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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM APPRAISAL DOCUMENT

ON

PROPOSED LOAN AND CREDIT

IN THE AMOUNT OF US\$300 MILLION
(US\$100 MILLION IDA AND US\$200 MILLION IBRD FINANCING WITH THE CONCESSIONAL
FINANCING FACILITY SUPPORT)

TO THE

HASHEMITE KINGDOM OF JORDAN

FOR

ECONOMIC OPPORTUNITIES FOR JORDANIANS AND SYRIAN REFUGEES
PROGRAM-FOR-RESULTS

September 2, 2016

TRADE AND COMPETITIVENESS GLOBAL PRACTICE
MIDDLE EAST AND NORTH AFRICA REGION

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CURRENCY EQUIVALENTS
(Exchange Date Effective July 31, 2016)

Unit of Currency = Jordanian Dinar (JOD)
US\$1 = JOD 0.709
US\$1 = XDR 0.71767931

Fiscal year: July 1 - June 30

ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics
AB	Audit Bureau
CFF	Concessional Financing Facility
CGE	Computable General Equilibrium
CRM	Client Relationship Management
CPF	Country Partnership Framework
DFID	U.K. Department for International Development
DLI	Disbursement-Linked Indicator
DLR	Disbursement-Linked Result
EBRD	European Bank of Reconstruction and Development
ESSA	Environmental and Social Systems Assessment
EU	European Union
FAFO	FAFO Institute for Applied International Studies
FSA	Fiduciary System Assessment
GAM	Greater Amman Municipality
GCC	Gulf Cooperation Council
GBD	General Budget Department
GDP	Gross Domestic Product
GFMIS	Government Financial Management Information System
GoJ	Government of Jordan
GSD	General Supplies Department
GTAP	Global Trade Analysis Project
GTD	General Tender Directorate
HSE	Health, Safety, and Environment
HR	Human Resources
ICT	Information and Communication Technology
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IPA	Investment Promotion Agency
IPU	Independent Public Government Unit
IT	Information Technology
JACC	Jordanian Anticorruption Commission

JIC	Jordan Investment Commission
JRP	Jordan Response Plan
JSMO	Jordan Standards and Metrology Organization
MoEnv	Ministry of Environment
MoF	Ministry of Finance
MoITS	Ministry of Industry, Trade, and Supply
MOL	Ministry of Labor
MOPIC	Ministry of Planning and International Cooperation
MOPSD	Ministry of Public Sector Development
MoPWH	Ministry of Public Works and Housing
NGO	Nongovernmental Organization
OSH	Operational Safety and Health
PDO	Program Development Objective
PforR	Program-for-Results
PAP	Program Action Plan
PMU	Program Management Unit
PFM	Public Financial Management
SAI	Supreme Audit Institution
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
SOP	Standard Operating Procedure
SORT	Systematic Operations Risk-Rating Tool
TVET	Technical and Vocational Education and Training
UNHCR	United Nations High Commissioner for Refugees
USAID	U.S. Agency for International Development

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HASHEMITE KINGDOM OF JORDAN
Economic Opportunities for Jordanians and Syrian Refugees
Program-For-Results

Table of Contents

I. STRATEGIC CONTEXT	1
A. Country Context	1
B. Sectoral (or Multisectoral) and Institutional Context	2
C. Relationship to the CPF and Rationale for Use of Instrument	4
II. PROGRAM DESCRIPTION	5
A. Government Program	5
B. Program Development Objective/s and Key Results.....	5
C. PforR Program Scope.....	6
D. Disbursement-Linked Indicators and Verification Protocols.....	10
E. Capacity Building and Institutional Strengthening.....	14
III. PROGRAM IMPLEMENTATION	16
A. Institutional and Implementation Arrangements	16
B. Results Monitoring and Evaluation	16
C. Disbursement Arrangements	17
IV. ASSESSMENT SUMMARY.....	17
A. Technical (including Program Economic Evaluation)	17
B. Fiduciary.....	19
C. Environmental and Social Effects	20
D. Risk Assessment	21
E. Program Action Plan.....	22
Annex 1: Detailed Program Description.....	24
Annex 2: Results Framework Matrix	35
Annex 3: Disbursement-Linked Indicators, Disbursement Arrangements and Verification.....	37
Annex 4: Summary Technical Assessment.....	51
Annex 5: Fiduciary Systems Assessment	64
Annex 6: Summary Environmental and Social Systems Assessment	78
Annex 7: SORT and Program Action Plan	87

Annex 8. Implementation Support Plan89
Annex 9. Role of Partners in Program Implementation90

PAD DATA SHEET

Hashemite Kingdom of Jordan

Economic Opportunities for Jordanians and Syrian Refugees Program-for-Results

PROGRAM APPRAISAL DOCUMENT

Middle East and North Africa Trade and Competitiveness

Basic Information					
Date:	September 2, 2016		Sectors:	Trade and Competitiveness	
Country Director:	Ferid Belhaj		Themes:	Investment Climate, Jobs, Trade, Spatial Development and Investment Promotion	
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Program ID:	P159522				
Team Leader(s):	John Speakman Meriem Ait Ali Slimane				
Program Implementation Period:	Start Date:	September 27, 2016	End Date:	January 31, 2021	
Expected Financing Effectiveness Date:		December 22, 2016			
Expected Financing Closing Date:		January 31, 2021			
Program Financing Data					
<input checked="" type="checkbox"/>	Loan	<input type="checkbox"/>	Grant	<input checked="" type="checkbox"/>	Other
<input checked="" type="checkbox"/>	Credit				
For Loans/Credits/Others (US\$, million):					
Total Program Cost :	386		Total Bank Financing :	300	
Total Co-financing :	86		Financing Gap :	0	
Financing Source		Amount			
BORROWER/RECIPIENT		86			
IBRD (with the Concessional Financing Facility Support)		200			
IDA		100			
Total		386			

Borrower: HASHEMITE KINGDOM OF JORDAN									
Responsible Agency: MINISTRY OF PLANNING AND INTERNATIONAL COOPERATION									
Contact:	Dr. Saleh Al-Kharabsheh				Title:	Secretary General			
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Expected Disbursements (in US\$, millions)									
Fiscal Year	FY17	F18	FY19	FY20	FY21				
Annual	145	51.7	55.1	48.2	0				
Cumulative	145	196.7	251.8	300	300				
Program Development Objective(s)									
Improve Economic Opportunities for Jordanians and Syrian Refugees in Jordan									
Compliance									
Policy									
Does the program depart from the CPF in content or in other significant respects?						Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the program require any waivers of Bank policies applicable to Program-for-Results operations?						Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Have these been approved by Bank management?						Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Is approval for any policy waiver sought from the Board?						Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Overall Risk Rating: HIGH									
Name	Recurrent				Due Date			Frequency	
Program Operational Manual					Not later than four (4) months after the Effective Date				
Description of Covenant									
The Borrower/Recipient shall, not later than four (4) months after the Effective Date, prepare an operational manual for the Program, in form and substance acceptable to the Bank/Association, containing detailed (i) administrative, procurement, financial management and monitoring and evaluation procedures; (ii) environmental and social management systems and complaints and grievance redress mechanism; (iii) Program Action Plan; (iv) arrangements for verification of achievement of the DLR (including the Verification Protocol); (v) process and procedures for determining Syrian refugees status; (vi) rules and procedures for renewal of Work Permits including facilitated process, and (vii) coordination and oversight arrangements for the Program.									
Name	Recurrent				Due Date			Frequency	
External Auditors					Not later than six (6) months after the Effective Date				
Description of Covenant									
The Borrower/Recipient shall, not later than six (6) months after the Effective Date, hire and thereafter maintain at all times during Program implementation, external auditors whose qualifications, experience, and terms of reference shall be acceptable to the Bank/Association.									
Name	Recurrent				Due Date			Frequency	

Verification Protocol		Not later than three (3) months after the Effective Date	
Description of Covenant			
The Borrower/Recipient shall: (a) not later than three (3) months after the Effective Date, recruit independent verification agencies under terms of reference satisfactory to the Bank to be responsible for preparing and providing verifications reports certifying the achievement of DLR (3) which is set forth in Section IV.A.2 of this Schedule; (b) ensure that the Audit Bureau prepares and provides verifications reports certifying the achievement of DLRs (1), (2), (4) and (5), which are set forth in Section IV.A.2 of this Schedule; (c) ensure that the PMU prepares the consolidated implementation report after the verification of compliance of said DLRs; and (d) furnish a report on the results of said verification of compliance process of such scope and in such details as the Bank/Association shall request.			
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I. STRATEGIC CONTEXT

A. Country Context

1. **Jordan is a small middle-income country facing severe challenges.** These challenges are brought by insecurity in neighboring Syria and Iraq. The total closure of land trade routes with Syria and Iraq and other security-related challenges within and around Jordan adversely affected trade, tourism, investment, and construction.¹ According to a census conducted in 2015, Jordan has a population of 9.5 million (of which about a third are non-Jordanian) and suffers from a high unemployment rate of 13 percent for Jordanians (about 200,000 individuals). Real gross domestic product (GDP) growth is estimated to have contracted to 2.4 percent in 2015 from 3.1 percent in 2014.² GDP growth is forecasted to rebound slightly over 3.0 percent on average from 2016 to 2018. This low growth rate is insufficient to provide enough jobs to the growing population in Jordan.

2. **The crisis in Syria has led to a massive influx of Syrian refugees into Jordan over the past five years.** As of June 2016, Jordan hosts 655,217 Syrian refugees registered with United Nations High Commissioner for Refugees (UNHCR),³ 80 percent of whom live in host communities. About 75 percent of Syrian refugees live in the governorates of Mafraq, Irbid, and Amman. The largest camp is the Al Zaatari camp in Mafraq, host to almost 80,000 Syrian refugees. According to the recently concluded census, the total number of Syrians refugees has reached about 1.3 million, and there are a further 1.6 million non-nationals in Jordan. According to the Ministry of Labor (MOL), 324,000 foreigners have work permits, 65 percent of them are Egyptians, 3 percent are from other Arab countries, 26 percent are South Asians, and only 2 percent are Syrian refugees.

3. **The situation of most Syrians in Jordan is highly vulnerable.** Extremely vulnerable female-headed households represent a quarter of all refugee households. Approximately 17 percent of the refugees live in camps. The majority of refugees—about 80 percent—are below the national poverty line and need assistance through access to expanded education, health, and housing as well as economic opportunities.

4. **The Government of Jordan (GoJ) and the international community requested World Bank Group (WBG) support for a holistic approach to the Syrian refugees' influx, targeting both the Jordanian host communities and the refugees in Jordan.** The parameters of the international response were defined in the Compact, which was adopted in the "Supporting Syria and the Region" Conference held in London on February 4, 2016 at the heads of state level. This program supports the economic opportunity aspects of the Compact.

5. **The World Bank's response is multifaceted, helping host countries cope with the impact of refugee inflows on their economic and social fabric and turn this shock into an opportunity.** Reconstruction and recovery needs are equally relevant and significant volumes of resources will be needed to help Jordan and the countries in the region recover from the regional crisis.

6. **This World Bank intervention will support Syrian refugees and the Jordanian host communities.** The severity of the external shock the Syrian and Iraqi crisis imposed on Jordan requires an exceptional and targeted response. Moreover, the proposed operation will be provided on concessional terms through use of an IDA Credit and support from a new Concessional Financing Facility (CFF), set up

¹ As an indication, and comparing 2015 results with 2014, the number of tourist arrivals regressed by 9.7 percent; similarly, the number of construction permits were 9.6 percent lower and exports to Iraq and Syria were cut by 40.5 percent and 40.3 percent, respectively.

² Economic growth averaged 6.5 percent from 2000 to 2009. The economy's performance was more muted from 2010 to 2014, averaging growth of 2.7 percent.

³ Source: UNHCR June 2016.

so that middle-income countries affected by an influx of refugees are able to borrow at below regular multilateral development bank rates for providing a global public good. Importantly, the CFF represents a coordinated response by the international community to the Syrian refugee crisis, bridging the gap between humanitarian and development assistance and enhancing the coordination between the United Nations (UN) and multilateral development banks.

B. Sectoral (or Multisectoral) and Institutional Context

7. **To generate economic opportunities in Jordan, there are three broad themes that this Program for Results (PforR) addresses.** The first theme is the need for implementation of labor market reform to allow more active (formal and legal) participation of the Syrian refugees in the labor force. The second theme is to improve the investment climate, by implementing a systematic and broad-based reform program, including in areas like regulatory reform and trade and investment facilitation. The third theme is creating an environment to attract investments, which will require much more proactive investment promotion and facilitation activities. Together, these measures combined with the efforts of the international community to help Jordan expand its markets (notably the European Union (EU) market access) and interventions by donors in ‘jobs for work’ programs, vocational training, small and medium enterprise (SME) incubation, and financing are expected to make a significant impact on job creation and developing economic opportunities for both Jordanians and Syrian refugees.

8. **This PforR aims at improving Jordan’s competitiveness and attractiveness to investments to foster job creation.** It seeks to improve the investment climate in Jordan, as well as the country’s investment promotion capacities while increasing access for Syrian refugees to the labor market.

Box 1. Key Features of the Jordan Labor Market

The Jordan labor market was already highly challenged before the advent of the Syrian refugees. The economically active population is 35 percent (60 percent among men and only 13 percent among women) compared with an international norm of 60 percent. About 120,000 Jordanians enter the work force per year, and approximately 55,000 find employment. The unemployment rate has hovered between 12 percent and 14 percent for the past decade—accounting for about 200,000 individuals. Females and the least educated constitute the majority of the 65 percent of the population that is inactive. More so, about half of employment in Jordan is informal.

A large number of highly skilled Jordanians move abroad as economic migrants, largely to Gulf Cooperation Council (GCC) countries, where it is easier for them to find the jobs matching their skills.

At the same time, Jordan has long relied on economic migrants to fill private sector jobs that Jordanians do not want. There are approximately 650,000 economic migrants working in Jordan. In 2015, work permits were issued for 110,000 new economic migrants. Non-Jordanians are allowed to work subject to a set of restricted professions and sector-specific quotas.

Source: National Employment Strategy 2011–2020 and MOL reports.

9. **A core goal of this Bank-supported Program is to enable the development of new market opportunities that can attract new investments into Jordan.** Better market access for exports from the Jordanian special economic zones (SEZs) to the European Union (EU) represents one of these new market opportunities. Other opportunities lie in the immense potential for the development of construction industries to support the reconstruction of Syria and other areas in the region. Finally, Jordan’s political stability is a significant opportunity for the country to position itself as an attractive investment destination in the region—provided its investment climate is significantly improved. Most new investments are likely to come from existing investors already present in Jordan. A preliminary market assessment identifies substantial interest from this group in an investment offer, which combines the EU market access with investment incentives. In addition to these investors, there is an opportunity of targeting the following investor groups: (a) the Syrian business diaspora, particularly those that can bring established export market

relations with them; (b) other regional investors (GCC in particular); and (c) international investors in specific industries attracted by market access or the future opportunities that reconstruction of Syria will offer.

10. **Better market access to the EU for Jordanian exports will come from the relaxation of rules of origin requirements**—a preferential access to the EU market entered into force in July 2016. This agreement is limited in time to 10 years, and restricted in terms of eligible product lines and geographically to a specified number of SEZs (at this stage 18).

Box 2. SEZs in Jordan

Jordan has a long and mixed history with SEZs of various forms. These include qualified industrial zones, free zones, development authorities, and SEZs. Today some of them are fully occupied but many have significant spare capacity. The measures contained in the Compact that the PforR supports aim to develop these SEZs for the benefit of Jordanians and Syrian refugees, and include the following:

- The EU trade preference, which specifies that the firms exporting to Europe must be located in the SEZs
- Measures to reform the labor market, which will allow Syrian refugees to work in these zones
- Measures to strengthen investment promotion to attract investors based on the market preference and other incentives offered by the SEZs
- Measures to improve the investment climate, particularly in the area of trade facilitation

In parallel with the PforR, the intention is to support, in close collaboration with International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency, the development of these SEZs with development-oriented public-private partnerships and specific investment promotion efforts.

11. **The SEZs, which will enjoy trade preference to the EU, are already well established and serviced.** They have idle capacity (vacant land and capacity potential in existing factories). For example, in Al Mafraq, a 23 km² zone adjacent to Al Zaatari camp, only 10 percent of the land is occupied.

12. **Jordan has a weak business environment.** In parallel with investment promotion efforts to target the new opportunities described earlier, substantial reform of the business environment is required. With regard to Doing Business Indicators, Jordan ranks 113th globally, out of 189 countries, in 2016 (down from 107 last year). Moreover, the business environment is reputed to be unpredictable as policy changes can occur with neither consultation nor notice. Implementation of regulations is also an issue—it is often arbitrary and unpredictable. Syrian investors and other restricted nationalities (such as Iraqi and Yemeni) face a different treatment with regard to business entry, such as solvency requirements in the form of large bank deposits to obtain an investor status (JOD 250,000). In addition to addressing the business environment, other important areas that will require significant improvement as part of the implementation of the Compact include: (a) access to finance, which has been identified as one of the most important obstacles to firms operations by the recent Enterprise Survey (2013–2014); (b) incubation type support for some industries—provision of rentable factory space; (c) transportation and child care (core issues for women’s employment); (d) trade facilitation; and (e) skills development. Not all of these are covered by the PforR. Skills development and vocational training, as well as access to finance, are supported by other donors and other programs.

13. **Another core goal of this Bank-supported Program is to improve economic opportunities for Syrian refugees.** Before 2016, the vast majority of Syrian refugees were not able to work legally in Jordan. Although there was no law against Syrian refugees working, very few met the requirements of the existing work permit regulations. At the end of 2015, only 5,700 Syrian refugees were working legally in Jordan. A much larger number worked in the informal sector. Estimates of Syrian refugees working in the informal

sector ranged from 42,000 to 150,000. Syrian refugees living in camps face additional constraints as their mobility outside of the camps is highly restricted. Improving economic opportunities for Syrian refugees will come in large part from making it easier for them to work legally and not face the uncertainty associated with informal labor.

14. **At the London Conference “Supporting Syria and the Region” (February 4, 2016) where the Compact was adopted, the Government of Jordan committed to generate 50,000 job opportunities for Syrian refugees in the short term—primarily in the form of work permits, rising to 200,000 in the coming years.** These opportunities to work legally will come from three sources: (a) legalization of Syrian refugees who are currently working illegally; (b) employment of Syrian refugees in job vacancies that would have otherwise been filled by new, incoming economic migrants from other countries—both of these first channels will materialize in the short term; and (c) jobs created in the medium term through the planned improvement of the investment climate, the opportunities offered by improved market access to the EU, the reconstruction of Syria, and cash-for-work programs. To support the target, the GoJ has taken several important steps, including (a) allowing Syrian refugees to use the Ministry of Interior ID card in lieu of a passport and removing the prohibition to work; (b) prioritizing Syrian refugees over economic migrants by placing a partial moratorium on new economic migrants entering Jordan and waiving work permit fees for Syrian refugees; and (c) relaxing labor inspections targeting Syrian refugees for the next two years.

C. Relationship to the CPF and Rationale for Use of Instrument

15. **The proposed operation directly supports the first pillar of the WBG Country Partnership Framework (CPF) for Jordan (Report Number 102746-JO), discussed by the World Bank Board of Executive Directors on July 14, 2016, which is to catalyze the private sector’s role as an engine for growth.** It is fully aligned with Jordan’s Vision 2025, which calls for a transformation of Jordan’s development model to increase competitiveness and provide more private sector employment opportunities. This pillar will aim at implementing the necessary investment climate reforms and facilitating greater participation of the private sector in the economy. It links closely to the WBG strategic goals of ending extreme poverty and boosting shared prosperity in a sustainable manner. The proposed operation is aligned with the resilience and renewing the social contract pillars of the Middle East and North Africa Regional Strategy (October 2015). Moreover, specific initiatives on home-based work will help women access the labor market. The youth will benefit from the jobs created by the program. These are two important crosscutting regional priorities. Finally, it provides an opportunity for the WBG to demonstrate its capacity to provide flexible, innovative support to address the implications of regional fragility.

16. **The PforR instrument was chosen primarily to support the multi-faceted government program, in particular its results orientation.** As the GoJ notes in the Vision 2025, “the challenge is more in achieving effective and disciplined implementation rather than knowing what to do.” The PforR instrument, which emphasizes sustained results on the ground with parallel capacity measures, fits well with this orientation. Moreover, it demonstrates a strong affirmation of the program which helps the Government manage stakeholder concerns, provides some comfort to the refugees themselves, and provides a level of predictability to investors. It also allows for improvement of systems and institutions that will lead to the implementation of a large and critical part of the Government’s program. Such a broad level of support would not have been feasible through an Investment Project Financing. Also, while a Development Policy Loan can only support actions related to policy/regulatory reforms, the PforR will support, over a period of time, a program of critical investments (in addition to regulatory and institutional improvements. It also allows for a flexible and scalable disbursement schedule provided results are achieved and verified.

II. PROGRAM DESCRIPTION

A. Government Program

17. **“The Compact’s approach is anchored on three interlinked pillars, to support Jordan’s growth agenda whilst maintaining its resilience and economic stability:**

- (a) Turning the Syrian refugee crisis into a development opportunity; that attracts new investments and opens up the EU market with simplified rules of origin—all with the aim to create jobs for Jordanians and Syrian refugees whilst supporting the post-conflict Syrian economy;
- (b) Strengthening Jordanian host communities’ resilience to the refugee crisis by adequately financing public services through grants, in the context of the Jordan Response Plan 2016–2018, in particular the resilience of host communities; and
- (c) Mobilizing sufficient grants and concessional financing to support the macroeconomic framework and address Jordan’s financing needs over the next three years, as part of Jordan entering into a new Extended Fund Facility program with the IMF.”⁴

18. **The core elements of the Compact consist of investment climate reforms, labor market reform with a focus on legalizing the work status of the Syrian Refugees, investment promotion and facilitation, education of the Syrian refugee children, the Jordan Response Plan (JRP), and macroeconomic stability.** The proposed PforR addresses a part of this government program. The Program will also contribute to the higher-level objectives of Jordan’s Vision 2025, which “charts a path for the future and determines the integrated economic and social framework that will govern the economic and social policies based on providing opportunities for all.”

19. **This PforR supports the implementation of the Jordan Compact, in particular with regard to economic opportunities for Syrian refugees.** Jordan’s ability to implement its Compact commitments in this regard remains tied to the continued support provided by the international community and fulfillment of its London commitments.

B. Program Development Objective/s and Key Results

20. **Based on the objectives of the Jordan Compact and the proposed Program boundaries, the Program development objective (PDO) is to improve economic opportunities for Jordanians and Syrian refugees in Jordan.** This can be further explained as follows:

- (a) ‘Improve’ involves both creating economic opportunities for Jordanians and Syrians and legalizing the status of Syrians currently working in Jordan.
- (b) ‘Economic opportunities’ involve entrepreneurship, self-employment, formal employment, and improved investment climate.
- (c) ‘Jordanians and Syrian refugees’ implies that the program beneficiaries are Jordanians and Syrian refugees living in Jordan regardless of their status.

