of the e-procurement platform (JONEPS). The Bank will provide technical assistance for this component through the Bank-Executed window of the MDTF. Regular reporting on milestones and Results framework indicators shall be observed by GPD to MOPIC.

CONTACT POINT

World Bank

Meriem Ait Ali Slimane
Senior Private Sector Specialist

Aijaz Ahmad
Senior Public Private Partnerships Specialist

Roland Lomme
Senior Governance Specialist



Borrower/Client/Recipient

Ministry of Planning and International Cooperation

Implementing Agencies

Ministry of Planning and International Cooperation

Zeina Toukan

Secretary General

zeina.toukan@mop.gov.jo

Maher Abdelrahim

Head of Division WB

maher.abdelrahim@mop.gov.jo

FOR MORE INFORMATION CONTACT

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 473-1000

Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Meriem Ait Ali Slimane Aijaz Ahmad Roland Lomme
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Approved By

Environmental and Social Standards Advisor:		
Practice Manager/Manager:		
Country Director:	Claire Kfoury	19-Sep-2019