⁴ Source: The Jordan Compact as agreed at the Supporting Syria and the Region Conference in London, on February 4, 2016.

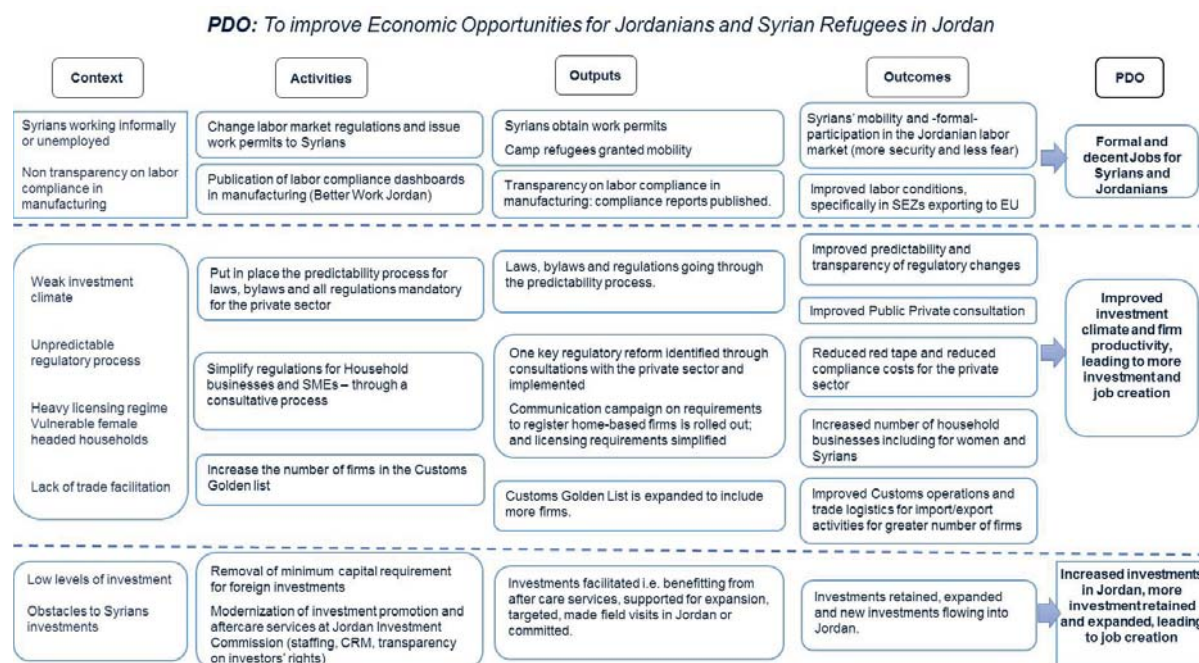
Key Program Results

21. **The PforR seeks to provide economic opportunities for both Jordanians and Syrian refugees by:**

- (a) reforming Jordan’s labor market regulations to grant access to Syrian refugee workers to the formal labor market and allowing them to legally contribute to Jordan’s economic activity;
- (b) improving Jordan’s investment climate through improving predictability of regulations and reducing red tape, supporting small businesses and trade facilitation; and
- (c) attracting and retaining investments—both domestic and foreign—especially in manufacturing, in SEZs that will benefit from preferential access to the EU. The foreign investments will most likely come from: (i) the Syrian business diaspora; (ii) regional investors; and (iii) investors targeting the EU market.

22. **The economic modelling shows a positive cost-benefit ratio for this Program,** owing to a better business environment, lower compliance costs for firms, and increased firm productivity as well as increased investments and job creation.

Figure 1. The Result Chain and Logic for Disbursement-Linked Indicators’ Selection



C. PforR Program Scope

23. **To support the implementation of the Jordan Compact, this PforR will support the following core themes:** (a) improvement in the business environment, (b) investment promotion, and (c) implementation of labor market reform. These topics represent the boundaries of the Program. **Other topics in the Compact were not included** such as: (a) Jordan Response Plan initiatives, (b) education for the Syrian refugee children, (c) vocational training, and (d) measures to support macroeconomic stability. The JRP is planned to be supported by a number of donors and UN partners through grants. Education for the

Syrian refugee children to ensure there is no lost generation is supported by a group of donors and UN partners and is led by the United States and the United Nations Children’s Fund. The macroeconomic stability objective is supported by other programs and donors (the United States and the EU in particular), including an International Monetary Fund (IMF) program (US\$723 million extended arrangement under Extended Fund Facility) approved by the IMF Executive Board in August 2016, as well as the ongoing series of World Bank development policy loans.

Box 3. Status of Vocational Training in Jordan

Apart from general education, technical and vocational education and training (TVET) in Jordan plays an important role in economic development. Jordan suffers from a missing middle of the skills pyramid (National Employment Strategy). Students entering community colleges and universities oversubscribe education, humanities, and nontechnical fields and undersubscribe science, technology, engineering, and math disciplines. Attention to TVET is an important part of the strategy to address the missing middle of the skills pyramid.

TVET encompasses the vocational education offered in secondary schools (grades 11 and 12) by the Ministry of Education, the technical education offered by community colleges under the Al-Balqa Applied University, the vocational training offered by Vocational Training Centers of the MOL, and the National Employment Training Company (NET) established in 2007 by the Jordanian Armed Forces. TVET is also provided by private and nonprofit institutions.

Where government spending on TVET is concerned, there exist pockets of excellence in public and private provision of TVET, but on the whole, the TVET system is inadequate to ensure that Jordan can create a knowledge-based economy and fill the missing middle of the skills pyramid (technicians and skilled labor).

This conclusion was reached in numerous donor and government studies and reflected in the National Employment Strategy. Weaknesses in TVET include: (a) weak governance and coordination, (b) financing that does not encourage accountability for performance, (c) management that is overly centralized, and (d) a general disconnect of employer demand with supply leading to low quality and relevance of the skills produced.

Employers consequently complain about the lack of relevance of the skills produced by the TVET system and their quality. There is no shortage of knowledge among analysts and Jordanian policy makers as to the weaknesses of the TVET system or the reforms that are needed to address these weaknesses.

The EU supported development of a government strategy for TVET reforms for 2014–2020 that contains five pillars for action: governance, relevance for employability, increasing inclusiveness, performance measurement, and sustainable and effective funding. The U.S. Agency for International Development (USAID) has a Workforce Development Project that aims to train a substantial number of workers. Germany has a pilot aimed at approximately 7,000 people.

With a recent change of government, donors and TVET stakeholders are currently waiting for the issuance of a new government TVET strategy that is due to be released shortly by a special commission to guide future reforms of the system.

24. The Government’s Action Plan of February 22, 2016, for the Compact has seven key components, which are set out in Table 1.

Table 1. Status of the Government Action Items and Role of the PforR

Government Action Items	Status	Role of PforR
Governance structure and implementation follow-up mechanisms	A PMU has been established within MOPIC. The Government has recently appointed a deputy prime minister whose responsibilities include implementation of the Compact.	The PforR measures that are consistent with the Compact will be implemented by the PMU.

Government Action Items	Status	Role of PforR
Improved market access to the EU including the designated areas	The EU has granted Jordan a preferential access to its market through the relaxation of the rule of origin in July 2016.	The PforR supports trade facilitation, which will help exporting firms reap the benefits of the EU trade agreement.
Labor market reforms	The GoJ is making good progress on the issuance of work permits.	The permits are a pillar of the PforR. Vocational training support is provided by other donors (see Box 3).
Doing business, investment reforms, and development zone approach	The GoJ is making progress and has already implemented a key investment promotion reform. The World Bank Group (IBRD and IFC in particular) is working in a coordinated way with donors to support.	Core to this PforR.
Grant support for the JRP	This is coordinated by a JRP support team in MOPIC.	This is not part of the PforR.
Grant support to the education sector	USAID is taking the lead among a group of donors to meet these needs.	This is not part of the PforR.
Concessionary financing—grants	CFF projects/programs, including this operation, are being developed with IBRD and EBRD at present.	This operation falls under this umbrella.

Note: PMU = Program Management Unit; MOPIC = Ministry of Planning and International Cooperation; EBRD = European Bank for Reconstruction and Development.

25. **The overall Government program will be financed from four main sources:**

- (a) Government budgetary contributions
- (b) IDA, IBRD with the CFF support
- (c) Extra-budgetary government contributions such as forgone revenues
- (d) Donors' programs

Table 2. Government Program Financing

Source	Amount (US\$, millions)	% of Total
Government, through the budget	86	22
IBRD/IDA/CFF	300	78
Total Program Financing	386	100

26. **The expenditure framework consists of the expenditures related to the implementation of the Program of a number of ministries, as well as non-ministerial agencies such as the Jordan Investment Commission (JIC) and Jordan Standards and Metrology Organization.** Figure 2 details these expenditures by agency. Over five years (the expected implementation period), expenditures are estimated to be US\$386 million, supporting the Government to maintain the activities of key ministries and agencies involved in the implementation of the Compact. The value of work permit revenue foregone could be included in the final expenditure framework reconciliation. Extra-budgetary contributions by the GoJ, including tax incentives and subsidies to the private sector, are not included at this stage. These

(noncounted) contributions are estimated to exceed US\$100 million per year over the implementation period.

Figure 2. Expenditure Framework (million US\$)



Source: World Bank staff calculations

27. **The combined IDA and IBRD financing will be US\$300 million.** The IDA support in the amount of US\$100 million was approved by the IDA Board of Executive Directors on an exceptional basis, to recognize the challenges Jordan faces due to the Syrian refugee crisis. The IBRD financing is intended to be supported by the newly established CFF, which will enable the remaining US\$200 million to be delivered on concessional terms.

28. **The Concessional Financing Facility (CFF) is the result of a partnership among the WBG, the United Nations (UN) and the Islamic Development Bank Group to mobilize the international community to address the financing needs of middle-income countries hosting large numbers of refugees.** By combining donor grant contributions with multilateral bank loans, the CFF enables eligible middle-income countries that are facing refugee crises to borrow from multilateral development banks on concessional terms. The CFF represents a coordinated response by the international community to the Syrian refugee crisis, bridging the gap between humanitarian and development assistance and enhancing the coordination among the UN, donors, and multilateral development banks. The CFF is supported by pledges from Canada, the European Commission, Germany, Japan, Netherlands, Norway, the United Kingdom, and the United States of America.

29. **Donor financing that does not go through the budget and government extra-budgetary contributions is not included in the expenditure framework.** These amounts are significant (see Table 3). Vocational training, access to finance, and upgrading of SMEs are already well funded through donor contributions, and are therefore excluded from the scope of this PforR. Donor grant-based contributions to this program are estimated at more than US\$500 million over the implementation period. They come through three main channels: (a) direct bilateral donor programs (EU, Germany, the United Kingdom, and the United States being the main contributors); (b) multi-donor trust funds that include bilateral contributions⁵ administered by multilateral institutions such as the World Bank; and (c) nongovernmental organizations (NGOs)—there is an active NGO community that is engaged in many aspects supporting the Compact. The EU, which is responsible for donor coordination in the private sector development area, has identified over 60 different donor-funded activities in this area. There are also a number of activities related to livelihoods, such as cash for work, which have some spillovers into the Compact topics. These include

⁵ Emergency Social Services and Resilience Project.

the World Bank-administered Emergency Social Services and Resilience Project and the German Partnership for Prospects. These latter two programs are set up to provide an immediate source of jobs for Syrian refugees.

Table 3. Key Donors Supporting the Compact

Donor	Programs	Approximate Annual Amount (US\$, millions)
World Bank Group	Regulatory and Investment Promotion Reform (through various trust funds including the Transition Fund), Emergency Social Services and Resilience Project	25
EBRD	SME Financing Support	10
EU	Vocational Training, SME Support	20
OPIC (United States)	SME Financing Support (guarantee facility)	20
USAID	Work Force Development Program, Jordan Competitiveness Program, SME Financing Program	25
Germany - BMZ	Partnership for Prospects	200*
Other donors: DFID, JICA, GTZ, AFD, CIDA, UNDP, Arab Fund	Vocational Training, SME Support (including finance)	15

Note: * FY2017 amount is US\$200 million and FY2018 amount is US\$150 million.

AFD = Agence Francaise de Developpement; BMZ = German Federal Ministry for Economic Cooperation; CIDA = Canadian International Development Agency; DFID = U.K. Department for International Development; GTZ = German Agency for Technical Cooperation ; JICA = Japan International Cooperation Agency; UNDP = United Nations Development Programme ; OPIC = Overseas Private Investment Corporation

D. Disbursement-Linked Indicators and Verification Protocols

30. The proposed Program’s disbursement-linked indicators (DLIs) were developed in close consultation with the Government and were selected using the following criteria:

- (a) Relevance to the economic opportunity objective of the Compact and other key governmental strategies (Vision 2025)
- (b) Incentive to drive impact—focus on results of the ground
- (c) Simplicity
- (d) Scalability—they can be spread over a number of years to reinforce reform momentum
- (e) Timeliness—so an appropriate disbursement pattern can be achieved
- (f) Verifiable

31. Underlying the proposed investment climate actions is the need to improve the overall governance of private sector-related policymaking. Measures that this PforR will support include improving the regulatory governance framework in Jordan; reducing regulatory uncertainty; improving predictability; and reducing red tape, which should reduce arbitrariness and unfair treatment of investors. Taken together, these measures should also improve public stakeholder accountability as well as regulatory service delivery.

32. **The five DLIs summarized in Table 4 are detailed in Annex 1.**

Table 4. Description of the DLIs

DLI	Description
Theme 1: Improving Labor Market	
1	Number of work permits issued to Syrian refugees
2	Annual public disclosure by Better Work Jordan of report on factory-level compliance with a list of at least 29 social and environmental-related items
Theme 2: Improving Investment Climate	
3	Establishment and implementation of selected simplified and predictable regulations for the private sector, including household businesses
4	Increase in number of enterprises on the Customs Golden List
Theme 3: Improving Investment Promotion	
5	Number of investments benefitting from investment facilitation by JIC

Theme 1: Improving the Labor Market

33. **The number of work permits issued to Syrian refugees.** In support of the implementation of the Compact, the GOJ will issue each year work permits to Syrian refugees (as set out in the table below). **In addition, in order to ensure sustainability, GOJ will take all agreed upon necessary measures to facilitate the issuance of work permits for refugees.** Specific agreed upon measures will be detailed in the Program Operational Manual. To achieve DLI#1 prior result, 20,000 work permits are to be issued between April 8 and October 31, 2016 to Syrian refugees.

Table 5. DLI#1: The Number of Work Permits Issued to Syrian Refugees

	Baseline (as of April 8, 2016)	April 8 to December 31, 2016	January 1 to December 31, 2017	January 1 to December 31, 2018	January 1 to December 31, 2019
Number of Work Permits* issued to Syrian Refugees	5,300	25,000	55,000	90,000	130,000

34. **This PforR supports the implementation of the Jordan Compact, which includes commitments from the Government of Jordan and the international community.** Jordan's ability to implement its Compact commitments remains tied to the continued support provided by the international community and fulfillment of its London commitments.

35. **Better Work** is a joint International Labor Organization (ILO) and IFC program that provides assessment, advisory, and training services to factories and to improve working conditions and increase compliance with international labor protection standards (child labor, working conditions, and so on) and local labor law. **Labor compliance with Better Work will be fostered through DLI # 2: Annual public disclosure by Better Work Jordan of report on factory-level compliance with a list of at least 29 social and environmental-related items.** This Program will be expanded to include factories exporting using the EU trade preference. A major concern of stakeholders has been the nondisclosure of the findings of these inspections. The proposed DLI will require disclosure of inspection findings. This compliance is also an important part of the investment value proposition.

Theme 2: Improving the Investment Climate

36. **Business environment.** Jordan has a very poor track record of implementing business climate reforms. This is reflected in poor performance in Doing Business measures such as distance to the frontier and the World Economic Forum Competitiveness Index. The reasons for this poor performance relate to a lack of systematic processes to identify and implement reforms. Often, reforms are donor driven rather than developed organically and, as a result, there is very little buy-in from stakeholders and poor implementation of regulations. Processes to ensure implementation of reforms are also weak. **Businesses face a constraining regulatory environment in Jordan, limiting the potential for formal entrepreneurship and job creation, including home-based enterprises.** The objective behind the proposed reforms is to create momentum and address regulatory areas that are important impediments to business growth.

37. **This Program aims to institutionalize a systematic ‘home-grown’ process that will improve the business climate.** This includes (a) establishment of a deliberative and consultative process that provides a menu of reforms; (b) predictability measures to ensure any new reforms are subject to a public notice and consultation process; (c) development of a measurement system to assess implementation progress; and (d) articulation of clear targets. The menu may contain reforms identified at the start of implementation of the PforR as well as those identified through a consultative process during the Program lifetime.

38. **In approaching the investment climate area, a multipronged approach has been developed.**

- The first prong addresses the medium- to long-term challenge of developing a predictable, systematic approach to regulatory reform. The actions will be identified in consultation with the private sector. A measurement system and a baseline will be put in place.
- The second prong aims to provide immediate impetus to implementing reform by focusing on one regulatory area highly relevant to the business environment that can make an immediate impact while two others will be identified during the Program implementation, through a structured public-private open dialogue process.
- The third prong aims to facilitate the formalization of home-based enterprises. Home-based work (household enterprises) for many countries provides marginalized people—particularly women—work opportunities. In Jordan, where 65 percent of the working age population is not working formally, addressing some of the regulatory barriers to establishing these businesses could encourage more formalization of home-based enterprises, potentially leading to increased market access for some of them.

39. Another critical area of the business environment that will be supported by the Program is trade facilitation in order to take advantage of the EU trade preferences.

40. **Simple and predictable regulations for the private sector including household businesses.**

Table 6. DLI#3: Establishment and Implementation of Selected Simple and Predictable Regulations for the Private Sector Including Household Businesses

DLR 3.1: A reform establishing a predictability process for issuance of business regulations has been identified and adopted following an inclusive public-private dialogue and a measurement system (including baseline identification) has been prepared.	2017
DLR 3.2: One key business regulatory reform has been identified following an inclusive public-private dialogue, and a measurement system covering the time, cost, and complexity of the compliance process has been prepared (including baseline identification).	2018
DLR 3.3: 1000 officially established household enterprises, of which 100 are Syrian refugee owned and 100 female owned.	2019
DLR 3.4: 70 percent of business regulations mandatory to the private sector have been issued following the predictability process adopted under DLR 3.1.	2020
DLR 3.5: Regulatory burden on businesses has decreased by 30 percent following implementation of business regulatory reform adopted under DLR 3.2.	

Note: the baseline for household enterprises is 50. The target dates are indicative. Syrian businesses will be allowed to operate only in sectors open to foreigners.

41. **Trade and customs: increase in the number of enterprises on the Customs Golden List.** The DLI#4 encourages an expansion of the Customs Golden List/Trusted Trader Program list of firms that receive fast-track customs clearance. On an exceptional basis, these firms are subject to expedited clearance, including lowered guarantees, green channel streaming, cursory document review, and minimal to no physical inspections. The aim is to increase the number of importers and exporters benefiting from reduced physical inspections and increased customs clearance privileges.

Table 7. DLI # 4: Increase in Number of Enterprises on the Customs Golden List

	Baseline (2016)	2017	2018	2019	2020
DLI # 4: Increase in the number of enterprises on the Customs Golden List each year	n.a.	25	50	75	150

Theme 3: Improving Investment Promotion

42. **Attracting investment into Jordan is critical to generating jobs.** Three main avenues are expected to attract new investments in Jordan in the near future. The first is what is known as the SEZ approach, which is based on the notion that if a sufficiently attractive business environment is created in specific zones and EU market access is improved for these, then investors will develop enterprises that will benefit both Jordanians and Syrian refugees. This would allow Syrian refugees to stay closer to their homes and enable an eventual return to their homeland. At the same time, it is recognized that this return would take a number of years. The second avenue is encouraging new market development—this ranges from the potential that the future reconstruction of Syria to support from social entrepreneurs. The third avenue is encouraging the business diaspora (mainly Syrians) with existing export market links to establish businesses in Jordan. In addition, the proposed measures would help with the retention of existing investments (investor’s flight has become an issue in Jordan). The proposed DLI focuses on strengthening the investment promotion capability of the JIC. The DLIs will facilitate investment in Jordan and provide effective aftercare, including for firms of Syrian origin. This DLI has been developed in consultation with the JIC.

43. **As a first step, the JIC will remove the minimum capital requirements for foreign investments. The result to achieve will be the number of investments facilitated**, i.e. benefitting from investment facilitation by the JIC, which includes the following:

- (a) Basic communication/investor inquiries
- (b) Site visits facilitated
- (c) Secured investment commitment
- (d) Aftercare services

44. The target number of facilitated in investments is 530, with the following indicative trend over the Program implementation period:

Table 5. DLI#5: Number of Investments Benefitting from Investment Facilitation by the JIC

	Baseline (2016)	2017	2018	2019	2020
Number of investments benefitting from investment facilitation by the JIC	0	20	80	230	530

Verification

45. **The verification process will be managed by the Program Management Unit (PMU) in MOPIC in coordination with the government Audit Bureau (AB).** The World Bank has confirmed that the AB has sufficient credibility to act as the verifier for some of the DLIs of the PforR. However, AB has significant capacity constraints, and MOPIC has agreed that it will contract out to an independent third party the verification procedures for some of the DLIs. Verification protocols have been established for each DLI (the details are included in the Annex 4). A PMU was established at MOPIC and will be responsible for the Program coordination and implementation, as well as for managing the verification process of DLIs. MOPIC will coordinate with the government AB on verifying DLIs 1, 2, 4 and 5, and not later than three months after effectiveness recruit independent verification agencies that will be responsible for verifying the remaining DLI 3 under terms of reference satisfactory to the Bank. Apart from this, the PMU will be entrusted with compiling the annual financial statements and preparing any ad hoc financial reports to follow up on the Program financial activities, as necessary.

E. Capacity Building and Institutional Strengthening

46. **The World Bank and other development partners are undertaking substantial capacity building and institutional strengthening efforts in coordination with the PforR.** Some highlights of this support include the following:

- (a) **Investment climate reform:** (i) Jordan Economic Legislation Reform (ASA financed by the Middle East and North Africa Transition Fund), tackling the regulatory reform pillar; (ii) Doing Business Reform aiming at improving the business environment in areas measured by the Doing Business report, including reforms on secured lending (collateral registry) that is key to access to finance; and (iii) Inspections Reform (ongoing ASA), aiming at streamlining and simplifying the inspection regimes;
- (b) **Investment Promotion:** Jordan Competitiveness and Investment Promotion and Jordan Investment Policy and Promotion projects (also financed by the Middle East and North Africa Transition Fund) are supporting the JIC—including relevant functions of the JIC: (i)

developing the JIC investment window: simplification and standardization of the business registration function and licensing (including permits and pre-approvals) in selected sectors and (ii) developing the JIC's investment services: (1) promotion, (2) aftercare, grievance, labor permits, residency cards, and vehicles permits; and (3) incentives management.

47. **IFC has a longstanding engagement in Jordan and a strong commitment to support the Compact.** It has strategic investments in vocational training and the financial sector as well as advisory work in public-private partnerships and access to finance.

48. **Other capacity-building support is at present being mobilized and includes the following planned measures:**

- (a) Targeted investment promotion support focusing on the Syrian business diaspora. This activity aims at attracting diaspora investors in Middle East and North Africa (Syrians, Libyans, and Yemenis), who have established themselves competitively in international markets but have lost their operating base, to a number of well-established SEZs in Jordan.
- (b) There is an effort to evaluate pilot initiatives to spur job creation and entrepreneurship among Syrian refugees.
- (c) Trade facilitation. This upcoming activity will support the GoJ in implementing key reforms and steps toward the reduction of the logistical burden in the port of Aqaba that is key to exports to the EU and to maximize the benefits of the upcoming preferential market access that EU will grant to Jordan for the next 10 years (duty-free entry for a set of industrial products, main Jordanian exports).
- (d) Fostering the services sector such as (ICT), home-based work, construction services, and more generally professional services. The services sector is a priority of Jordan's Vision 2025. It is a large reservoir for jobs, especially for micro, small, and medium enterprises in the professional services and ICT sector. This is particularly the case for home-based work that the Jordan PforR aims at fostering to create new economic opportunities for Jordanians and Syrian refugees (today licensing home-based work is almost impossible).
- (e) Developing the construction sector and improving its readiness to participate in the future reconstruction of Syria. The construction sector in Jordan is important because it provides jobs to both Syrian refugees and Jordanians, thereby contributing to the economy, being self-reliant, and relieving tensions between refugees and host communities. Moreover, because of its proximity to Syria, Jordan could become a construction hub not only for the future reconstruction of Syria but also for the current construction needs in Al Mafraq and Irbid areas where the largest proportion of refugees live. For instance, Al Mafraq SEZ, near the north border with Syria, has spare capacity that could be used as a construction platform.
- (f) Syrian refugee access to labor market, decent jobs, and skills. To achieve the main goal of the Jordan Compact, the World Bank - through the PforR instrument and in coordination with the donor partners and the ILO - will provide continuous support to the GoJ in devising the policies and measures to enable smooth and effective participation of the Syrian refugee labor force in the Jordanian labor market through facilitating their access to work permits and training. Support in the area of monitoring labor and environmental (safety) standards in manufacturing will be provided to support the JIC in its social and environmental monitoring of the SEZs.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

49. **The counterpart agency for the PforR is MOPIC, which is responsible for overall implementation of the Compact.** With the assistance of USAID, MOPIC has established a PMU to manage the implementation of the Compact. This unit will also be responsible for the implementation of the PforR. The unit will have strong technical capacities in the key reform areas covered by the Compact as well as communications and monitoring and evaluation (M&E) functions. In the line ministries and agencies responsible for delivering the Program, some institutional strengthening is required. These requirements are detailed in the Program Action Plan (PAP).

50. **In terms of implementation, the PforR will rely on MOPIC and the general arrangements the Government has established for the coordination of the Compact implementation with key line ministries and agencies.** To strengthen its general economic reform capacity, the Government has recently created the position of a deputy prime minister charged with this responsibility. The key line ministries and agencies of the key results areas are detailed in Table 9.

Table 9. Key Implementation Ministries

	DLI Name	Responsible Ministry/Agency	Implementing or partnering agencies
1	Number of work permits issued to Syrian refugees	MOL	Ministry of Interior
2	Annual public disclosure by Better Work Jordan of report on factory-level compliance with a list of at least 29 social and environmental-related items	MOL	Better Work Jordan (ILO-IFC)
3	Establishment and implementation of selected simplified and predictable regulations for the private sector including household businesses	Prime Minister's Office The municipalities	Ministry of Trade, Industry, and Supply
4	Increase in the number of enterprises on the Customs Golden List	Jordan Customs	
5	Number of investments benefitting from investment facilitation by the JIC	JIC	Ministry of Trade, Industry, and Supply

B. Results Monitoring and Evaluation

51. **At the heart of the M&E system is the Results Framework, which was** developed to support these DLIs.⁶ This Results Framework details the intermediate steps needed to achieve the DLIs including the necessary capacity-building measures included in the PAP.

52. **The M&E system fully aligns with the overall Compact M&E system.** The M&E system will be managed by MOPIC. The PMU based in MOPIC will be responsible for monitoring and reporting on the result indicators, in coordination with relevant ministries. The PMU will report on the program indicators to the Government and the World Bank on a regular basis (quarterly). The PMU will develop an extensive Results Framework, beyond the Program's Results Framework, which will capture outputs and intermediate outcomes to show progress toward the PDO. The PMU will develop an M&E plan, which will

⁶ See Annex 2

detail the processes of monitoring the Program, sources of data, frequency of collection, different roles and responsibilities, and reporting requirements.

C. Disbursement Arrangements

53. **Disbursements will be made based on verified results, as measured by DLIs.** An advance of up to US\$75,000,000 (or equivalent) to be split between the loan and credit will be paid upon effectiveness of the Program. This advance can be used for documentation of future achieved DLIs.

54. For each achieved disbursement-linked result (DLR), a specific verification protocol has been established, as described in Annex 3 (Table 3.3) and will be further detailed in the Program Operations Manual. As needed, verifications will be carried out either by the Jordanian AB or independent verification agents hired by the PMU. Verification reports are expected to be submitted within two months following achievement of results.

55. Once the verification report has been completed, MOPIC will submit the documentation accompanied by the verification report to the World Bank. The World Bank will review and notify the GoJ to confirm (fully or partially) the achievement of results and the amount to be paid from each co-financier accordingly. Based on the notification, the GoJ can submit the related Withdrawal Applications through Client Connection and preferably through electronic submission.

56. Within six months after the end of the Program, the GoJ will carry out an expenditure reconciliation, to ensure that the total Program Expenditure Framework exceeds the total amount paid by the World Bank. Any excess amount will be reimbursed by the GoJ. Likewise, any balance of the advance not documented by achieved DLIs will be refunded to the World Bank.

IV. ASSESSMENT SUMMARY

A. Technical (including Program Economic Evaluation)

57. This Program aims at providing economic opportunities to Jordanians and Syrian refugees by expanding markets and addressing the key constraints to investment, trade, and job creation as well as to Syrian refugee access to the job market. This Program is expected to provide net positive benefits to the economy through the following:

- (a) **Improving the investment climate is expected to stimulate investments.** The business environment in Jordan needs significant improvement. The Program supports a number of areas: inspections, regulatory predictability, business regulations, and trade. Taken together, if implemented satisfactorily, these would improve the investment climate and send a strong positive signal to investors.
- (b) **The Program is expected to stimulate Jordan's exports, supporting the current account, which is traditionally in deficit.** In July 2016, the EU granted Jordan preferential market access by relaxing the Rules of Origin under the current EU-Jordan Association Agreement for 10 years in a set of subsectors and limited to a set of 18 SEZs. The PforR will support trade facilitation to reap the full benefits from this agreement and attract foreign direct investment in the selected subsectors, thereby increasing Jordanian exports to the EU. A similar preference granted by the United States in October 2000 generates today US\$1.6 billion of exports a year and provides about 60,000 direct jobs.

- (c) **Investment promotion**, attraction, and retention will facilitate the establishment and the expansion of firms in Jordan, thereby creating new jobs that will benefit both Jordanians and Syrian refugees.
- (d) **Improving job prospects for Syrian refugees and Jordanians will benefit the entire economy.** Creating economic opportunities will allow Syrian refugees and Jordanians to improve their economic well-being and will help ease the social tensions between the two communities.
- (e) **Improving job prospects for Syrian refugees will have large economic benefits as Syrian refugees will spend their revenues locally** (as opposed to sending them as remittances) and through the multiplier effect will create indirect jobs for both Jordanians and Syrian refugees.

Table 10. Benefits of the Program for Jordanians and Syrian Refugees

Measure	Benefits for Jordanians	Benefits for Syrian refugees
Labor Market		
Work permits issued to Syrian refugees	<p>The increased incomes accruing to Syrian refugees in Jordan will create multipliers in the economy from which Jordanian jobs will flow.</p> <p>Reduced financial burden (Syrian refugees will be more self-sufficient and pay more taxes)</p> <p>Complementary Syrian refugee skills will benefit the economy, particularly when Syrian reconstruction takes place.</p>	<p>Formal access to the job market</p> <p>Better conditions: more security</p> <p>Increased income through job creation</p> <p>Right to seek economic opportunities</p> <p>Reduced potential for extremism resulting from poverty and idleness</p>
Annual public disclosure by Better Work Jordan of factory-level compliance	Transparency in working conditions in manufacturing (garment sector first, then the sectors covered by the EU trade agreement), which will lead to better enforcement of labor and safety standards	
Investment Climate		
Predictability of the regulatory process	<p>Improve Jordan's investment climate, reduce firms' compliance cost, and improve firm productivity.</p> <p>This will benefit all Jordanians through increased employment and entrepreneurship opportunities, including household enterprises.</p>	<p>Increased employment opportunities and entrepreneurship opportunities, including household enterprises</p>
Regulatory simplification for SMEs and household enterprises		
Expanding the Customs Golden List	Improved trade logistics will increase firm productivity and facilitate exports, which will have spillover effects throughout the Jordanian economy through an improved balance of payment and job creation.	Increased employment opportunities
Investment Promotion		
Investments facilitated by the JIC	Improve Jordan's attractiveness to domestic and foreign investors and retain and expand investments in Jordan (in particular with the help	Increased income due to increased employment opportunities

Measure	Benefits for Jordanians	Benefits for Syrian refugees
	of the EU trade deal) and the subsequent job creation for Jordanians. Increased income due to increased employment opportunities	

B. Fiduciary

58. **A Fiduciary System Assessment (FSA) of the World Bank-financed Program was conducted in accordance with the World Bank’s policy on PforR financing.** The FSA considered whether the Program systems provide reasonable assurance that the financing proceeds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The scope of the FSA covered the Program Institutional Framework, fiduciary management and procurement capacity and implementation performance, institutions, and systems responsible for anticorruption aspects within the Program. Findings from the assessment, as well as a review of existing analytical and diagnostic work, conclude that the overall fiduciary and governance framework provides reasonable assurance that the financing processes will be used for the intended purposes to support the implementation of the proposed PforR.

59. **The overall fiduciary risk is rated Moderate.** The main risks and corresponding mitigation measures are specified in Section IV and Annex 5.

60. **The Program will follow the country’s public financial management (PFM) systems used for the execution of the budget.** The funds of the World Bank will be transferred to the treasury current account at the Central Bank of Jordan. MOPIC will be responsible for submitting withdrawal applications with the necessary supporting documents evidencing DLI achievements. The Program annual financial statements under the MOL and Ministry of Industry, Trade, and Supply (MoITS) will be audited by an independent external audit firm acceptable to the World Bank, while the Program will rely on the PMUs’ (JIC and Jordan Standards and Metrology Organization [JSMO]) existing auditing arrangements. A PMU has been established at MOPIC and will be responsible for the Program coordination and implementation, as well as managing the verification process of DLIs. MOPIC will coordinate with Jordan AB on verifying DLIs 1, 2, 4 and 5 and contract independent verification agencies that will be responsible for verifying the remaining DLI 3. Apart from this, the PMU will be entrusted to compile the Program annual financial statements and provide any ad hoc financial reports to follow up on the Program financial activities.

61. **Financial management risks for the Program were examined along different dimensions.** Key risks include the challenge of ensuring program proceeds reach Independent Public Government Units (IPUs) that do not usually receive funds from the Government. To address this starting the next fiscal year, budget line items will be included under each IPU’s annual budget. Other challenges involve strengthening the skills of the internal audit staff at the MOL, MoITS, and IPUs so that staff can produce quality audits as well as the quality of the external audit conducted by the Jordan AB. An external audit firm will be contracted not later than six months after effectiveness to perform the audit and the scope will be expanded to cover assessing the internal controls over Program expenditures.

62. **Despite efforts to reform the public procurement bylaw, there is currently no central oversight unit and no entity in charge of a common regulatory framework.** This fragmentation leads to a situation where the totality of Jordan’s procurement is covered by 56 separate bylaws. Substantial reform is required to address this situation, which is articulated in Annex 5. To mitigate these weaknesses, which include the shortcoming of an appeals mechanism and a lack of an independent policy and regulatory body and complaint system, an independent committee as foreseen in the draft procurement bylaw of Jordan, composed of representatives of the Ministry of Finance (MoF), Ministry of Public Works and Housing (MoPWH), Ministry of Public Sector Development (MOPSD), and Ministry of Planning, will be

appointed to review the procurement complaints in a timely and fair manner, based on a defined business standard.

63. **Once this mitigation measure has been put in place, the procurement arrangements related to the expenditures under the PforR will be sufficient because the capital investment is minimal and restricted to procurement of low-value goods and services that are generally required for operation of the institutions involved.**

C. Environmental and Social Effects

64. **The combined social and environmental risks are considered to be Substantial; however, these will be mitigated through specific actions proposed in Annex 6.** The overall social risks are expected to be Substantial due to the perception held by host communities and other migrant communities that Syrian refugees may be disproportionately benefiting from job opportunities and donor resources. Future threats of crowding out in the labor market exist. There are clearer signs of this in the construction and wholesale and retail sectors. Legacy issues associated with low compliance of labor conditions as well as lack of compliance with environmental standards are also a risk. With regard to increasing women's employment for both Jordanian and Syrian refugees alike, the need for viable solutions to enable women to work—namely transportation and childcare—will be critical to provide culturally sensitive and safe employment options. This is even more important if women want to work outside camps. Child labor is also a concern, particularly as early signs of vulnerability and negative coping strategies (mobility, debt, asset selling, child labor, early marriage, begging, and so on) are prevalent among the Syrian refugee population.

65. **To mitigate the social risks** described earlier, the PforR includes a DLI requiring annual public disclosure by Better Work Jordan of reports on factory-level compliance with a list of at least 29 social and environmental-related items. This DLI will help mitigate social risks, as well as environmental risks specific to occupational health and safety standards. This public disclosure DLI is expected to incentivize an increase in compliance, improve MOL monitoring, and serve as a pilot for expansion to other labor-intensive sectors.

66. **The environmental risks are expected to be Moderate, with risks including worker health and safety, air pollution, industrial water effluent, and industrial waste management.** No PforR funds will support infrastructure financing.

67. **The applicable federal and governorate environmental and social management systems in Jordan, from a legal, regulatory, and institutional perspective, are considered to be generally appropriate and comprehensive.** Therefore, no significant changes to the overall structure of these management systems are required or proposed. However, the institutions, processes, and procedures at the governorate level are not supported by adequate human and/or financial capacity to operate as designed. Enforcement of the legal framework governing compliance on labor and environmental standards is weak.

68. **Jordan's environmental and social management systems will be strengthened by** (a) managing perception issues about who the winners and losers are in the program; (b) providing the human resources, technologies, and financial means for the MOL and Ministry of Environment to conduct compliance monitoring of selected SEZ estates; (c) supporting the replication of the Worker's Centers pilot at a zone level through other development partners (EU, ILO) to improve labor practices and occupational safety and health within SEZs; and (d) public reporting of factory-level compliance information on selected issues. For further details, refer to Annex 6.

69. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

D. Risk Assessment

70. **The overall risk for this PforR is High given the many political, security, capacity, and implementation risks surrounding it (see also Annex 4).** The fiduciary and environmental and social risks are discussed in the preceding paragraphs. The other risks are discussed in the following paragraphs.

71. **Macroeconomic risk is rated Substantial.** As noted earlier, growth has been fairly lackluster as a result of many shocks. Nevertheless, the Government has demonstrated an ability to manage these shocks. The macroeconomic stability objective is supported by several programs and donors, including a US\$723 million extended arrangement under Extended Fund Facility approved by the IMF Executive Board in August 2016, as well as the ongoing series of World Bank development policy loans.

72. **Sector strategies and policies risk is rated High.** There are significant risks to the achievement of the PDO and key results, some of which are not easily managed or mitigated, as they relate to whether the new markets develop as expected. There are substantial labor market risks in matching both Syrian refugees and Jordanians with the opportunities created. Financial markets are also underperforming and substantial reforms are required. These risks will be further mitigated by technical assistance provided by the Bank and other development partners.

73. **There are also risks related to the implementation of the Compact, as it includes complex measures that require strong institutional capacity.** Jordan has had a mixed track record in implementing these kinds of programs in the past, which is why this risk is rated Substantial. The Program has been designed to mitigate these risks as much as possible, including by designing Disbursement-Linked Indicators that are focused on results and represent a mix of outputs and outcomes.

74. **A core risk relates to the stakeholder buy-in and contribution to implementation of the Compact,** and hence this category is rated High. The relationship between host communities and refugees is fraught with difficulty, with hosts often being resentful. Going forward, improved job opportunities and a sense that opportunities are fairly distributed will be important for maintaining and expanding social harmony. It will be essential to continue stakeholder consultations and broadly disseminate information about the policies and programs being implemented.

75. **This PforR supports the implementation of the Jordan Compact, which includes commitments from the Jordan government and the international community, in particular, in the context of this project, with regard to economic opportunities for Syrian refugees.** In the event that the international community's financial commitments key to the implementation of the Jordan Compact are not met, this will constrain GoJ's ability to achieve the Program, including work permits issuance.

Table 6. Systematic Operations Risk-Rating Tool (SORT)

SORT	
Risk Category	Rating (H, S, M, L)
Political and Governance	M
Macroeconomic	S
Sector Strategies and Policies	H
Technical Design of Project or Program	M
Institutional Capacity for Implementation and Sustainability	S
Fiduciary	M
Environment and Social	S
Stakeholders	H
Other (International Community Support)	H
OVERALL	H

E. Program Action Plan

Table 7. Program Action Plan

Action	Legal covenant (Y/N)
Put in place a PMU within MOPIC to monitor the implementation of the Compact and PforR.	Y
Issue a Prime Minister decree appointing the AB as a third-party verifier.	Y
Develop an Operations Manual for the PforR ‘Economic Opportunities for Jordanians and Syrian Refugees’.	Y
Extend the period of free work permits and relaxed inspections targeting Syrian refugees for the next two years (target date: September 2016)	Y
Disseminate information regarding eligibility, administrative process, and service standards for obtaining work permits and Ministry of the Interior ID cards (target date: biannually starting September 2016)	Y
Monitor and report quarterly: the number of work permits applied for and the number issued, disaggregated by new work permits (first time to an individual), renewal work permits, change of employer work permits, as well as by gender, sector/occupation, Governorate/camp and nationality. (Target date: quarterly starting January 2017)	Y
Develop and implement a system that allows residents of refugee camps to enjoy mobility to search for and attend work and put in place an advisory committee including members from the World Bank, ILO, UNHCR, and the International NGO (INGO) coordinator (target date: December 2016)	Y
Monitor and report quarterly the number of leave permits applied for, the number received, and the frequency of use, disaggregated by camp, gender, and age. (Target date: quarterly starting January 2017)	Y

Include refugees and economic migrants in the Department of Statistics Employment and Unemployment Surveys (target date: quarterly survey starting January 2017)	Y
Carry out an awareness-raising campaign regarding household enterprises to inform the public about the availability of this option and the reduced restrictions and incentives to foster the creation of such businesses.	Y
Instruct the JIC to recruit 26 high caliber staff with relaxed salary constraints as recently allowed by the Cabinet (target date: June 2017)	Y
Publish and publicize an ‘investor’s guide’ for domestic and foreign investors with specific information for Syrian investors and other restricted nationalities (target date: December 2017)	Y
Set up a Client Relationship Management (CRM) information technology (IT) system and database for investor targeting and aftercare at the JIC (target date: December 2018)	Y
Strengthen the MOL’s Inspectorate Unit’s capacity to identify, track, and more effectively resolve noncompliance on labor and environmental standards through the development of IT tools (database and program) to enable staff to input and monitor data (including development of a baseline data on labor and environmental compliance to standards); establish linkages with other entities within the MOL (such as hotline, child labor, operational safety and health [OSH]), Ministry of Environment, and Ministry of Social Development; and increase effectiveness of their resolution (target date: June 2017).	Y

Annex 1: Detailed Program Description

1. **This PforR aims at improving economic opportunities for Jordanians and Syrian refugees** by expanding markets and addressing the key constraints to investment, trade, and job creation as well as to Syrian refugee access to the job market.

2. **There is an overall program in which the following market opportunities exist and on which investment promotion efforts will focus:**
 - (a) The EU trade preference
 - (b) The potential Syrian reconstruction market
 - (c) The Syrian diaspora investments
 - (d) International goodwill to help and invest in Jordan (GCC, EU investors)

3. **The PforR supports the government program in three main areas:**
 - Labor market reform
 - Investment climate reform
 - Investment promotion reform

4. Each of these areas is discussed in Table 1.1, explaining the overall government program on the topic, the logic of including the DLI in the reform, the role of other development partners, and the institutional arrangements for delivery.

Table 1.1. Alignments, Rationale, and Delivery Arrangement of the PforR

Main Areas of Alignment of the Government Program and PforR	Description of Government Program and Rationale for DLIs	Role of Other Development Partners and Institutional Arrangements for Delivery
Labor market reform	The government program has two main elements: providing Syrian refugees with the right to work and supporting this with strong vocational training that benefits both Jordanians and Syrian refugees. In providing the Syrian refugees the right to work through the granting of work permits, there are three main challenges to improving their situation: (a) providing them a status that allows them to participate in the formal labor market or work in a ‘self-employment’ capacity; (b) for the refugees in the camps, ensuring daily leave rights so they can access work; and (c) guaranteeing that when they work formally there are strong labor standards enforcement in place. The DLIs that are detailed below address these three issues.	This area is led by the MOL. It has established capacity to support and develop these reforms. It is liaising closely with the ILO and the World Bank in implementing the work permit reform that commenced in earnest in May 2016. Many implementation issues have been identified and subsequently resolved in a very proactive and collaborative manner. As of July 14 the Prior Result target of 20,000 permits was achieved. Other development partners such as the EU and USAID are closely monitoring the situation. Better Work, which will be a core implementing partner for the DLI#2 , is a joint venture of the ILO and IFC.

Investment climate reform	The government program has the following elements: (a) developing a systematic approach to improving the investment climate, (b) resolution of regulatory impediments, and (c) streamlining implementation aspects notably inspection reform. The DLIs that are detailed below address all three of these aspects. The DLIs encourage (a) stronger regulatory processes, including encouraging more predictability on the part of the Government; (b) the implementation of some immediate reforms; and (c) support to current efforts to carry out licensing reform. Collectively, these measures will encourage a mindset of controlling the private sector to one of facilitating the private sector and at the same time protecting the public with an appropriate set of regulations.	This topic is coordinated by MOPIC, given the large amount of interministerial coordination required. The main implementing agencies are the MoITS and the JIC. There is substantial donor support for this work, which by its nature requires substantial technical assistance. Notable contributors are the World Bank Group, USAID, and the EU.
Investment promotion reform	The government program primarily entails building the capability of the JIC for it to become a fully effective investment promotion agency. This means developing a proactive and effective role in facilitating investment from existing investors (the major source of investment) and new investors. The DLI is focused on this objective.	This topic lies with the JIC and requires substantial capacity-building measures. The JIC has been working for some time on developing a strengthening plan but has not managed to recruit the appropriate staff. . Once staffing issues are resolved (an item of the PAP), the broader objective of improved investment promotion will be achieved with technical assistance support. This latter challenge is well recognized and technical assistance support is being provided by the World Bank Group, USAID, and DFID.

5. **The DLIs that incorporate the detailed Program are set out below:**

DLI#1: Number of work permits issued to Syrian refugees

Context

6. Recognizing the risk that Syrian refugees could remain in Jordan for an extended period and would be dependent on others if they are unable to earn an income, the GoJ has committed as part of the Compact to allowing economic opportunities for 200,000 Syrian refugees. This PforR supports the implementation of economic opportunities for 130,000 Syrian refugees. In the past several months, the Government has taken several steps toward this goal and the number of Syrian refugees holding work permits. Between, 90,000 and 130,000 Syrian refugees are still working illegally, largely because their employers are unwilling to submit applications on their behalf.⁷

DLI Description and Targets

7. **The number of work permits issued to Syrian refugees.** In support of the implementation of the Compact, the GOJ will issue, each year, work permits to Syrian refugees (as set out in the table below). In addition, in order to ensure sustainability, GOJ will take all agreed upon necessary measures to facilitate

⁷ For more details on the context, please see the technical annex on labor (Annex 4).

the issuance of work permits for refugees. Specific agreed upon measures will be detailed in the Operations Manual. To achieve DLI#1 prior result, 20,000 work permits are to be issued between April 8 and October 31, 2016 to Syrian refugees.

Table 1.2. DLI#1: The Number of Work Permits Issued to Syrian Refugees

	Baseline April 2016	April 8 to December 31, 2016	January 1 to December 31, 2017	January 1 to December 31, 2018	January 1 to December 31, 2019
Number of Work Permits issued to Syrian Refugees	5,300	25,000	55,000	90,000	130,000

Note: In 2016, work permits are counted from the date of the concept note meeting, April 8, 2016.

8. *Suggested steps to Be Taken to Achieve the Results* .Over the medium term, a significant number of new jobs are expected to be created for Jordanians and Syrian refugees through investment associated with improvements in access to the EU market and in the business climate. More immediately, the goal of 130,000 job opportunities can be reached by legalizing work for Syrian refugees and by increasing the incentives for employers to hire Jordanians and Syrian refugees.

9. Other measures should contribute to reaching the target of 130,000 work permits:

- (a) Extend the period of free work permits and relaxed inspections for the first two years if implementation (target date: September 2016)
- (b) Disseminate information regarding eligibility, administrative process, and service standards for obtaining the Ministry of Interior ID cards, work permits, and (work-related) camp leave permits (target date: biannually, starting September 2016)

DLI #2: Annual public disclosure by “Better Work Jordan” of a report on factory-level compliance with a list of at least 29 social and environmental-related items

Context

10. Lessons learned based on an evaluation of five SEZs conducted by USAID and recent compliance synthesis reports prepared by Better Work Jordan have provided a sound basis of understanding of the risks and opportunities for actions that strengthen labor standards. Compliance with ILO and Jordanian labor and environmental standards varies across sectors, companies, and SEZs.

11. Transparent reporting will be achieved through the publication of factory-level compliance information on selected issues assessed by “Better Work”. As part of public reporting, garment factories are identified by name along with their compliance findings, and the information is made public on the Better Work website.

12. Experience in other Better Work countries has shown that public reporting on compliance can accelerate change toward a more responsible and competitive garment industry. Specifically, experience shows that public reporting facilitates the following:

- (a) Raises the compliance levels across the sector. Research on Better Factories Cambodia has shown that transparent reporting significantly lowered the probability of noncompliance.
- (b) Helps high-compliance factories distinguish themselves from those with a weaker compliance commitment.

- (c) Spurs changes in factories with chronically low compliance. Even suppliers without reputation-sensitive buyers improved their levels of compliance upon transparent reporting.
- (d) Protects the reputation of the country's industry. In the past, entire industries have had their reputations damaged because of a few low-compliance factories. Transparent reporting projects a true picture of a country's industry. Furthermore, it strengthens the competitive advantage deriving from participation in Better Work, as participating countries reinforce their commitment to labor compliance.

13. However, based on Better Work Jordan's assessment of compliance with labor standards in the garment industry, despite some significant improvements, there remain relatively low levels of compliance, particularly on certain issues and in certain factories. Given that the baseline for compliance is low, it is unrealistic to expect that Jordanian firms will attain full or high levels of compliance on all issues. This good practice is implemented in Haiti, Cambodia, Vietnam, Indonesia and soon in Bangladesh.

14. While it is a national program, it will support the JIC that oversees the SEZs and is providing specific guidance on labor and safety-related issues. It is important that the Government demonstrates commitment to making efforts to curb low compliance based on international best practices.

DLI Description and Targets

15. Public disclosure annually by Better Work Jordan, through the <http://betterwork.org/jordan> website, of factory-level compliance on issues, including major labor and safety violations.

16. The process of transparent reporting is as follows:

- (a) Better Work completes an assessment (assessments take place year round and are random and unannounced for each factory).
- (b) Factories receive a draft of the full assessment report regarding compliance on all assessment questions, including information on whether the issues subject to public reporting are in noncompliance.
- (c) When the assessment report is finalized, the factory's compliance with the 29 publicly reported issues is published online, on the Better Work Transparency Portal (for all factories that have had at least two assessments).
- (d) In response, factories can upload documents and photos on the public reporting website (including information from assessment reports).
- (e) A factory's compliance findings remain on the website until a new assessment report is published, at which point the website is updated to reflect the factory's most recent assessment data.
- (f) Every time a new assessment is completed for a factory, new compliance data replaces old data.
- (g) Compliance data on factories that had not yet had two assessments when public reporting was launched is published following a factory's second assessment.

Table 1.3. Description of Social and Environmental-related Items to Be Disclosed

No.	Cluster	Issue
1	Child labor	Workers under age 16
2	Discrimination	Terminating workers who were pregnant or on maternity leave or forcing them to resign
3		Conditions of work (gender)
4		Sexual harassment
5	Forced labor	Forced overtime under threat of penalty
6		Free exit from the workplace at all times, including during overtime
7		Workers' access to their personal documents (such as birth certificates, passports, work permits, and ID cards)
8	Freedom of association	Attempts to interfere with, manipulate, or control the union(s)
9		Punishment of unionists
10		Termination or nonrenewal of worker's employment contract due to union membership or activities
11		Requiring workers to join a union
12		Implementation of collective agreement
13		Punishing workers for participating in a strike
14	Occupational safety and health	Periodic emergency drills
15		Accessible emergency exists
16		Number of emergency exits
17		Fire detection and alarm system in the workplace
18		Joint worker/management OSH committee
19		Storage of chemicals and hazardous substances
20		Providing drinking water
21		Preparation for emergencies in the accommodation
22		Protection against fire in the accommodation
23		Compensation
24	Payment of ordinary overtime	
25	Informing workers about wage payment and deduction	
26	Payment for maternity leave	
27	Contracts and human resources	Bullying, harassment, or humiliation treatment of workers
28		Steps to ensure that migrant workers do not pay any unauthorized fee
29	Access denied to Better Work	
30	Others, as required for each sector	

Note: The abovementioned 29 social and environmental-related items are in addition to others as required for each sector.

Suggested Steps to Be Taken to Achieve the Results

17. Public reporting will be launched in all garment factories currently participating in Better Work Jordan, starting in 2017. Garment factories that participate with Better Work, including in Jordan, are assessed once a year. Public reporting of findings on the 29 issues (or more) will be done for all factories that have had at least two assessments. Outside the garment firms that participate in the program, a systematic baseline on compliance is not available. As the SEZs develop and open new businesses, the public reporting model will also be applied to non-garment factories in the SEZs. Better Work foresees this phase of the rollout starting in 2018, dependent on the rollout of the SEZs themselves. Following an initial launch that will include findings from assessments over a set period, for example, six months, data will be uploaded throughout the year. Each factory's compliance information will be published online shortly after the assessment is approved by Better Work and released to the factory.

DLI#3: Establishment and implementation of selected simplified and predictable regulations for the private sector including household businesses

Context

18. **Jordan's legal regime, administrative process, and enforcement of regulations related to business activity are widely regarded as complex, unpredictable, and fragmented.** A number of reviews have confirmed the consensus among both Jordanians and foreign observers that the overall regime suffers from a lack of coherence, transparency, and predictability for investors. A continuous regulatory transformation and discretionary implementation through administrative instructions have undermined efforts to improve the business climate. Often, changes occur without public notice, consultation, or rationale. Some changes result in contradictions with other measures relating to the same function or incentive. Changes in fees and documentary requirements may come in the middle of the compliance process without notice or opportunity to adapt or appeal.

19. Accordingly, a more predictable process in the production of laws, bylaws, and regulatory changes affecting businesses is needed for Jordan.

20. **Businesses face a constraining regulatory environment in Jordan, limiting the potential for formal entrepreneurship and job creation, including home-based enterprises.** Along reforms improving the business environment for investors, reducing the regulatory burden for SMEs is a Government priority to spur entrepreneurship and job creation. For a specific category of businesses, home-based enterprises, the proposed reform entails a simplification of access to a home-based business license, which should eventually be dropped as a requirement for most home-based activities that do not present any risk to health, safety, or the environment.

21. **Household enterprises (home-based businesses).** The Greater Amman Municipality (GAM) is the only municipality that allows the licensing of home-based businesses through a set of instructions that were issued in 2011 and 2012. This was expected to boost entrepreneurship and encourage informal home-based businesses to register and eventually improve their formal market access opportunities. However, only 50 home-based businesses registered at GAM so far, reflecting either lack of information on this license or lack of interest of informal home-based firms to formalize or a process that appears too burdensome. **Household enterprises could be a very important channel for job creation and enterprise formalization. They could offer opportunities for Jordanians and Syrian refugees alike, and particularly for women.**

22. Simplifying the process to access such licenses could encourage more entrepreneurs or household members to launch home-based businesses or to formalize if they are already active. Ideally, household businesses should be exempted from municipal licensing, as in other countries, with the exception of activities that present a risk to health, safety, or the environment.

23. **Moreover, formalizing Syrian refugee businesses and removing barriers to Syrian refugee entrepreneurship fulfills a commitment of the Jordan Compact.**

24. **Regulatory simplification process to reduce the burden on SMEs.** As indicated by the Doing Business report and other indicators, the regulatory environment in Jordan is cumbersome and sometimes unpredictable in its implementation. This hurts primarily SMEs that cannot cope with uncertainty and the cost of regulatory burden. There is a need for the private sector and the Government to work together in a consultative manner to identify key regulatory and licensing reforms that could reduce such burden. Such a public-private dialogue process would be put in place to identify, within 12 months, one regulatory reform area that is deemed important to the business community and that the Government commits to pursue. The

goal will be on the one hand to initiate a culture of public-private dialogue to identify priority reforms and to act upon them and on the other hand to reduce the regulatory burden on firms in a concrete and palpable way by businesses (in the form of reduced time, cost, and process complexity to comply with a given regulation—as measured by a composite index of these three dimensions of regulatory burden).

DLI Description and Targets

25. This DLI entails the design and implementation of three reforms in consultation with the private sector. Two reform areas have been identified, which are predictability of regulatory changes and home-based businesses. The third reform area will be identified through a systemic public-private dialogue process.

Table 1.4. Detailed Description of the Targets of DLI#3

DLR 3.1. A reform establishing a predictability process for issuance of business regulations has been identified and adopted following an inclusive public-private dialogue and a measurement system (including baseline identification) has been prepared.	2017
DLR 3.2. One key business regulatory reform has been identified following an inclusive public-private dialogue and a measurement system covering the time, cost, and complexity of the compliance process has been prepared (including baseline identification).	2018
DLR 3.3. 1000 officially established household enterprises of which 100 are Syrian refugee owned and 100 female owned.	2019
DLR 3.4. 70% of business regulations mandatory to the private sector have been issued following the predictability process adopted under DLR 3.1.	2020
DLR 3.5. Regulatory burden on businesses has decreased by 30% following implementation of business regulatory reform adopted under DLR 3.2.	

Notes: The target dates are indicative.

Note: The baseline is 50 household enterprises in 2016. Syrian businesses will be allowed to operate only in sectors open to foreigners.

Regulations' can include laws, bylaws, instructions, decrees, decisions, and so on, as will be defined by the proposed predictability framework.

3.1 Predictability:

26. Identify and implement measures that will improve the predictability and transparency of regulatory changes that impose mandatory compliance on businesses through new or amended regulations, such as laws, bylaws, instructions, decrees, and so on. This would entail the following:

- Improved consultation with the private sector through a systemic and structured consultation process
- Adopting notice and comment mechanisms to allow for public comments on new/amended regulations
- Delayed entry into force to allow sufficient time for businesses to adjust to new compliance requirements
- Requirement to publish all such regulations in the official gazette to be effective and binding for the private sector

3.2 Home-based Businesses

27. Identify and implement simplification measures as well as awareness campaigns across the country to enable an increasing number of home-based businesses to be formally created or existing ones to formalize.

3.3. Regulatory Simplification

28. Reduce the regulatory burden for SMEs in one area of the business environment that will be identified through a systematic approach to regulatory reform that rests on a public private dialogue process that will identify the regulatory reform to be implemented by the government, with targets and implementation monitoring arrangement to be agreed with the private sector.

Suggested Steps to Be Taken to Achieve the Results

29. **Home-based enterprises.** Remove restrictions on the issuance of a municipal license for household enterprises either by removing the need for a municipal license or by simplifying procedures (and possibly reducing the fees) and the time needed to issue the license. **For instance, a simple notice system could replace the current municipal licensing procedures.**

30. **In the short term:**

- One option is to replace the current municipal licensing procedures by a simple notice system.
- Amend GAM municipal instructions for home-based businesses (2012) to reduce restrictions on the issuance of the home-based business license, possibly including reducing fees to a one-time fee (as low as JOD 5); streamlining procedures (limit pre-inspections to risky businesses to health, safety, and the environment); and reducing required documentation (construction permits and area maps, for instance) and time to issue the license.
- Amend the municipal requirements to take into account constraints related to documentation faced by Syrian refugees. The Ministry of Interior card or the UNHCR card could replace the ID or passport.
- Allow household enterprises to renew the municipal license online and for free.
- Carry out an awareness raising campaign to inform the public about the availability of this option and the reduced restrictions to foster the creation of such businesses.

31. **In the medium term:**

- Exempt household enterprises from municipal licensing (the one-time fee could be maintained) in all Jordanian municipalities.
- Issue a household enterprise policy to foster the development of household enterprises, especially for the youth and women.

32. **Predictability.** Identify and design a predictability framework in consultation with the private sector. This entails drafting and issuing a regulation (law/bylaw/instructions/decree, and so on) to adopt and enact the framework. Implementation steps will depend on the specificities of the proposed framework.

33. **Regulatory simplification.** One additional regulatory reform and the corresponding identification public-private dialogue process, which will be initiated by the Government, by reaching out to key private sector organizations, particularly representative of SMEs and including regional and sector organizations. Participants in this forum will be supplied by existing assessments of regulatory areas that merit reform so that the consultations are focused on specific regulatory topics. Implementation steps in years 2, 3, and 4 to implement the reform identified in year 1 will depend on the selected areas.

DLI#4: Increase in the number of enterprises on the Customs Golden List

Context

34. Delays on the clearance process for goods either entering, exiting, or transiting Jordan affects the competitiveness of the country to grow the economy through trade. Faster, more efficient trade frees up inventory, improves cash flow, increases port capacity, attracts foreign investment, and reduces costs to trade and for consumers. The more companies that are part of the Customs Golden List (to be expanded into a Trusted Trader Program), the fewer the number of physical inspections, the greater the number of pre-arrival releases, the greater the opportunity for regional mutual recognition programs, the lower the customs guarantees required, and the greater the coordination with Golden Lists from the other government agencies with border controls.

DLI Description and Targets

35. The number of firms on the Customs Golden List/Trusted Trader Program, that is, that are treated by exception for expedited clearance, including lowered guarantees, green channel streaming, cursory document review, and minimal to no physical inspections, should reach 300.

36. Purpose and impact are to increase the number of importers and exporters benefiting from reduced physical inspections and increased customs clearance privileges.

Table 1.5. Increase in the Number of Enterprises on the Customs Golden List

	Baseline (2016)	2017	2018	2019	2020
Increase in the number of enterprises on the Customs Golden List each year	n.a.	25	50	75	150

Suggested Steps to Be Taken to Achieve the Results

- Expansion of the current Golden List program by customs (it has plans to add seven more companies within the next three months, so it will need to be more aggressive to meet the DLI target).
- Migration of the Customs Golden List into a broader Trusted Trader Program that will include a Silver List that proactively identifies companies, particularly SMEs, that have had no significant import or export issues and ‘graduates’ then to a Silver List with privileges before consideration to Golden List (
- Trade Community Outreach program for the new Trusted Trader Program—dialogue on the benefits of the program and for customs to understand private sector issues.
- Conversion of the Customs Golden List program to a Jordan Trader Golden List Program.

DLI#5: Number of investments benefitting from investment facilitation by the JIC

Context

37. In promoting Jordan as an investment location, the JIC will be a key player. Hence, it will need to deliver a mix of promotion and aftercare activities to attract new investors to Jordan building on the upcoming EU preferential market access and harnessing the investment potential of the Syrian diaspora, regional investors, and goodwill investors (corporate social responsibility investments). **Leveling the playing field for Syrian refugee entrepreneurs is a major commitment of the Compact.**

DLI Description and Targets

38. **This DLI aims at attracting and retaining investors mainly from the EU, Syrian diaspora, GCC, and others.** It has two components:

- (a) **Prior Result: Removing the minimum capital requirements of foreign investments.**
- (b) **After effectiveness, the result to achieve will be the number of investments facilitated,** that is, benefiting from investment facilitation by the JIC, which includes
 - (i) basic communication/investor inquiries;
 - (ii) site visits facilitated;
 - (iii) secured investment commitment; and
 - (iv) aftercare services.

39. The target number of facilitated in investments is 530, with the following indicative ramp-up over the years:

Table 1.6. Number of Investments Benefitting from Investment Facilitation by the JIC

	Baseline (2016)	2017	2018	2019	2020
Number of investments benefitting from investment facilitation by the JIC each year	0	20	60	150	300
Cumulative number of investments benefitting from investment facilitation by the JIC	0	20	80	230	530

Suggested Steps to Be Taken to Achieve the Results

- Instruct the JIC to recruit 26 high-caliber staff with relaxed salary constraints as allowed by the Cabinet.
- Publish and publicize an ‘investor’s guide’ for domestic and foreign investors with specific information for Syrian investors and other restricted nationalities.
- Adopt and publish the JIC investment promotion strategy and implementation plan and its detailed budget for year 1 (approved by the Board of Directors and/or supporting ministry).
- Removing the salary cap could be a way to attract and retain highly qualified professionals.

- Set up an investment promotion unit at the JIC and complete staffing (minimum of five qualified full-time equivalents hired in the investment promotion unit).
- Set up a CRM IT system and database for investor targeting and investors' aftercare. The CRM system will have defined standards of response, information library, and research support to build, manage, and track the relationships with investors throughout the investment life cycle.
- Set up an aftercare unit at the JIC (minimum of 5 qualified full-time equivalents hired) that provides the following aftercare services: (a) helping remove obstacles and solve problems faced by investors in their start-up, operations, or expansion phases; (b) understanding investors, their needs, and perceptions; (c) building long-term, collaborative relationships with investors and addressing the needs of these investors; (d) helping investors meet and cooperate with officials, local suppliers, service providers, and other investors; and (d) providing information to investors about doing business locally.
- Sign collaboration memorandums of understanding between relevant ministries/agencies, including with clear contact, periodic coordination meetings, and response/service-level agreements.

Annex 2: Results Framework Matrix

Results Framework

Results Areas Supported by PforR	PDO/Outcome Indicators (Key indicators to measure the achievement of each aspect of the PDO statement)	Intermediate Results Indicators (critical processes, outputs or intermediate outcomes indicators needed to achieve each aspect of the PDO)	D L I	Unit of Meas.	Baseline (Year)	End Target (Year)
Results Area 1: Improving Labor Market	PDO Indicator 1: Number of work permits issued to Syrian refugees		1	Number	5,300 permits (April 2016)	130,000 (2019)
		IR Indicator 1: Annual public disclosure by Better Work Jordan of factory-level compliance with a list of at least 29 social and environmental-related items	2	Yes/No	No (2016)	Yes (2017)
Results Area 2: Improving Investment Climate	PDO Indicator 2: Share of business owners who have accessed more predictable and simplified business regulation			Percentage	TBD ⁸ (2016/2017)	TBD ⁹ (2020)
		IR Indicator 2.1: Identification and adoption of a predictability process for issuance of business regulations following an inclusive public-private dialogue and a measurement system (including baseline identification)	3	Yes/No	No regulatory predictability process established (2016)	Regulatory predictability process established (2017)
		IR Indicator 2.2: Share of business regulations mandatory to the private sector issued following the adopted predictability process	3	Percentage	0% (2016)	70% (2020)
	IR Indicator 2.3: Number of officially established household enterprises		3	Number	Total: 50 (2016)	Total: 1000 Syrian refugees owned: 100 Female owned: 100 (2019)

⁸ A survey of business owners who have accessed more predictable and simplified business regulation will be conducted in 2016/2017 to determine the baseline.

⁹ A survey of business owners who have accessed more predictable and simplified business regulation will be conducted in 2020 to measure the impact of the reforms.

	IR Indicator 2.4: Identification of one key business regulatory reform following an inclusive public-private dialogue and a measurement system (including baseline identification)	3	Yes/No	Key regulatory reform for the private sector not yet adopted and implemented (2016)	One key business regulatory reform for the private sector has been identified (2018)
	IR Indicator 2.5: Reduction of regulatory burden for the private sector following the implementation of the business regulatory reform		Percentage	0% (2016)	30% (2020)
	IR Indicator 2.6: Increase in the number of enterprises in the Customs Golden List	4	Number	0 (2016)	300 (2020)
Results Area 3: Increasing Investment Promotion	PDO Indicator 3: Investment promotion agency capability score*		Score	3 (2016)	5 (2020)
	IR Indicator 3.1 Number of investments benefitting from investment facilitation by the JIC	5	Number	0 (2016)	530 (2020)

Note: *The investment promotion agency (IPA) capability score is based on a qualitative assessment of the capability of investment promotion agencies. On a five-point scale, a score of three represents that the “IPA is operational, with responsibilities on image building, investment generation, linkage promotion. Number of staff and full structure are defined. Budget is still limited and staffing incomplete”; a score of four represents that the “Adequately funded IPA, which also deals with investment facilitation for existing investors. Staff is complete and the required investment promotion expertise (economic and legal) is in place”; and a score of five represents that the “IPA is the main body for implementation of the Strategy, operating with full political support and in close cooperation with private sector representatives. IPA has a recognized advocacy and policy advice role. IPA is well-funded and economic and legal capacities proved to be effective to increase investment.”

Annex 3: Disbursement-Linked Indicators, Disbursement Arrangements and Verification Protocols

Table 3.1. Disbursement-Linked Indicator Matrix

	Total Financing Allocated to DLI	% of Total Financing	DLI Baseline	Indicative timeline for DLI achievement					
				Prior Result	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020
DLI 1: Number of Work Permits issued to Syrian refugees			5,300	20,000	25,000*	55,000	90,000	130,000	
Allocated amount (US\$, million):	130	43%		20	35	25	25	25	
DLI 2: Annual public disclosure by Better Work Jordan of report on factory-level compliance with a list of at least 29 social and environmental-related items			—	No	—	Yes	Yes	Yes	Yes
Allocated amount (US\$, million):	20	7%	—	No		5	5	5	5

<p>DLI 3: Establishment and implementation of selected simplified and predictable regulations for the private sector including household businesses</p>				<p>—</p>	<p>No</p>	<p>—</p>	<p>DLR 3.1: A reform establishing a predictability process for issuance of business regulations has been identified and adopted following an inclusive public-private dialogue and a measurement system (including baseline identification) has been prepared.</p>	<p>DLR 3.2: One key business regulatory reform has been identified following an inclusive public-private dialogue; and a measurement system covering the time, cost, and complexity of the compliance process has been prepared (including baseline identification</p>	<p>DLR 3.3: 1000 officially established household enterprises of which 100 are Syrian refugee owned and 100 female owned</p>	<p>DLR 3.4: 70% of business regulations mandatory to the private sector have been issued following the predictability process adopted under DLR 3.1.</p> <p>DLR 3.5: Regulatory burden on businesses has decreased by 30% following implementation of business regulatory reform adopted under DLR 3.2.</p>
<p>Allocated amount (US\$, million):</p>	<p>70</p>	<p>23%</p>	<p>—</p>			<p>15</p>	<p>15</p>	<p>20</p>	<p>20</p>	<p>20</p>
<p>DLI 4: Increase in the number of enterprises on the Customs Golden List = 300 (cumulative)</p>			<p>0</p>			<p>25</p>	<p>75</p>	<p>150</p>	<p>300</p>	
<p>Allocated amount (US\$, million)</p>	<p>20</p>	<p>7%</p>				<p>5</p>	<p>5</p>	<p>5</p>	<p>5</p>	

DLI 5: Number of investments benefitting from investment facilitation by the JIC = 530 (cumulative)					20	80	230	530
Remove the minimum capital requirements for foreign investments					1.7	5.1	12.7	25.5
Allocated amount (US\$, million)	60	20%						
Total Financing Allocated(US\$, million):	300	100%			51.7	55.1	67.7	55.5

(*) For 2016, DLR 1.2 = 5,000 work permits additional to the 20,000 work permits achieved as a prior result upon effectiveness. This leads to 25,000 work permits issued in 2016.

Table 3.2. DLI Verification Protocol Table¹⁰

DLI	Definition/Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
			Data source/agency	Verification Entity	Procedure
DLI 1	Number of Work Permits issued to Syrian refugees	No for Prior Results Yes for the rest	MOL	AB	MOL will communicate to MOPIC its database, which includes information by governorate, occupation, sector, gender, and nationality at the end of each calendar year. AB (or IVA) will carry out 2 levels of verification to verify the information with random confirmation . The verification report should be issued within 2 months following PMU notification. MOPIC will submit related documentation confirming achievement of

¹⁰ The Fiscal Year (FY) cycle corresponds with the Calendar Year cycle, and ends on December 31 of each calendar year.

DLI 2	Annual public disclosure by Better Work Jordan of report on factory-level compliance with a list of at least 29 social and environmental-related items	The GoJ will support the implementation by Better Work Jordan of public disclosure of factory level compliance with 29 or more selected issues assessed by Better Work. Better Work will implement this public disclosure of factory level compliance information via its website http://betterwork.org/jordan .	No	Better Work Jordan Website	AB	results including AB report.
DLI 3	Establishment and implementation of selected and simplified and predictable regulations for the private sector including household businesses	<p>DLR 3.1: A reform establishing a predictability process for issuance of business regulations has been identified and adopted following an inclusive public-private dialogue and a measurement system (including baseline identification) has been prepared.</p> <p>DLR 3.2: One key business regulatory reform has been identified following an inclusive public-private dialogue; and a measurement system covering the time, cost, and complexity of the compliance process has been prepared (including baseline identification).</p>	Yes for DLR 3.3 No for the rest	<p>DLR 3.1 and DLR 3.2: Prime Minister's Office</p> <p>DLR 3.3: Municipalities records</p> <p>DLR 3.4 and 3.5: Surveys</p>	Independent Verification Agent (IVA)	<p>DLR 3.1 and 3.2: Upon achievement of results, Office of Prime Minister will submit to the PMU documentation of adoption of reform. The PMU will submit documentation to the World Bank confirming achievement of results.</p>

DLI 4	Increase in the number of enterprises on	<p>DLR 3.3: 1000 officially established household enterprises of which 100 are Syrian refugee owned and 100 female owned</p> <p>DLR 3.4: 70% of business regulations mandatory to the private sector have been issued following the predictability process adopted under DLR 3.1.</p> <p>DLR 3.5: Regulatory burden on businesses has decreased by 30% following implementation of business regulatory reform adopted under DLR 3.2.</p>	Yes	Golden List Program of the Risk Management	AB	<p>DLR 3.3: Upon notification from the PMU, IVA will verify relevant municipalities' records and perform random checks as needed. IVA will issue its reports within 2 months following notification from the PMU. MOPIC will submit documentation confirming achievement of results accompanied with IVA report.</p> <p>DLR 3.4 and 3.5: MOPIC will hire a firm that will conduct surveys to measure the indexes as defined under DLI 3.1 and 3.2 respectively. The report from the survey firm will accompany the documentation submitted by MOPIC.</p>	At the end of each CY, custom services will provide to the PMU the Golden List and
	DLR 4.1: 300 enterprises newly added to the Customs Golden List by closing date	Number of firms on the Customs Golden List/Trusted Trader Program, that by exception					

DLI 5	the Customs Golden List	follow expedited clearance including lowered guarantees, green channel streaming, cursory document review, and minimal to no physical inspections		Department of custom services Automated system for customs data database		<p>a print from the customs IT system (automated system for customs data) to verify the number of entries by those companies and what, if any, examinations occurred.</p> <p>AB will confirm the counting and perform random checks as needed and issue its report within 2 months following PMU notification.</p> <p>MOPIC will submit related documentation confirming achievement of results along with the AB report.</p>
	Number of investments benefitting from investment facilitation by the JIC	<p>DLR 5.1: Removing the minimum capital requirements for foreign investments (Prior Result)</p> <p>DLR 5.2: Number of investments benefitting from investment facilitation by JIC = 530 (cumulative).</p> <p>This includes the following:</p> <ul style="list-style-type: none"> (a) Basic communication/investor inquiries (b) Site visits facilitated (c) Secured investment commitment 	Yes	The JIC's CRM database	AB	<p>At the end of each CY, the JIC will provide to the PMU its CRM database. AB will review and confirm the counting and perform random checks of the facilitated investments as needed. The AB</p>

		(d) Aftercare services				<p>report should be issued within 2 months following notification from the PMU.</p> <p>MOPIC will notify the World Bank of achievement of results and will submit related documentation confirming achievement of results along with AB report.</p>
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Table 3.3. Bank Disbursement Table

	DLI	Bank Financing Allocated to the DLI (US\$)	Of which Financing Available for Prior Results (US\$)	Deadline for DLI Achievement	Minimum DLI Value to Be Achieved to Trigger Disbursements of Bank Financing	Maximum DLI Value(s) Expected to Be Achieved for Bank Disbursements Purposes	Determination of Financing Amount to Be Disbursed against Achieved and Verified DLI Value(s)
1	Number of Work Permits issued to Syrian refugees DLR 1.1 DLR 1.2* DLR 1.3 DLR 1.4 DLR 1.5	130 million	20 million	DLR 1.1: Effectiveness DLR 1.2 to 1.5: End of each CY, starting from 2016	—	WP: 20,000 WP: 5,000* WP: 55,000 WP: 90,000 WP: 130,000	DLR 1.1: Scalable DLR 1.2 to 1.5: Scalable Yearly unit value of WP multiplied by the number of the WPs up to the DLR allocation
2	Annual public disclosure by Better Work Jordan of report on factory-level compliance with a list of at least 29 social and environmental-related items	20 million	0	End of each CY, starting from 2017	—	—	Not scalable

3	DLI 3 Establishment and implementation of selected simplified and predictable regulations for the private sector including household businesses	70 million	0	Closing date	— — 0 70% 30%	— — 1000/100/100 70% 30%	DLR 3.1: Not scalable DLR 3.2: Not scalable DLR 3.3: Unit value per additional 10 household businesses established of which at least 1 shall be a Syrian refugee household and at least 1 shall be a female household, up to the allocation of the DLR. DLR 3.4: Not scalable DLR 3.5: Not scalable
4	Increase in the number of enterprises on the Customs Golden List	20 million	0	Closing date		300	DLR 4: Scalable Unit value of each additional firm multiplied by the number of firms up to the DLI allocation
5	Number of investments benefiting from investment facilitation by the JIC	60 million	15 million	DLR 5.1: Effectiveness DLI 5.2: Closing date	— 0	— 530	DLR 5.1: Not scalable DLR 5.2: Scalable Unit value of each investment facilitated multiplied by the number of investments facilitated up to the DLI allocation

Note: CY = Calendar Year; WP = Work Permit.

(*) For 2016, DLR 1.2 = 5,000 work permits additional to the 20,000 work permits achieved as a prior result upon effectiveness. This leads to 5,000 work permits issued in 2016.

Table 3.4. DLI Calculation Formulas

Category (including Disbursement-Linked Indicator as applicable)	Disbursement-Linked Result (as applicable)	Amount of IDA financing (expressed in US\$)	Amount of the non concessional part of the loan allocated- (expressed in US\$)	Amount of the concessional portion of the loan allocated (expressed in US\$)	Total amount (expressed in US\$)	Disbursement Calculation Formula
(1) DLI 1: Number of Work Permits issued to Syrians refugees	Work Permits Prior Result: DLR 1.1: 20,000 issued from April 8 to October 31 2016	6,666,667	9,933,333	3,400,000	20,000,000	Scalable for DLR 1.1 (Prior Result) Scalable from DLR 1.2 to 1.5
	DLR 1.2: 5,000 by December 31 2016*	11,666,666	17,383,333	5,950,000	35,000,000	DLR 1.1: US\$1000 for each WP issued from April 8 to October 31 2016, up to a maximum of US\$20,000,000 per CY.
	DLR 1.3: 55,000 in CY17	8,333,333	12,416,667	4,250,000	25,000,000	DLR 1.2: US\$7,000 for each additional WP issued before December 31, 2016, incremental to the 20,000 provided for under DLR 1.1, up to a maximum of US\$35,000,000 per CY.
	DLR 1.4: 90,000 in CY18	8,333,333	12,416,667	4,250,000	25,000,000	DLR 1.3: US\$455 for each additional WP issued CY17, up to a maximum of US\$25,000,000 per CY.
	DLR 1.5: 130,000 in CY19	8,333,334	12,416,667	4,250,000	25,000,000	

<p>DLR 1.4: US\$278 for each additional WP issued CY18, up to a maximum of US\$25,000,000 per CY.</p> <p>DLR 1.5: US\$193 for each additional WP issued CY19, up to a maximum of US\$25,000,000 per CY.</p>	<p>Not scalable</p> <p>US\$5,000,000 per CY from CY17 to CY20</p>	<p>5,000,000</p> <p>5,000,000</p> <p>5,000,000</p> <p>5,000,000</p>	<p>850,000</p> <p>850,000</p> <p>850,000</p> <p>850,000</p>	<p>2,483,333</p> <p>2,483,333</p> <p>2,483,333</p> <p>2,483,333</p>	<p>1,666,667</p> <p>1,666,667</p> <p>1,666,667</p> <p>1,666,667</p>	<p>DLR 2.1 to DLR 2.4: Better Work Jordan report published every CY</p>
<p>DLR 3.1: US\$15,000,000 upon issuance by the closing date</p> <p>DLR 3.2: US\$15,000,000 by the closing date</p> <p>DLR 3.3: US\$200,000 for each additional 10 household enterprises officially</p>	<p>15,000,000</p>	<p>15,000,000</p>	<p>2,550,000</p>	<p>7,450,000</p>	<p>5,000,000</p>	<p>DLR 3.1: A reform establishing a predictability process for issuance of business regulations has been identified and adopted following an inclusive public-private dialogue and a measurement system (including baseline identification) has been prepared.</p>
<p>(2) DLI 2: Annual public disclosure by Better Work Jordan of report on factory-level compliance with a list of at least 29 social and environmental-related items</p> <p>(3) DLI 3: Establishment and implementation of selected Simplified and Predictable Regulations for the private sector including household businesses</p>	<p>5,000,000</p>	<p>5,000,000</p>	<p>7,450,000</p>	<p>5,000,000</p>	<p>5,000,000</p>	<p>DLR 3.1: A reform establishing a predictability process for issuance of business regulations has been identified and adopted following an inclusive public-private dialogue and a measurement system (including baseline identification) has been prepared.</p>

	<p>DLR 3.2: One key business regulatory reform has been identified and adopted following an inclusive public-private dialogue and a measurement system covering the time, cost, and complexity of the compliance process has been prepared (including baseline identification).</p> <p>DLR 3.3: 1000 officially established household enterprises of which 100 are Syrian refugee owned and 100 female owned.</p> <p>DLR 3.4: 70% of business regulations mandatory to the private sector have been issued following the predictability process adopted under DLR 3.1.</p>	6,666,667	9,933,333	3,400,000	20,000,000	<p>established of which at least one is owned by a Syrian refugee household and one is owned by a female, up to a maximum of US\$20,000,000 by the closing date</p> <p>DLR 3.4: US\$10,000,000 by the closing date</p> <p>DLR 3.5: US\$10,000,000 by the closing date</p>
		3,333,333	4,966,667	1,700,000	10,000,000	
		3,333,333	4,966,667	1,700,000	10,000,000	

	DLR 3.5: Regulatory burden on businesses has decreased by 30% following implementation of business regulatory reform adopted under DLR 3.2.								
(5) DLI 4: Increase in the number of enterprises on the Customs Golden List	DLR 4: 300 enterprises newly added to the Customs Golden List by Closing Date.	6,666,667	9,933,333			3,400,000	20,000,000		DLR 5.1: US\$66,667 per additional enterprise added to the Custom Golden List and up to a maximum of US\$20,000,000 by the closing date
(6) DLI 5: Number of investments benefiting from investment facilitation by the JIC.	Prior Result: DLR 5.1: Removing the minimum capital requirement for foreign investments DLR 5.2: 530 investments benefiting from investment facilitation by the JIC	5,000,000	7,172,488			2,455,012	15,000,000		DLR 5.1: US\$15,000,000 DLR 5.2 US\$84,906 per additional facilitated investment, up to a maximum of US\$45,000,000 by the closing date.
Total Amount		100,000,000	149,000,000			51,000,000	300,000,000		

Note: CY = Calendar Year; WP = Work Permit.

(*) For 2016, DLR 1.2 = 5,000 work permits additional to the 20,000 work permits achieved as a prior result upon effectiveness. This leads to 5,000 work permits issued in 2016.

Annex 4: Summary Technical Assessment

1. **The strategic relevance and technical soundness of the proposed Program.** This Program aims at providing economic opportunities to Jordanians and Syrian refugees by addressing the key constraints to investment, trade, and job creation as well as to Syrian refugee access to the job market.
2. **There is an overall program in which the following market opportunities exist and on which investment promotion efforts will focus:**
 - (a) The EU trade preference
 - (b) The potential Syrian reconstruction market
 - (c) The Syrian diaspora investments
 - (d) International goodwill to help and investment in Jordan (GCC, EU investors)
3. This is financed partly by the PforR that leverages other resources, enhancing the effectiveness of other donors programs thanks to a better investment climate.

The Program's Expenditure Framework

4. **Jordan has a well-established framework for planning and budgeting, which has been updated to a results-orientated budget approach.** There is a Medium-Term Expenditure Framework that covers three years with prescriptive yearly ceilings for the current fiscal period with descriptive future estimates. The budget process links resources to strategic objectives and to performance indicators. The detailed budgets are disclosed through a clear and transparent mechanism on the website of the General Budget Department (GBD) of the MoF. Budget execution rates of central government spending are relatively high, with an average of 99.8 percent budget execution ratio of the central government's spending for 2012–2014 at the aggregate level. The budget resources for recurring activities that has been allocated to the implementing entities has been relatively stable and predictable.
5. **This PforR supports the implementation of the commitments of the GoJ in the Jordan Compact at the February 2016 London Conference.** The commitments will be implemented through existing government programs that are guided by the overall Economic Development Program 2016–2018 and will be implemented through the entities described in the following paragraphs.
6. The expenditure framework consists of the expenditures of a number of ministries, as well as non-ministerial agencies such as the JIC and Jordan Standards and Metrology Organization. Figure 4.1 details these expenditures by agency. Over five years (the approximate implementation period), this is estimated to be US\$386 million. Extra-budgetary contributions by the GoJ including tax incentives and subsidies are also not included. These contributions are estimated to exceed US\$200 million per year over the implementation period.

Figure 4.1. Expenditures Framework (million US\$)

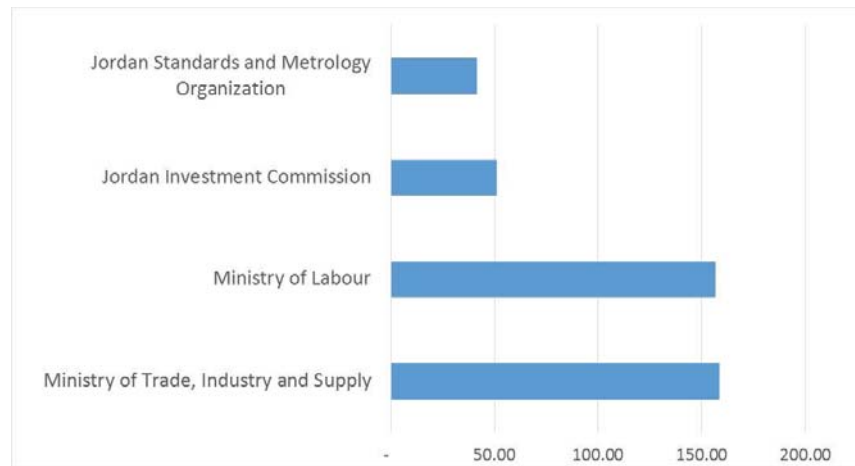


Table 4.1. Program’s Implementing Agencies

Implementing Entities of the Economic Development Program	Role
MoITS	Enhancing the business and investment environment to be more competitive through developing economic policies and legislation to guarantee protection of the rights and interests of both the consumers and the business sector.
MOL	The ministry is in charge of granting work permits to Syrian refugees and contributes to raising the rate of economic participation through active labor market policies and providing social protection to them and regulating the labor market.
JIC	Jordan investment promotion agency in charge of marketing Jordan as an investment destination, targeting new investors and providing aftercare services to existing investors.
Jordan Standards and Metrology Organization	A key institution in improving quality standards and granting quality certification to exporters to the EU. JSMO aims at enhancing confidence in the market services and products through building and implementing standards that are compatible with the best international practices in the fields of quality infrastructure of metrology, standards, conformity assessment, market surveillance, and accreditation in cooperation with the partners and through providing a supportive environment.

7. The Program expenditures of the implementing entities that support the results in the PforR operation are shown in Table 4.2.

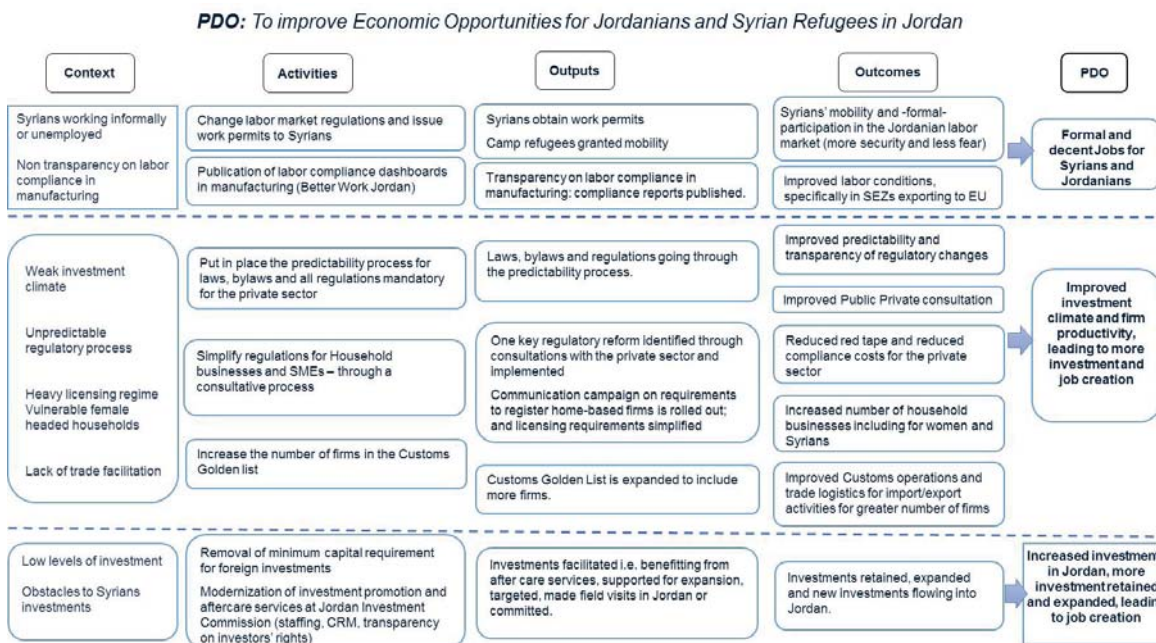
Table 4.2. Breakdown of Budget by Implementing Institution and Expenditure Type

	2016	2017	2018	2019 estimate	2020 estimate	Total	Total
	JD	JD	JD	JD	JD	JD	USD
Ministry of Trade, Industry and Supply	39,390,000	38,882,000	11,444,000	11,444,000	11,444,000	112,604,000	158,771,640
Current Expenditures	9,155,000	9,537,000	9,759,000	9,759,000	9,759,000	47,969,000	
Capital Expenditures	31,299,000	30,371,000	2,416,000	2,416,000	2,416,000	68,918,000	
Excluding JIC support	1,064,000	1,026,000	731,000	731,000	731,000	4,283,000	
Ministry of Labour	21,346,000	21,937,000	22,592,000	22,592,000	22,592,000	111,059,000	156,593,190
Current Expenditures	16,336,000	17,307,000	17,962,000	17,962,000	17,962,000	87,529,000	
Capital Expenditures	5,010,000	4,630,000	4,630,000	4,630,000	4,630,000	23,530,000	
Jordan Investment Commission	7,665,000	7,106,000	7,131,000	7,131,000	7,131,000	36,164,000	50,991,240
Current Expenditures	3,965,000	3,756,000	3,831,000	3,831,000	3,831,000	19,214,000	
Capital Expenditures	3,700,000	3,350,000	3,300,000	3,300,000	3,300,000	16,950,000	
Jordan Standards and Metrology Organization	5,841,000	5,873,000	5,898,000	5,898,000	5,898,000	29,408,000	41,465,280
Current Expenditures	4,831,000	5,113,000	5,188,000	5,188,000	5,188,000	25,508,000	
Capital Expenditures	1,010,000	760,000	710,000	710,000	710,000	3,900,000	
	2016	2017	2018	2019 estimate	2020 estimate	Total	Total
	JD	JD	JD	JD	JD	JD	USD
Total Program	74,242,000	73,798,000	47,065,000	47,065,000	47,065,000	289,235,000	408,399,820
Total Program (deflated)	72,630,949	69,510,870	43,094,033	43,955,914	44,835,032	274,026,798	386,377,785

Source: <http://www.gbd.gov.jo/GBD/en/Budget/Index/general-budget-law;>
<http://www.gbd.gov.jo/GBD/en/Budgets/Units/budgets-law-units-2016>

Note: Budgets for 2019–2020 were extrapolate expenditure numbers by 2 percent to account for the target inflation rate. Budgets 2016–2018 were deflated.

Figure 4.2. The Result Chain and Logic for DLIs Selection



8. For each topic in the Compact, several DLIs were proposed and discussed in a series of workshops and bilateral discussions with the concerned ministries. The DLI rationale is discussed below under each of the main topic areas.

Labor Market

9. Although the number of Syrian refugees holding work permits has increased, the modified regulations have not had the desired impact and between 90,000 and 130,000 Syrian refugees are still working illegally. The main challenges for this group are tied to the nature of the jobs Syrian refugees are eligible for with the open occupations and sectoral quotas. In agriculture and construction in particular, workers are generally hired by the day or at best on a seasonal basis. The existing regulations require employers to provide workers one year contracts, and to submit work permit applications on behalf of workers along with proof that their business is formally registered. Even without having to pay work permit fees, employers are generally unwilling to go through the bureaucratic process and many businesses are themselves not registered.

10. Over the medium term, a significant number of new jobs are expected to be created for Jordanians and Syrian refugees through investment associated with improvements in access to the EU market and in the business climate.

11. The DLI#1 for labor is the number of annual work permits granted to Syrian refugees. While job creation will contribute to achievement of the DLI over the medium term, the goal can be reached within a much shorter period of time through a combination of policy actions.

Investment Climate

12. Investment climate reforms cover two main topics: (a) the business regulatory environment, (b) trade.

13. Business regulatory environment reforms are essential to develop an attractive investment proposition for investors. There are currently two main regulatory concerns for businesses to invest in Jordan: (a) stakeholders repeatedly refer to problems with predictability and stability of regulations and how they are interpreted and implemented and (b) a burdensome and costly regulatory regime with many regulations, licenses (particularly at the level of municipalities), and inspections. Moreover, to maximize the benefits of the upcoming trade deal with the EU, trade reforms are needed. The GoJ has made a strong commitment in the Compact to implement reforms to improve the business environment. Many of the regulatory reforms surrounding business environment are included in other donors programs. The focus of the DLIs is on unlocking entrepreneurial potential and relieving red tape on businesses.

14. The DLIs focused on improving predictability in the regulatory environment start with the proposed adoption of a prime minister decree that sets out guidelines for consultations on proposed new regulations or changing regulations that affect businesses. Such regulatory 'predictability framework' will also be supported through its implementation by dedicated DLIs, particularly by improving the implementation of regulations.

15. In the area of home-based businesses' licensing requirements is another area of regulatory burden that could be simplified. The number of licensed home-based businesses is currently small and could expand as a consequence. Moreover, two key regulatory reforms will need to be identified in consultation with the private sector along with targets and measurement system. This DLI will be achieved once these two reforms are identified, implemented, and their impact measured.

16. The trade DLI encourages an expansion of the Golden List or Trusted Trader Program of firms that receive fast-track treatment through customs.

Investment Promotion

17. Attracting investment into Jordan is critical to generating jobs. There are three main avenues of investment. The first is known as the SEZ approach, which is based on the notion that if a sufficiently attractive business environment is created and EU market access is improved, then investors will come

and develop enterprises and create jobs in these SEZs that both Jordanians and Syrian refugees will benefit from. This will allow Syrian refugees to stay closer to their homes and enable an eventual return. The second avenue is encouraging the development of new markets—this ranges from the eventual reconstruction of Syria and the market opportunities this will offer to support from investments geared toward the EU market. The third avenue is encouraging the diaspora (mainly Syrians) with existing markets to establish businesses in Jordan.

18. Investments will come from two sources: (a) the expansion of existing investments (this will be particularly the case in the garment industry that is ready to reap the benefits of the preferential EU market access) and (b) new investors (re)locating in Jordan. In addition the proposed measures will help with the retention of existing investments (investor’s flight has become an issue in the past year).

19. The proposed DLIs focus on strengthening the investment promotion capability of the JIC. The DLIs will be to facilitate investments in Jordan and provide effective aftercare. To make this happen will require an Action Plan for reform including capacity building measures (strengthening the staff), the development of a clear value proposition, an investment targeting plan, and the development of a strong promotion and after-care capability.

The Program’s Governance Structure and Institutional Arrangements

20. **In terms of implementation, the PforR will rely on MOPIC and the general arrangements the Government has established for the coordination of the Compact implementation with key line ministries and agencies.** The PMU located at MOPIC will be responsible for monitoring and reporting on the results indicators in coordination with relevant ministries. Support under the Program will target the strengthening of MOPIC’s ability to implement the Compact. Besides, to strengthen its general economic reform capacity, the Government has recently created the position of a deputy prime minister charged with this responsibility.

Economic Analysis

Economic Analysis Framework

A Holistic Approach to Estimate Economic Benefits of the Proposed Reforms

21. An economy-wide framework is developed to assess the systemic impact of proposed PforR reforms on the Jordanian economy. Reasons for choosing an economy-wide approach are twofold:

- (a) Proposed solutions mainly refer to investment climate reform including trade facilitation, investment promotion, and domestic job creation. These reforms are expected to have sensible effects at the national level in the medium term (3 to 5 years).
- (b) The simultaneity of the EU trade deal as an accompanying measure of the Compact is another reason. The trade deal includes several production activities. Capturing linkages among sectors along with their potential impacts on commodity, capital, and labor markets at the national level will only be possible with an economy-wide framework.¹¹

22. The GTAP-CGE model is used to estimate the net benefits from investment climate and work permit reforms as well as investment promotion efforts to be initiated by the PforR.

¹¹ Such an economy-wide analysis was developed using the global Computable General Equilibrium (CGE) model developed by the Global Trade Analysis Project (GTAP). The CGE model allows linking Jordan to its major partners and regional/global markets through trade as well as income flows. The economy-wide model is set up to reflect Jordan’s trade patterns such as Turkey, Australia and Asian countries, Americas, EU28, Middle East and Sub-Saharan Africa, and the rest of the world.

23. Jordanian economy is disaggregated into 10 sectors to reflect the major produced and traded commodities, mainly grains and crops, meat and livestock, extraction industries, processed food, textile and apparel, light manufacturing, heavy manufacturing, utilities and construction, transports and communication, and other service sectors. Skills in the labor market are presented as managers and legislators, service providers and sales personnel, professionals, clerks, or elementary occupations.

Cost-Benefit Analysis

24. The baseline reflects the Jordanian economy in 2015 following the World Bank statistics and medium-term growth programs without the PforR reforms. In the baseline, the standard GTAP dataset and parameters are fine-tuned based on the most recent national statistics to reflect the current economic framework. The simulation is defined as expected medium-term impacts of implementing three sets of reform, mainly work permits, business environment and trade reform, and investment promotion.

25. The simulation results compared to the 2015 baseline shows the net benefits from trade reforms and other enabling business environment that are proposed by the DLIs.

Box 4.1. GTAP-CGE Model for Jordan: Reform Scenarios

The cumulative effect of all of these actions is an additional 6 percent increase in real GDP by 2026, that is, a 0.6 percent additional annual increase in GDP for the next 10 years.

This is in addition to an increase in investment by 25 percent (above the baseline), thus resulting in an accelerated growth path.

With regard to balance of payment, the increase in exports to the EU will more than double (107 percent increase).

Estimated welfare increase (in equivalent variation) is around US\$2.5 billion (8 percent increase compared to the baseline in 2015).

The overall net benefits from the proposed reforms (cost US\$300 million) are estimated to help the GoJ to reach the DLI targets. The results are likely to boost the country's real income by US\$2.2 billion. Thus, a benefit cost ratio of around 7.5.

26. **Trade in the context of the EU relaxation of the rule of origin.** The EU relaxes some of its rules of origin requirements for Jordanian manufacturing exports, which will lead to increased demand for Jordanian products because effective import prices decline by 3 percent.

Investment Climate

27. Reforms involved in this PforR aim at the following:

- (a) Improving predictability of private sector regulations, which will reduce firms' compliance costs and improve their productivity.
- (b) Reducing red tape through streamlines inspections in the food sector that represent 35 percent of businesses.
- (c) Simplifying regulations for SMEs and household enterprises through public-private dialogue and concertation, which will reduce firms' compliance costs and potentially increase access to markets of formalized home-based businesses.
- (d) Improving trade logistics for import and export operations.

28. Investment climate accounts for up to 30 percent of firm productivity. According to Escribano and Guasch,¹² the contribution to the average productivity of the average number of days spent in inspections and regulation related work ranges between 2 percent to 8 percent, as estimated in a set of Latin American countries. Moreover, public-private dialogue or effective state-business relationship facilitated by an organized private sector promotes the economic performance of firms as shown by Qureshib and Veldeb.¹³

29. It is assumed that the investment climate reforms will lead to an increase of 1 percent in firms' productivity in Jordan each year for the next 10 years.

Investment Promotion

30. Investment promotion efforts led by the reorganized and modernized the JIC in a context of a preferential market access granted by the EU through the relaxation of the rules of origins will lead to an increase of domestic and foreign investments in Jordan. Existing investments will expand to reap the benefits of the European market. This will be a case in the garment sector, ready to address this market thanks to more than 10 years exporting to the U.S. This sector employs 60,000 employees and exports worth US\$1.6 billion per year to the U.S. This sector is growing at 10 percent per year. In other sectors, investments may expand and be retained in Jordan thanks to improved aftercare services dispensed by the JIC. Moreover, foreign investments will increase led by the Syrian diaspora, regional investors, and investors' goodwill (corporate social responsibility).

31. Literature review by Miškinis and Byrka¹⁴ highlights that a 10 percent increase in the investment promotion budget will lead to a 2.5 percent increase in foreign direct investment and that US\$1 spent on investment promotion increases foreign direct investment inflows by US\$189.

32. It is assumed that accompanied with the JIC's investment promotion and aftercare efforts will lead to an average 3 percent increase in investment each year for the next 10 years.

Technical Assessments

Political Economy Issues

33. **Jordan has received millions of refugees during its history.** According to some estimates, approximately half of the Jordanian population is made up of Palestinians and their descendants. An estimated 131,000 Iraqis remain in Jordan after seeking refuge during the first Gulf War. The recent population census in Jordan indicates that Jordan hosts 2.9 million non-Jordanians out of a total population of 9.5 million.¹⁵ The census puts the number of Syrians refugees in Jordan at 1.3 million, while the UNHCR has registered about 655,217. About 85 percent of Syrians refugees registered with UNHCR live in Jordanian communities, while 15 percent live in refugee camps.

34. Employment issues are a long-standing concern in Jordan. Many of the most educated Jordanians emigrate to work in the Gulf countries. High reservation wages and a preference for public sector work result in high unemployment rates at the same time as Jordan brings in a large number of economic migrants to fill less desirable jobs. Currently, there are approximately 650,000 economic migrants in Jordan, 324,000 of whom have work permits, while the remainder work informally.

¹² Escribano, A., and J. L. Guasch. 2005. "Assessing the Impact of the Investment Climate on Productivity using Firm-Level Data: Methodology and Cases of Guatemala, Honduras, and Nicaragua." World Bank Research Paper 3621..

¹³ Qureshi and Valde. 2007. "State-Business Relations, Investment Climate Reform, and Firm Productivity in Sub-Saharan Africa."

¹⁴ Miškinis and Byrka. 2014. "The Role of Investment Promotion Agencies in Attracting Foreign Direct Investment." *Ekonomika*.

¹⁵ The census lists approximately 640,000 Egyptians and 634,000 Palestinians (without Jordanian ID numbers).

Although economic migrants are restricted to specified professions and specified quotas, there is little doubt that their presence has had an impact on the labor market.

35. Until early 2016, Syrian refugees were not permitted to work in Jordan.¹⁶ Since January 2016, the Government has paved the way for Syrian refugees' participation in the labor force through several policy actions. These include (a) giving Syrian refugees preference over new economic migrants by placing a temporary moratorium on bringing in new economic migrants and making work permits free for Syrians refugees; (b) easing the documentation Syrians refugees need to apply for work permits; and (c) providing an amnesty period for Syrians refugees found working without permits.

36. The Jordanian response to the presence of Syrian refugees has been varied. Tensions are higher in the northern governorates where the largest number of Syrians refugees live than in the southern governorates that host few Syrians refugees. According to a recent ILO/FAFO report,¹⁷ two-thirds of Jordanians in the northern governorates feel that 'you have to watch out for Syrians refugees'. Although the surveyed Jordanians generally stated that they would be uncomfortable having a Syrian refugee marry into their family, they said that they are comfortable having Syrians refugees in the same village, as neighbors, working together, going to the same religious place, and attending the same school.

37. There is a widely held perception that the presence of Syrians refugee has caused an increase in housing prices as well as increased pressure on public infrastructure and services. The vast majority of Jordanian consumers surveyed believe that Syrian refugees strain Jordan's water and energy resources, and that the international community should carry the economic costs of hosting Syrian refugees.

38. There is a concern that as Syrians refugee join the labor force, there will be increased competition for jobs. The vast majority of Jordanian workers perceive that Syrians refugees are taking jobs away from them. At the same time, the majority of Jordanians surveyed claim that Jordanians are unwilling to take a number of jobs that they believe are not suited for them.

39. According to the recent ILO/West Asia North Africa Institute report,¹⁸ Jordanian employers generally welcome the presence of Syrians refugee in the labor market. There is broad agreement that Jordanian workers cannot fill all of their needs and there is a wide perception among Jordanian employers and workers that Syrians refugee labor productivity is high.¹⁹ Most Jordanian employers believe the Government should encourage hiring Syrian refugee workers, at least in specified industries.

40. In January 2016, the GoJ began giving priority to Syrian refugees over economic migrants by placing a six months moratorium on bringing in most categories on new economic migrants. Economic migrants currently in Jordan are not impacted by this policy. They are, nevertheless, aware that the size of the pool of potential workers has expanded and that this may impact their wages.

41. For their part, Syrian refugees confront a difficult political economy reality, which has been well-documented. Many faced poverty even before coming to Jordan and many more have fallen into poverty as they have used up their savings. The vast majority of Syrian refugees agree that Syrians refugee will accept most work opportunities.²⁰ Beyond the economic sphere, there is a significant feeling of personal vulnerability. About 30 percent of Syrians refugee interviewed in the ILO/FAFO survey agree with the statement that 'you have to watch out for Jordanians'.

¹⁶ For more details on labor policies, please see the Technical Assessment of Labor Issues.

¹⁷ ILO and FAFO. 2015. "Impact of Syrian Refugees on the Jordanian Labour Market."

¹⁸ International Labour Organization and West Asia – North Africa Institute. 2016. "Viability Assessment for Creating 200,000 Work Opportunities for Syrian Refugees in Jordan."

¹⁹ The ILO/FAFO study also found that the vast majority of Jordanian workers expressed this view.

²⁰ ILO/FAFO study.

42. Despite the tensions, there have been no significant instances of violence.²¹ There is, however, evidence of the tensions and isolated incidents.²²

43. The absence of violence is a testament to the values of the various communities and to the compensating measures already in place. One of these compensating measures is the Community Support Committees established with the help of UNHCR in 2013. There are currently 23 Community Support Committees, with leadership representing the various communities. In five cases, there is also leadership from the office of the local governor. These committees organize educational, recreational, and social activities as well as providing simple facilities such as garbage bins and renovations to public spaces.

44. Going forward, improved job opportunities and a sense that opportunities are fairly distributed will be important for maintaining and expanding social harmony. It will be essential to broadly disseminate information about the policies and programs being implemented. In the case of work opportunities for Syrians refugees, it will be important to highlight that Jordanians have priority for jobs, with Syrians refugees limited to the open professions and within specified quotas.²³

Labor Market

The Jordanian Labor Force

45. There are several features of the Jordanian labor market—independent of the Syrian crisis—that are important as context. Jordanians labor force participation rates are low by international standards: 60 percent among men and only 13 percent among women.²⁴ Among working Jordanians, a large portion (40 percent) work in the governmental sector, a proportion that has grown significantly over the past five years, especially among women.²⁵ Approximately half of Jordanian employment is informal.²⁶

46. A large number of highly skilled Jordanians move abroad as economic migrants, largely to GCC, where it is easier for them to find the salaries they aspire to. According to the MOL, there are 425,000 Jordanians working in the GCC.²⁷

47. Among less-skilled Jordanians, there is a strong preference for work in the public sector (in civil service or the army) where job security, benefits, and working hours are better than the private sector. As a result of the high reservation wage, many Jordanians remain unemployed as they queue for

²¹ West Asia North Africa Institute. 2015. “Forging New Strategies in Protracted Refugee Crises: Syrian Refugees and the Host State Economy.”

²² Mercy Corp. 2012. “Analysis of Host Community-Refugee Tensions in Mafraq, Jordan.”, Amman Net see ammannet/sy/ and Su, A. 2015. “The Mighty Pen (2014).” *Columbia Journalism Review*, August.

^{23, 23} UNHCR regularly disseminates information on evolving policies by short messaging services and other means. Most recently, UNHCR disseminated responses to frequently asked questions regarding work permit requirements and procedures and impact on refugee status. <http://unhcr.us6.list-manage1.com/track/click?u=21ac4d661afc676782cbf14bc&id=8bb817deb6&e=cd2e73ef4f>

²⁴ Employment Unemployment Survey for 2015. Available online at:

http://www.dos.gov.jo/dos_home_e/main/linked-html/Emp&Un.htm. The very low rate of participation among Jordanian women is generally attributed to a combination of lack of affordable child care and social views about suitable jobs for women.

²⁵ See The National Employment Strategy 2011–2020: An Update and Future Directions (ILO, 2015) based on data for 2009–2014.

²⁶ ILO and FAFO. “Impact of Syrian Refugees on the Jordanian Labor Market.”

²⁷ Ibid.

public sector jobs. The overall unemployment rate hovers between 12 to 14 percent,²⁸ and is even higher among women and youth.²⁹

Economic Migrants in Jordan

48. To fill private sector jobs that Jordanians do not want, Jordan has long relied on economic migrants, primarily from Egypt, South Asia and East Asia. As of the end of 2015, there were approximately 650,000 foreigners working in Jordan – about half with work permits and half working informally.³⁰

49. Non-Jordanians are permitted to work in specified professions and within specified quotas.³¹ About a third of work permits are issued to workers in agriculture, a quarter in manufacturing, and a fifth in the household sector.³² The MOL issues work permits based on applications submitted by employers, accompanied by one-year employment contracts. Employers often complain about the high financial cost and long delays in obtaining work permits. This is a particular concern for the agriculture and construction sectors in which employers often need particular skills for very short periods of time.

50. Concerns have been raised throughout the region, that economic migrants are too often the victims of abuse by employers.³³ In manufacturing, Jordan has taken important steps with the help of Better Work Jordan to ensure fair labor practices.³⁴ Concerns remain in other sectors, however, in which the Kafala system is practiced.³⁵ Although labor inspectors have an important role to play in enforcing worker rights.

²⁸ The unemployment rate was 13 percent in 2015, 13 percent in 2010, 15 percent in 2005 and 14 percent in 2000. There are approximately 210,000 unemployed Jordanians in 2015. See Employment Unemployment Survey for 2015. Available online at: http://www.dos.gov.jo/dos_home_e/main/linked-html/Emp&Un.htm

²⁹ In 2015, unemployment rates were 23 percent among women versus 11 percent among men; 19 percent among those with a bachelor degree or higher versus 11 percent among those with less than secondary education; and 15 percent among 20–24 year olds, 26 percent among 25–29 years, and 14 percent among 40–54 year olds. Employment Unemployment Survey for 2015. Available online at: http://www.dos.gov.jo/dos_home_e/main/linked-html/Emp&Un.htm. The largest share of unemployed Jordanians live in Amman (32 percent of the total), followed by Irbid (22 percent), Zarqa (14 percent), Mafraq (6 percent), and Balqa (6 percent). The remaining seven governorates are home to the remaining 21 percent of unemployed Jordanians.

³⁰ In 2015, the MOL issued 324,000 annual work permits, the majority of which were issued to Egyptians (65.3 percent), with 3 percent to other Arabs and 26 percent to others. According to the new census, there are about 636,000 Egyptians and 200,000 non-Arabs in Jordan. It is not clear how many of these are working informally.

³¹ Economic migrants are subject to a minimum wage, which is lower than the minimum wage for Jordanian workers. The separate minimum wage makes non-Jordanian workers more attractive to employers and therefore runs counter to the overall Government policy of promoting Jordanians workers over others.

³² The remaining 26 percent are in trade (7 percent), construction (6 percent), and hotels (5 percent). See The National Employment Strategy 2011-2020: An Update and Future Directions (ILO, 2015) based on data for 2009-2014.

³³ See Tamkeen (undated) Breaking the Silence!! Irregular migrant workers in Jordan: between marginalization and integration. And Tamkeen (2014) Forgotten Rights: The Working and Living Conditions of Migrant Workers in the Agricultural Sector in Jordan. Both available at www.tamkeen-jo.org.

³⁴ Better Work Jordan is part of the global Better Work partnership between ILO and the IFC in collaboration with local and international stakeholders. See more at: http://betterwork.org/jordan/?page_id=7#sthash.Y2cqymct.dpuf

³⁵ The *kafala* system requires all unskilled laborers to have an in-country sponsor, usually their employer, who is responsible for their visa and legal status. This practice has been criticized by human rights organizations for creating easy opportunities for the exploitation of workers, as many employers take away passports and abuse their workers with little chance of legal repercussions. Unlike in the Gulf countries, the *kafala* system is not specified by Jordanian law (as it is in several Gulf countries). Nevertheless, the *kafala* concept has an important social impact on the relationship between employers and economic migrants in Jordan. It is common practice in the agriculture sector that land owners charge workers JOD 300–400 (in addition to the official fee) for help in

51. According to the recent Government census, there are approximately 1.3 million Syrian refugees currently in Jordan. Approximately 655 thousands Syrian refugees—likely among the most vulnerable—have registered with the UNHCR. As refugees’ savings are depleted and humanitarian aid becomes increasingly uncertain, many are turning to negative coping strategies including child labor.

52. In many ways, the labor market characteristics of Syrian refugees in Jordan are complementary to those of Jordanians. According to a recent ILO survey, 23 percent of Syrian refugees have work experience in construction, versus 7 percent among Jordanians; 9 percent of Syrian refugees have experience in agriculture, versus 2 percent of Jordanians; and 16 percent of Syrian refugees have experience in manufacturing versus 11 percent of Jordanians. Although, overall, Jordanians are much better educated than Syrian refugees and 60 percent of Syrian refugees have not completed basic education, about 6 percent of Syrians refugees have attended university.³⁷

53. Before 2016, the vast majority of Syrian refugees were prohibited from working legally in Jordan. Although there was no law against Syrian refugees working, very few met the requirements of the existing work permit regulations because they lacked a valid passport. As of the end of 2015, only 5,300 Syrian refugees were working legally in Jordan.

54. Recognizing the risk that Syrian refugees could remain in Jordan for an extended period and would be dependent on others if they were unable to earn an income, the GoJ proposed the Jordan Compact. Under the Compact, the GoJ has committed to allow job opportunities for 50,000 Syrian refugees during the first year of implementation of the Compact, rising to 200,000 in the coming years. Moreover, under the Compact, the international community has committed to provide financial and other types of support to Jordan.

55. In the past several months, the GoJ has taken several steps toward the Jordan Compact goal including (a) allowing Syrian refugees to use the Ministry of Interior ID card in lieu of a passport and removing the prohibitions; (b) prioritizing Syrian refugees over new economic migrants by placing a partial moratorium on new economic migrants entering Jordan; and (c) waiving work permit fees for Syrian refugees and relaxing labor inspections targeting Syrian refugees for the next two years.

56. Although the number of Syrian refugees holding work permits has increased, the modified regulations have not had the desired impact and between 90,000 and 130,000 Syrian refugees are still working illegally. The main challenges for this group is tied to the nature of the jobs Syrian refugees are eligible for with the open occupations and sectoral quotas. In agriculture and construction in particular, workers are generally hired by the day or at best on a seasonal basis. The existing regulations require employers to provide workers one year contracts, and to submit work permit applications on behalf of workers along with proof that their business is formally registered. Even without having to pay work permit fees, employers are generally unwilling to go through the bureaucratic process and many businesses are themselves not registered.

57. Over the medium term, a significant number of new jobs are expected to be created for Jordanians and Syrian refugees through investment associated with improvements in access to the EU market and in the business climate. More immediately, the Jordan Compact goal of 200,000 job opportunities can be reached by legalizing work for Syrian refugees and by increasing the incentives for employers to hire Jordanians and Syrian refugees.

obtaining a work permit. If they can afford to pay, many workers agree to this to reduce fear of being caught by MOL inspectors or the police.

³⁶ Throughout this document, we use the term ‘refugees’ as shorthand for both asylum seekers and refugees.

³⁷ Op cit ILO/FAFO study.

58. Monitoring the labor market will be very important to allow the Government to adjust policies in order to achieve the Compact Goals. In particular, it will be important to monitor (at least quarterly) the number of work permits applications received (and number issued) by governorate/camp, occupation, sector, gender, nationality, UNHCR status and new/renewal/change of employer. It will similarly be important to monitor the number of MOI ID card applications received (and number issued) by governorate/camp, occupation, sector, gender, and UNHCR status. Documentation of any changes in work permit regulations is also important. In order to monitor the impact on the overall labor market, it will be essential to expand the Department of Statistics quarterly Employment and Unemployment Survey to include coverage of refugees and economic migrants from various countries. This data is urgently needed and implementation of the revised survey will start by the beginning of 2017.

Investment Climate

Predictability of Private Sector Regulations

59. Jordan's legal regime, administrative process, and enforcement of regulations related to business activity are widely regarded as complex, unstable, and fragmented. A number of reviews have confirmed the consensus among both Jordanians and foreign observers that the overall regime suffers from a lack of coherence, transparency, and predictability for investors. A continuous regulatory transformation and discretionary implementation through administrative instructions and practice have undermined efforts to improve the business climate. The regime in practice has imposed increasing compliance costs and delays which often are unexpected, leading to increased risk, a perception of a non-level playing field, which in turn discourages investment and growth. Often, changes occur without public notice, consultation, or rationale. Some changes result in contradictions with other measures relating to the same function or incentive. Changes in fees and documentary requirements may come in the middle of compliance process without notice or opportunity to adapt or appeal. Decisions of committees within or among agencies are often opaque. Denials of applications are often given without stated basis, even when all known formal requirements have been satisfied.

60. Accordingly, a more predictable business environment in the production of laws, bylaws, and regulatory changes affecting businesses, as well as in their implementation, is needed for Jordan.

Regulatory Simplification for SMEs and Household Enterprises

61. Businesses face a constraining regulatory environment in Jordan, limiting the potential for formal entrepreneurship and job creation, including home-based enterprises. Along with reforms improving the business environment for investors, reducing the regulatory burden for SMEs is a government priority to spur entrepreneurship and job creation. For a specific category of businesses, home-based enterprises, the proposed reform entails a simplification of access to a home-based business license, which will eventually be dropped as a requirement for most home-based activities that do not present any risk to health, safety, or the environment.

62. **Household enterprises (home-based businesses).** GAM is the only municipality that allows the licensing of home-based businesses through a set of instructions that were issued in 2011 and 2012. This was expected to boost entrepreneurship and encourage informal home-based businesses to register and eventually improve their formal market access opportunities. However, only 50 home-based businesses have registered at GAM so far, reflecting either lack of information on this license, difficulty for informal home-based firms to formalize, or a process that appears too burdensome. Household enterprises could be a very important channel for job creation and enterprise formalization. They could offer opportunities for Jordanians and Syrian refugees alike, and particularly for women.

63. Simplifying the process to access such license could encourage more entrepreneurs or household members to launch home-based businesses, or to formalize if they are already active. Ideally, household businesses should be exempted from municipal licensing, as in other countries, with the exception of activities that present a risk to health, safety, or the environment. Moreover, formalizing

Syrian businesses and removing barriers to Syrian entrepreneurship fulfills a commitment of the Jordan Compact.

64. **Regulatory simplification process to reduce the burden on SMEs.** As indicated by the Doing Business report and other indicators, the regulatory environment in Jordan is cumbersome and sometimes unpredictable in its implementation. This hurts primarily SMEs which cannot cope with uncertainty and the cost of regulatory burden. There is a need for the private sector and the Government to work together in a consultative manner to identify key regulatory and licensing reforms that could reduce such burden. Such a public-private dialogue process will be put in place to identify, within 12 months, at least two regulatory reform areas that are deemed important to the business community, and that the Government commits to pursue. The goal will be, on one hand, to initiate a culture of public-private dialogue to identify priority reforms and to act upon them, and on the other hand, to reduce the regulatory burden on firms in a concrete and palpable way by businesses (in the form of reduced time, cost, and process complexity to comply with a given regulation—as measured by a composite index of these three dimensions of regulatory burden).

Trade and Customs

65. Delays on the clearance process for goods either entering, exiting, or transiting Jordan impacts the competitiveness of the country to grow the economy through trade. Faster, more efficient trade frees up inventory, improves cash flow, increases port capacity, attracts foreign investment, and reduces costs to trade and for consumers. The more companies that are part of the Customs Golden List (to be expanded into a Trusted Trader Program), the fewer the number of physical inspections, the greater the number of pre-arrival releases, the greater the opportunity for regional mutual recognition programs, the lower the customs guarantees required, and the greater the coordination with Golden Lists from the other government agencies with border controls.

Investment Promotion

Foreign Investment Entry

66. The investment law in Jordan impose a minimum capital requirement to foreign investors of JOD 50,000. A draft bylaw was recently approved by Cabinet (May 2016) that removes the minimum capital requirement on foreign investors. Moreover, Syrian investors face other obstacles such as a minimum deposit of JOD 250,000 which prevent most of them from enjoying investors' privileges. Removing barriers to Syrian investment and entrepreneurship fulfills a commitment of the Jordan Compact.

Investment Promotion and After Care

67. In promoting Jordan as an investment location, the JIC will be a key player. Hence, it will need to deliver a mix of promotion and aftercare activities to attract new investors to Jordan building on the upcoming EU preferential market access and harnessing the investment potential of the Syrian diaspora, regional investors, and goodwill investors (corporate social responsibility investments).

68. In promoting Jordan as an investment location, the JIC will need to deliver a mix of promotion and aftercare activities. The JIC is an autonomous institution but it applies public servant salaries. This attracts mostly public sector employees, while other profiles are also needed to perform investment promotion and facilitation functions, in particular profiles with private sector and investment experience, at the international level.

69. Leveling the playing field for Syrian entrepreneurs is a major commitment of the Compact. That is why the JIC will publicize an investor guide for domestic and foreign investors, taking into account specificities of Syrian investors.

Annex 5: Fiduciary Systems Assessment

Introduction

1. This section is the FSA of the World Bank-financed Economic Opportunities for Jordanian and Syrian Refugees Program-for-Results. The World Bank conducted the assessment through analysis of available documents and working sessions with the main stakeholders. The FSA considers whether the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. It covers the Program's institutional arrangements, financial management and procurement systems, and governance systems.

2. The FSA was conducted based on current knowledge of Jordanian public procurement and financial management systems together with reviews of existing analytical and diagnostic work, and published information and reports. As part of this assessment, the World Bank met with representatives of the MoF, MoITS, MOL, General Budget and General Supplies Departments of the MoF; the General Tender Directorate (GTD) of the Ministry of Works and Housing; the AB—Jordan's Supreme Audit Institution (SAI); and the Jordanian Anticorruption Commission (JACC). Also, the World Bank visited IPUs benefiting from this Program—the JIC and the JSMO.

3. This assessment concludes that the Program's overall fiduciary framework is adequate to provide reasonable assurance that the Program financing proceeds will be used for intended purposes, to support its implementation, and to achieve its desired results.

Background and Institutional Arrangements

The Program

4. The Program's objective is to improve economic opportunities for Jordanians and Syrian refugees. It supports the Economic Opportunities Aspects of the Jordan Compact, a program to address the refugee crisis, which includes developing jobs for Jordanians and Syrian refugees. The Compact was adopted at a Heads of State Level 'Supporting Syria and the Region Conference' held in London on February 4, 2016. To support the implementation of the Compact, the boundaries of the Program are focused on the following:

- (a) Labor market reforms
- (b) Investment climate reforms
- (c) Investment promotion

Institutional Framework

5. The Program's implementation will be based on presently existing and operational institutional arrangements with its key stakeholders comprising MOPIC, MoF, MOL, MoITS, JIC, and JSMO. The main beneficiaries are as follows:

- MOPIC is primarily responsible for overall coordination of activities to implement the Compact. A PMU in MOPIC will be responsible for monitoring and reporting on the results indicators in coordination with relevant ministries. Support under the Program will target the strengthening of MOPIC's ability to implement the Compact.

- The MoITS will be supported under the Program in enhancing trade facilitation and trade in services to foster the creation of jobs.
- The MOL will, with the support of the Program, establish employment facilitation services to implement work permits reforms.
- The JIC is mandated to: (a) develop an investment vision that articulates the value proposition for investment; (b) promote investments; and (iii) undertake retention and aftercare activities. The JIC will benefit from significant strengthening to fulfil its investment promotion and aftercare responsibilities.
- The JSMO is responsible for implementation of standards and technical regulations with regard to all goods, products, and services, excluding pharmaceutical, medical, and veterinary goods, products, and services.

6. The respective capacity building initiatives will be supported through the Government's allocation of required budget and non-financial resources, together with technical assistance from development partners. This assessment observes that no major procurement exceeding the PforR financing thresholds³⁸ is envisaged under the Program.

7. The expenditures to be incurred under the Program will form part of the national budget systems of the government ministries and IPU. The Program will be subject to the Government's PFM arrangements, which have been assessed through various analytical pieces.³⁹ A summary of applicable PFM systems, rules, procedures, and oversight mechanisms is described in the following paragraphs.

Legal Framework

8. The Constitution of Jordan sets out the basic foundation for PFM with several legislations establishing responsible institutions, their mandate, and operational frameworks. The key financial matters covered include the presentation of strategic objectives and financial estimates before the Parliament; the approval of the budget; the comprehensiveness of the budget and the consolidation of all resources into the Treasury; the imposition of taxation; and the mandates of an audit office and the anticorruption commission. The following laws and regulations form the legal framework for PFM in Jordan:

- The Organic Budget Law (2008)** presents the tasks and responsibilities for the MoF GBD, as well as few issues on the budget preparation process. Important aspects on budget execution are only regulated by the General Budget Law and the Budget Law for the Government Units approved for each fiscal year. The Government is revising the current version of the law, with the revised legislation expected to be submitted to the Parliament by end of 2017.
- The Financial By-law (1994) and its Amendment (2015).** The basic principles related to revenues, expenditures and advances, cash and debt management, financial accounting basis and records, and financial control are outlined in this regulation and in the Instructions for Application of Financial Affairs (1995).

³⁸ The agreed procurements thresholds for excluded activities are 1,000,000 US\$ for works and goods, 500,000 US\$ for non-consulting services and 300,000 US\$ for consulting services.

³⁹ Recent assessments include the 2011 Public Expenditure and Financial Accountability assessment and the July 2014 political economy study on enabling implementation of public procurement reform in Jordan.

- (c) **The Financial Control By-law (2011) and its Amendment (2015)** present the internal controls framework and illustrate the related financial revenue and expenditures ex ante review/approval procedures, roles and responsibilities, and positions of the MoF to centrally manage and overlook the financial control functions established in line ministries and governmental units. Considered a milestone, the revised by-law (2015) clearly distinguishes between the internal control and internal audit functions, which are commonly mixed in the public sector.
- (d) **Public procurement.** As with the regulatory/normative body, there is currently no central oversight unit and no entity in charge of a common regulatory framework. Each one of the central procuring entities, i.e. the GTD of the Ministry of Works and Housing for construction procurement, the General Supplies Department (GSD) of the MoF for purchase of goods, and the Joint Procurement Directorate for purchase of medicine, are tasked with actual procurement activities, as well as with the maintenance and updating of their relevant regulations. Additionally, every independent agency or government entity (including local government units) engaging in procurement has its own procurement by-law. This fragmentation leads to a situation where the totality of Jordan's procurement is covered by 56 separate by-laws. Even though the procedures for similar goods and services seem to be quite comparable, the differences that do exist, as well as the sheer number of separate by-laws, impose a burden on business. This has also prevented establishment of a central e-procurement platform that could be used for other processes besides tendering, such as performance monitoring and measurement, dissemination of regulations, complaints platform, and so on toward an open government. Despite this, efforts are underway by the GSD to develop e-procurement based on a Korean platform.
- (e) **The Audit Bureau Laws of 1952 and 2007.** The Jordan AB is governed by the underlying laws of 1952 and later amendments, the latest in 2007. The laws do not provide the necessary financial and administrative independence for the AB, prerequisite immunity, and security of tenor of its president, and still focus on ex ante control. A recent amendment to the Audit Bureau Law was drafted and approved by the Cabinet in 2013, but has not been endorsed by the Jordanian Parliament to become effective. The proposed amendments will further strengthen the independence of the AB by bringing it closer to international practices and standards promulgated by the International Organization of Supreme Audit Institutions.
- (f) **Anticorruption legislation.** The JACC is established under the Amended Anticorruption Commission Law, most recently amended in 2014 to include protection of "...informers, witnesses, informants, and experts in corruption cases and their relatives and closely related persons."

Assessment of Fiduciary Performance

Planning and Budgeting

9. **The assessment confirms that Jordan's budget systems are adequate for the Program.** This conclusion is based on the review of FY16 budgets as published on the GBD website. The Government uses systems for budget classification and chart of accounts that conform to international standards and deploys a basic but effective results-oriented budgeting framework, all of which provide the means to track government spending. Jordan has a robust classification system, which includes the most important classifications and is broadly consistent with the IMF's Government Finance Statistics Manual 2001, including administrative, economic, functional, geographical, and program classifications. These classifications are included in the current chart of accounts allowing for all transactions to be reported in

accordance with the appropriate standards. The Government Financial Management Information System (GFMIS) is used for budget preparation.

10. The proposed Program will be included in the annual budget of the state under the respective ministries and independent institutions' budgets, starting FY17 and up to 2020 (the Program period). Budgets of respective ministries and IPUs will include budget line items to reflect the Program proceeds.

11. Budget classification systems allow tracking the Program expenditures according to: (a) administrative units (participating ministries⁴⁰ and IPUs⁴¹); (b) economic categories (recurrent, capital spending, and so on); (c) functions (health, education, and so on); and (d) government programs, subprograms, and activities. The budget is comprehensive, covering the activities of the central government and independent institutions. The budget is published on the GBD website, while final accounts and the monthly General Government Finance Bulletin (includes budgetary Government finance statistics aggregated according to the economic and functional classifications) are published on the GBD website (<http://www.gbd.gov.jo>).

12. Jordan adopts an early budget preparation calendar (starts in January of each year) that allows more time for budget policy and strategy analysis and development. The calendar comprises four distinct phases covering: (a) initial strategic review and planning; (b) medium-term budget preparation; (c) draft budget finalization; and (d) budget approval. This would include preparation and discussion of (a) budget policy and priorities paper, which contains an updated macro-fiscal outlook and sets out the underlying policy stance and spending priorities to be addressed in the preparation of the budget, and (b) Medium-Term Expenditure Framework.

Budget Execution

13. **Jordan has a robust system for establishing strategic objectives and performance indicators for the MoITS, MOL, and IPUs, and for monitoring progress toward achieving objectives using key performance indicators.** All line ministries and government units annually publish—on the GBD website—their strategic objectives, key performance indicators, and outputs of the preceding two years and programs for the ensuing three years. This provides a sufficient basis for tracking and evaluating service delivery by ministries and public entities. Table 5.1, extracted from the GBD website, demonstrates the type of information published.

⁴⁰ MoITS and MOL.

⁴¹ JIC, Technical and Vocational Education and Training Fund, and JSMO.

Table 5.1. MOL Strategic Objectives and Performance Indicators

CHAPTER : 2901 Ministry of Labour

Strategic Objectives and Performance Indicators of the Ministry / Department									
Strategic Objective	Performance Indicator	base year	Value	Actual Value	Target Value	Primary Self Evaluation	Target Value		
				2014	2015	2015	2016	2017	2018
1 - To organize the Jordanian Labor Market and expatriate labor affairs	1 Percentage of incoming licensed labor to total manpower in the Jordanian labor market	2011	18.3%	20.1%	16%	12.1%	17%	16%	15%
	2 Number of children benefiting from the programs provided by the Project Against Child Labor	2011	905	1620	1470	1203	1500	1500	1500
	3 Number of licensed expatriate labor	2011	280263	324410	254574	177274	246631	239232	232055
	4 Number of inspection visits to institutions subject to labor law	2011	51661	88208	65000	45322	70000	75000	80000
2 - To supervise labor and workers affairs and support union work	1 Percentage of labor strikes to total labor disputes	2011	15%	37.2%	15%	35.4%	31%	28%	25%
	2 Number of frequency of occupational injuries	2011	16700	15233	12000	6500	11000	10500	10000
3 - To improve and develop the institutional performance	1 Percentage of settled complaints to total complaints filed by the service recipients	2012	100%	90.4%	100%	87%	100%	100%	100%
4 - To provide the Jordanians with employment services inside and outside the Kingdom and increase women participation in the labor market	1 Unemployment rate	2011	12.9%	11.9%	11.4%	11.9%	11.7%	11.5%	11.3%
	2 Percentage of persons employed through the Ministry to total employed Jordanians in the labor market	2011	0.75%	1.90%	1.30%	0.9%	1.50%	1.60%	1.70%
	3 Percentage of females employed through the Ministry to the total registered in the Ministry of Labour	2011	8.7%	24.6%	23%	15%	23%	24%	24%
	4 Revised percentage of economic participation	2011	39%	36.4%	41%	37.6%	41.5%	44%	44.8%
	5 Revised percentage of women economic participation	2011	14.7%	12.6%	15.4%	13.7%	16.2%	18%	19%
	6 Created job opportunities	2011	52888	48571	51311	20000	52440	53593	54771
	7 Number of occupational guidance sessions for job seekers	2011	1075	2852	1400	426	1600	1600	1600

Internal Controls and Internal Audit

14. **The overall control environment is acceptable for purpose of Program implementation.** Budget execution controls are implemented and applied consistently throughout the ministries and IPU's in accordance with the applicable Financial By-law (1994) and its Amendment (2015) and the Financial Control By-law (2011) and its Amendment (2015). The MoF regularly issues instructions detailing acceptable procedures to be followed by all ministries and public government units. The budget execution systems at the MOL and MoITS implement prescribed controls, which include: (a) technical approval by the beneficiary department; (b) finance staff checking and approval; (c) periodic, ad hoc reviews by resident internal auditors; and (d) exercise of an expenditure controlling function by the MoF's financial controllers assigned to respective spending units.

15. The MoF-assigned financial controllers oversee transaction-based compliance controls over payments, recording of transactions, and production of periodic and final accounts by responsible entities. In practice, no payments can be authorized and processed before financial controllers verify and sign off on payment vouchers. In addition to resident financial controllers from the MoF, MOL, and MoITS, IPU's have internal auditors who mainly perform the job of internal/financial controllers. Internal audit activities are primarily confined to ex ante review of receipts, expenditure vouchers, and disbursements. Ex ante controls performed by financial controllers and internal auditors are further performed by the AB at the MoITS, MOL, and IPU's. Internal audit activities are, in this case, not designed to comply with practices and standards promulgated by international standard setters. Ultimately, there appear to be excessive ex

ante controls by the MoF financial controllers, internal auditors, and the AB, to the detriment of independent, third-party perspective monitoring and reviews of ex post activities.

16. The absence of an effective ex post audit in accordance with recognized international standards weakens the effectiveness of the internal audit function and its suitability to effectively support program implementation. To mitigate risks presented by this deficiency, this assessment recommends extending the scope of work proposed to be done by independent financial statements auditors to include a review and assessment of the effectiveness of the internal control environment in beneficiary entities.

17. The annual budget laws prohibit overcommitments or reallocations between budget lines. Financial controllers play a key role in making sure payments are within approved budget allocations. Nonetheless, IPU's have the ability to reallocate annual budget category amounts whenever considered and justify this to be necessary and consistent with their autonomous status.

Payroll

18. **This assessment confirms that an effective payroll management system is in place and functional.** The payroll systems in place have a good degree of integration and reconciliation between the position controls, personnel records, and payroll registers. The payroll system in Jordan follows the Civil Service Bureau instructions and is in line with the national financial law and internal controls regulation, in addition to instructions issued by the MoF. The Human Resources (HR) department is responsible for receiving the information for the appointed employee for entry into the automated HR database system. The HR department ensures the completeness of information and the data entry of related salary entitlements through an automated system and record archival both in the system and in paper files. HR input in the system is subject to both automated and human checks. A payroll schedule is prepared on a monthly basis and subject to several layers of approvals (payroll officer, head of payroll unit, the department manager [budget holder], Internal Control Department, MoF financial controller, and the financial management manager). Salaries are transferred to employees' personal bank accounts. Monthly reconciliations are prepared in the system and shared with the internal control unit and MoF representative. Daily time attendance sheets based on an automated attendance register are maintained by the attendance supervisor, who reports absences to the HR and responsible departments. Supervisors confirmed that they strictly ensure all employees are in place and functional.

Procurement Profile

19. **This assessment confirms that existing procurement arrangements are adequate to support the low-risk procurement activities envisaged under the Program.** The identified annual procurement under the Program is minimal and restricted to procurement of low-value goods and services that are generally required for operation of the institutions involved. Therefore, the procurement risk involved is assessed to be low. However, all the implementing institutions need to ensure archiving of all the documents such as advertisements, orders, contracts, and invoices to comply with procurement controls of the country system. These include related internal audit activities and ex ante review/approval procedures by financial controllers of the MoF. Audit by an external independent auditor further safeguards the procurement process followed.

Procurement Procedures and Processes

20. Despite efforts to reform, public procurement remains fragmented in Jordan as reflected in the political economy study on enabling the implementation of public procurement reform in Jordan⁴². The report identified specific issues hindering the prospects of reform, including those of the appeal mechanism, regulatory body, and performance measurement among others. At present, the appeals function of the procurement system is very limited, and apart from the hierarchical administrative review of complaints by the responsible procuring entity, bidders can only have recourse to the court system, as there is no independent form of appeal mechanism.

21. In addition, the current absence of measurements of procurement performance further hinders the prospects of reform, because the lack of information about how the system is actually performing makes it difficult for stakeholders to know if and where improvements are needed and how those improvements might benefit them.

22. To improve the procurement system in the country, the following efforts are stated in the Country Partnership Strategy of Jordan: (a) unification of the legal and policy frameworks; (b) procurement performance monitoring; (c) institutional development by creation of a procurement policy and oversight function; (d) establishment of a single portal procurement website toward a unified e-procurement system; (e) development of a robust procurement complaint and appeal mechanism; (f) development of a capacity building strategy and sustainable training programs; and (g) integration of procurement planning with budgeting.

23. The current procurement arrangements of the implementing agencies are as follows:

- (a) For contracts involving civil works, the GTD is responsible for handling overall procurement procedures on behalf of these institutions starting with preparation of technical specifications, tender documents, conducting the tendering, awarding of contracts, supervision of contracts, and contract management, as well as approval of all submitted invoices from contractors.
- (b) For supply of goods exceeding a threshold of JOD 100,000 per contract, the GSD is responsible for handling overall procurement procedures on behalf of these institutions starting with preparation of specifications, tender documents, conducting the tendering, awarding of contracts, and contract management. The GSD has the option to delegate this task to the implementing agencies on a case-by-case basis. Implementation of e-procurement is expected to have a considerable positive effect on the performance of the GSD.
- (c) The JIC is responsible for its own procurement process and contracting, such as supply of specific accessories and goods beyond general supplies and consultancy services and non-consultancy services such as security guards contract, cleaning services contract, and so on with estimated costs not exceeding JOD 100,000 (about US\$140,000) as elaborated in their own by-law. All tenders exceeding this amount are processed by the GSD as explained above. The JIC has its own procurement office staffed with two employees who report to the administrative department manager, and they work with a number of procurement committees chaired by the general manager of the JIC or department manager based on the threshold of the estimated cost of each tender. The number of re-biddings due to the lack of clear specifications, seen for procurement of goods where estimated cost is over JOD 20,000, shows that the capacity of the JIC in handling the preparation of specification and bidding documents

⁴² World Bank Study on Enabling the Implementation of Public Procurement Reform in MENA Countries (July 2014)

is generally weak. Contract management capacity and communication/transaction with vendors also needs improvement as implementation of the contracts needs to be done on time.

- (d) The JSMO has its own procurement office staffed with two persons who are civil service employees. Both report to the financial department, and they work according to its own by-law. Considering the small quantity of procurement involved, the Program will rely on this arrangement for procurement undertaken by JSMO up to the threshold of GSD (as stated above).

Accounting and Financial Reporting

24. **The assessment concludes that the accounting and financial reporting systems are found acceptable for purposes of the Program.** The Government adopts the cash basis of accounting while IPUs (JIC and JSMO) follow accrual basis in accordance with International Financial Reporting Standards. The Government adopts a chart of accounts that is compatible with the Government Finance Statistics Manual 2001. MOF has an ambitious plan to convert to the International Public Sector Accounting Standards cash basis by 2020. Both the final accounts and the in-year reporting are timely but are still prepared through the Oracle legacy system until the GFMIS implementation is completed and relevant legislative amendments are made. The monthly General Government Finance Bulletin includes budgetary government finance statistics aggregated according to the economic and functional classifications (budget versus actual). The monthly financial positions sent by line ministries and independent institutions to the GBD/MoF present data in administrative, economic, program, funding, and geographical classifications. Finalization of the annual accounts is required by law by June of the following year, and this has been complied with during the recent years. The final accounts are published on the MoF website. Jordan has joined the IMF Special Data Dissemination Standards since January 2010.

25. The JIC and JSMO's annual financial statements (prepared in accordance with International Financial Reporting Standards) are audited by an acceptable independent private sector firm in accordance with International Standards on Auditing. The auditor issued an unqualified 'clean' opinion. The World Bank will rely on the JIC and JSMO's existing auditing and reporting arrangements.

26. A PMU was established at MOPIC that will be responsible for Program coordination and implementation. Apart from this, the PMU will be entrusted with compiling the Program annual financial statements and providing any ad hoc financial reports as deemed necessary to follow on the Program financial activities.

27. **Government Financial Management Information System (GFMIS).** The new implementation of the GFMIS gives Jordan a tremendous advantage; it is the correct time to review and modernize the important systems of government information. This approach improves transparency with respect to the purposes of resources and the efficiency of their use. It is also helpful in improving communications between the Government and its citizens. The GFMIS will easily provide information on how the annual Budget Law and its execution support the strategic priorities of the Government. The GFMIS has been fully rolled out to budget units (ministries, departments, and regional financial centers) encompassed in the Budget Law except three (the Ministry of Foreign Affairs, Water Authority, and civil defense) that would be completed in 2016. The Government has launched GFMIS phase two aiming to connect IPUs by 2018.

28. The current GFMIS implementation utilizes a subset of the functionalities of the underlying application software. The current core application software comprises: (a) Hyperion for budget preparation; (b) Oracle Financials for budget execution; and (c) software for interfacing to other software for debt management, payroll, bank reconciliation, and revenue management. The GFMIS is fully utilized for

budget execution; yet, for budget preparation, there are manual interventions with various ICT tools being used.

29. However, the GFMIS functionalities do not as yet fully meet the requirements of all budget actors during the budget preparation and execution. The GFMIS offers limited functionalities for: (a) presentation of an initial policy-focused budget submission; (b) entering of multiple quarter and multiyear commitments; and (c) capturing and populating the outstanding commitments and outstanding invoices for arrear monitoring. As a result, arrears have continued to be a problem. The Government has not been fully benefiting from the GFMIS to monitor the problem. Mechanisms designed to facilitate regular monitoring of arrears have recently been established at the MoF where a small team under the cash management division is assigned to track and monitor arrears.

30. For purposes of annual financial reporting of the Program, it is proposed to rely on existing arrangements, modified as follows:

- (a) For the IPU, the Program will rely on existing financial reporting and annual auditing arrangements.
- (b) For the MOL and MoITS, the PMU will compile and consolidate Program-related financial information and produce a set of annual program financial statements, and these financial statements would be submitted for annual audit by an independent acceptable audit firm.

Program Audit

31. The AB is a member of the International Organization of Supreme Auditing Institutions and the Arab Organization of Supreme Auditing Institutions. The AB was created by Article no. 119 of the Jordanian Constitution, which states ‘To be established in accordance with the Audit Bureau Law to supervise the revenues and expenditures of the state and ways of spending’. The AB is charged with performing the external audit function applied to the general government public institutions. In recent years, it has been moving toward the application of international auditing standards, moving from a strictly financial audit role into administrative, performance, and environmental auditing techniques. The Audit Bureau Law of 2007 needs to be amended to further strengthen the financial and administrative independence of the AB by bringing it closer to leading international practices and standards recommended by the International Standards of Supreme Audit Institutions.

32. Public sector external auditing is carried out throughout the year and reported on annually in the AB report to the Parliament. Audits cover income and expenditure in relation to the Central Government, as well as financial assets and liabilities, including debt. The financial results based on the final accounts, as presented by the MoF, are reviewed on a consolidated basis. The timeframe for submitting the audit report on accounts to the Parliament has improved in recent years.

33. In addition to the external post audits carried out by the AB, it has positioned approximately 400 audit staff members within the institutions for the purpose of performing ex ante reviews. Realizing the disadvantages from this role that undermines the independent and objective conduct of AB staff, the AB and MoF have agreed on a three-year withdrawal plan. Withdrawing of AB staff occurs when the MoF and AB have assessed the existing capacity in the targeted units has improved and internal control arrangements are assessed to be adequate. This plan is monitored and coordinated by the MoF.

34. The JIC and JSMO’s annual financial statements (prepared in accordance with International Financial Reporting Standards) are audited by an acceptable independent private sector firm in accordance

with International Standards on Auditing. The World Bank will rely on the JIC and JSMO's existing auditing and reporting arrangements.

35. The PMU was established at MOPIC that will be responsible for the Program coordination and implementation. Apart from this, the PMU will be entrusted with compiling the Program annual financial statements under the MOL and MoITS that will be audited by an independent external audit firm acceptable to the World Bank. The Bank will assess the progress on: (a) the implementation of the withdrawal plan from ex ante controls, and (b) the adoption of new amendments to the Audit Bureau Law of 2007 and reassess engaging the AB in auditing the Program financial statements starting 2018.

Flow of Funds Arrangements

36. The Program will use the funds flow arrangements used for the execution of the budget of the state. The funds will be transferred to the Treasury current account at the Central Bank of Jordan. MOPIC will be responsible for submitting withdrawal applications to the World Bank with the necessary supporting documents evidencing DLIs achievements.

Governance and Anti-Corruption

37. **Transparency.** Key institutions involved in public financial accountability have established elaborate public information sharing arrangements on their websites.

- (a) The MoF publishes multi-year budget planning and execution reports, including key performance indicators covering all core ministries and departments. These were observed to be comprehensive and maintained up to date.
- (b) The AB publishes its annual report covering the outcome of audits of all ministries and departments subject to its audit.
- (c) The JACC has established a comprehensive mechanism for receiving, investigating, and reporting on all allegations received from the public.

38. **Access to information.** There were no consequences for government departments, if they failed to fulfill their obligations as stated in the law. Furthermore, the petitioner is required to cover the expenses associated with the production of information with no specific ceiling.

39. **Public complaints handling.** A Central Government Complaints Management System is maintained in the MOPSD⁴³ as a central entity for receiving and monitoring resolution of citizens' complaints directly with all concerned government agencies. The management and maintenance of the system are supervised by the Government Complaints Management Unit at the MOPSD's Government Services Improvement Directorate. The unit receives citizens' complaints on services provided by government departments, corporations, and municipalities and follows up with the National Contact Center. The system generates monthly reports that provide a basis for setting performance indicators and making appropriate decisions to reduce citizens' complaints and address negative trends in a practical and evidence-based approach, in line with the vision of His Majesty King Abdullah II for better government services achieved by listening to citizens, taking their suggestions into account, and considering them as key partners in developing government services. The Central Government Complaints Management System serves as a central outlet that guarantees the confidentiality of complaints and ensures that they are handled in a

⁴³ See website: <http://mopsd.gov.jo/en/Pages/Side%20Nav/Government-Complaints-Unit.aspx?MenuItem=4>

professional and transparent manner upon verification of the complainant's identity through databases linked to the system.

40. **Code of ethics for public servants.** All state bodies, including ministries, departments, and IPUs, follow the code of ethics for public servants. In general, the code of ethics sets rules of behavior for employees and aims to strengthen public confidence in the professionalism and conduct of employees. The code defines relationships with citizens, professional behavior, conflicts of interest, relations with colleagues, personal behavior, and so on.

41. **Asset disclosure.** The Financial Disclosure Department by-law increased the number of individuals from the public and private sectors who are required to submit financial disclosures. Nevertheless, the law is not as effective as an investigation tool because assets disclosed by public officials in financial statements are not verified by the Financial Disclosure Department unless there is a complaint against the public official.

42. **Conflict of interest.** In addition, bidding documents for public procurement contain ethics clauses, which regulate interactions between the employer and the bidders with regard to the process of bid examination, clarification, and evaluation; conflict of interests; unlawful agreement with competitors or influence on the evaluation committee; and so on. Also, the requirement of this part of the bidding document is that the contractors shall act professionally, impartially, and in accordance with the code of ethics of their profession.

The Jordanian Anticorruption Commission

43. The JACC, established in 2005, has over the years established elaborate arrangements to prevent, deter, and investigate fraud and corruption. It is headed by a board comprising a chair and five members—eminent persons nominated for a limited two-year period. The JACC has departments responsible for public outreach and awareness; information management and investigation; and quality assurance. It closely collaborates with various stakeholders responsible for fiduciary oversight and the Judiciary. The JACC continues to receive capacity building support, including ongoing twinning arrangements with the Finnish anticorruption agency and recent technical assistance from the World Bank Group for establishment of a comprehensive database.

44. Jordan's 2013–2017 National Anti-Corruption Strategy forms a coordination framework for all efforts of institutions and agencies involved in combating corruption, as it is considered the basic tool for entrenching the principles of good governance, integrity, transparency, and accountability. The strategy was developed through collaborative efforts of public institutions, the private sector, civil society organizations, and development partners. It is based on a comprehensive assessment of fraud and corruption risks across all sectors and includes a comprehensive action plan aimed at promoting a culture of integrity, professional conduct, and ethics in public service. The JACC consistently publishes annual reports that evidence its performance. Also available on its website are information and tools for public complaint handling and information sharing.

45. The World Bank discussed its obligations under the Program with the implementing institutions, which agreed to execute the activities in accordance with the World Bank's Guidelines on Preventing and Combating Fraud and Corruption⁴⁴ in Program-for-Results Financing. The MOL, MoITS, and IPUs will share information with the World Bank regarding all allegations of fraud and corruption in connection with the Program, investigate all credible allegations received, report to the World Bank on actions taken, and

⁴⁴ "Anti-Corruption Guidelines" are the Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing," dated February 1, 2012, and revised July 10, 2015.

cooperate in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program. The Jordanian procurement entities will monitor and abide by the World Bank's list of debarred/suspended firms PLN.

Program Arrangements for Managing Fraud and Corruption Risks

46. As part of the fiduciary assessment, the degree to which the Program systems handle the risk of fraud and corruption, including complaint mechanisms, was assessed. The Program embeds several fraud and corruption prevention, deterrence, and detection mechanisms in existing arrangements, including:

- (a) publication of Program information by participating ministries and entities, including provision for handling stakeholder complaints;
- (b) comprehensive and clearly articulated procedures governing the use and accountability of funds, reflected in the PFM legislation, regulations, and operational guidelines;
- (c) a strong internal control and compliance monitoring mechanism, including: (i) internal control and internal audit; (ii) periodic program progress monitoring by the PMU; (iii) strong compliance monitoring by the MoF financial controllers and internal auditors; and (iv) effective auditing arrangements including an extended scope of audit focusing on systems strengthening applying a risk-based approach;
- (d) a strong track record of timely responsiveness in addressing and resolving audit findings; and
- (e) effective arrangements for segregation of accountability and reporting functions.

These mechanisms will be complemented by proposed PAP remedies that address identified gaps and strengthen overall governance and risk management arrangements.

Application of the Anticorruption Guidelines

47. The World Bank's Anticorruption Guidelines will be applicable to the Program as a whole. Specific requirements of the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing are the following:

- (a) Sharing information regarding all allegations of fraud and corruption in connection with the Program, investigating all credible allegations received; reporting to the World Bank on actions taken, and cooperating in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program.
- (b) Procurement entities monitoring and abiding by the World Bank's list of debarred/suspended firms.

Fiduciary Risks Assessment

48. The assessment concluded that the overall fiduciary framework for the Program is adequate to support its implementation and to achieve its desired results. The key institutions—MOPIC (Program coordinator) and implementing entities (MOL, MoITS, JIC, and JSMO)—have acceptable financial management and procurement systems for the purpose of the Program.

49. Following the assessment, Table 5.2 describes the integrated fiduciary risks, their mitigation measures, and action plan.

Table 5.2. Integrated Fiduciary Risk and Mitigation Measures

Fiduciary Risk	Mitigation Measure	Responsibility
Program coordination: Coordination due to large number of entities involved	A PMU was established at MOPIC and will be in charge of coordination of the implementation of the Program	MOPIC
Planning and budgeting: The JIC and JSMO budgets do not include lines for funds to be received by the Government, which would hinder providing program proceeds to those institutions.	Appropriate budget lines under the JIC and JSMO budgets will be established starting with the 2017 Budget Law.	GBD/MOF/JIC/JSMO
Internal audit: Internal audit function in accordance with international recognized standards does not exist.	The scope of the annual external audit will be expanded to cover assessing the internal controls over program expenditures.	MOL/MoITS/JIC/JSMO
External auditing: AB financial and administrative independence needs enhancement, and its resources are significantly exhausted with ex ante controls that would hinder the quality of financial and performance audit.	An external audit firm, acceptable to the World Bank, will be appointed to audit the Program expenditures.	MOL and MoITS
Efficiency of procurement and contract management in timely procurement, preventing re-bidding and archiving the process and supporting documents	Recording procurement transactions and their timeliness, and building up the capacity of the procurement departments in all the involved institutions by having the procurement staff trained in public procurement, including e-procurement, to get familiar with the latest trends	MOL/MoITS/JIC
Lack of a procurement appeals mechanism to address the complaints on time and addressing issues in a professional manner while preventing delays as a result of complaints	As foreseen in the draft procurement by-law of Jordan, an independent committee composed of representatives of the MoF, MoPWH, MOPSD, and MOPIC will be appointed.	MoF/MoPWH/MoPSD/MOPIC

Table 5.3. Key Fiduciary Performance Indicators

Indicator	Measure	Indicator measures performance related to	Baseline
Average length of procurement process	Number of days between date of invitation to date of award	Timeliness and quality of planning	2015 average in days
Processes terminated, revoked, or re-tendered	Percentage of tender processes terminated or declared null before contract signature or re-tendered	Quality of procurement documents, specifications, and overall quality of process	Percentage of terminated, revoked, or re-tendered processes in 2015

Contract management efficiency	Timely issuance of payment	Number of days between taking over of goods and issuance of payment	2015 average time in days
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Annex 6: Summary Environmental and Social Systems Assessment

Environmental and Social Systems Assessment Objectives

1. **The objectives of this Environmental and Social Systems Assessment (ESSA)** are to document the environmental and social management procedures, standards, and institutional responsibilities that will apply to the proposed Program; evaluate the institutional capacity to manage the likely environmental and social effects in accordance with the country's own requirements under the proposed Program; assess the consistency of the borrower's systems with core principles and attributes; and establish the risks and potential negative environmental impacts of the Program, ensuring that these will be subjected to an adequate initial screening so that relevant mitigation measures can be identified, prepared, and implemented.

2. This ESSA was prepared by the World Bank for the proposed PforR. It includes the following information: (a) a summary of environmental and social risks and benefits associated with activities required to achieve the PDO and the DLIs for each results area; (b) an assessment of the borrower's environmental and social management systems that apply to these activities, their risks, and benefits; (c) an evaluation of the borrower's performance and track record in implementing its environmental and social management systems; (d) an assessment of the extent to which the borrower's environmental and social management systems are consistent with the World Bank's core environmental and social principles spelled out in World Bank policy and associated guidance materials; and (e) a set of recommendations and actions that the borrower has agreed to undertake to improve the implementation of applicable systems.

3. This report was prepared by the World Bank through a combination of reviews of existing Program materials and available technical literature, in-depth interviews with government staff, focus group discussions with Jordanians and Syrian refugees, factory owners and investors, donors, partners, and key experts. Findings of the assessment were integrated into the PAP with key measures to improve environmental and social management outcomes of the Program. The findings, conclusions, and opinions expressed in the ESSA document are those of the World Bank. Recommendations contained in the analysis were discussed and agreed with Jordanian counterparts.

Conceptual Approach to Assessing Social and Environmental Risks

4. The PforR will support government reforms to improve the business environment, labor market reforms, investment climate, trade, and investment promotion—measures that can benefit all Jordanians and all Syrian refugees. Given that Program boundaries are broad, the Bank has redefined the scope for the purpose of the ESSA preparation. To develop the assessment, the boundaries focused on the social and environmental risks pertaining to SEZs, as well as broader political economy contextual issues, implementing agency capacities, and a characterization of the vulnerable groups. The Program will not support investments that will normally be excluded under World Bank policy on PforR financing.

5. Factors affecting social risks can be classified into five broad categories attributable to the: (a) nature of the program; (b) third-party actions; (c) broader, contextual risks; (d) vulnerability issues; and (e) Government/implementing agency capacity and commitment. The interaction among all of these factors may multiply or minimize overall program risk. Based on the assessment, the social risks are considered Substantial.

6. The nature of Program refers to the 'footprint' of the proposed Program (that is, direct impacts directly caused by the Program and for which full control and responsibility of the Government is assumed). As discussed, the Program will finance high-level policy reforms to improve the overall business environment for which no negative social or environmental effects are anticipated. Labor market reforms

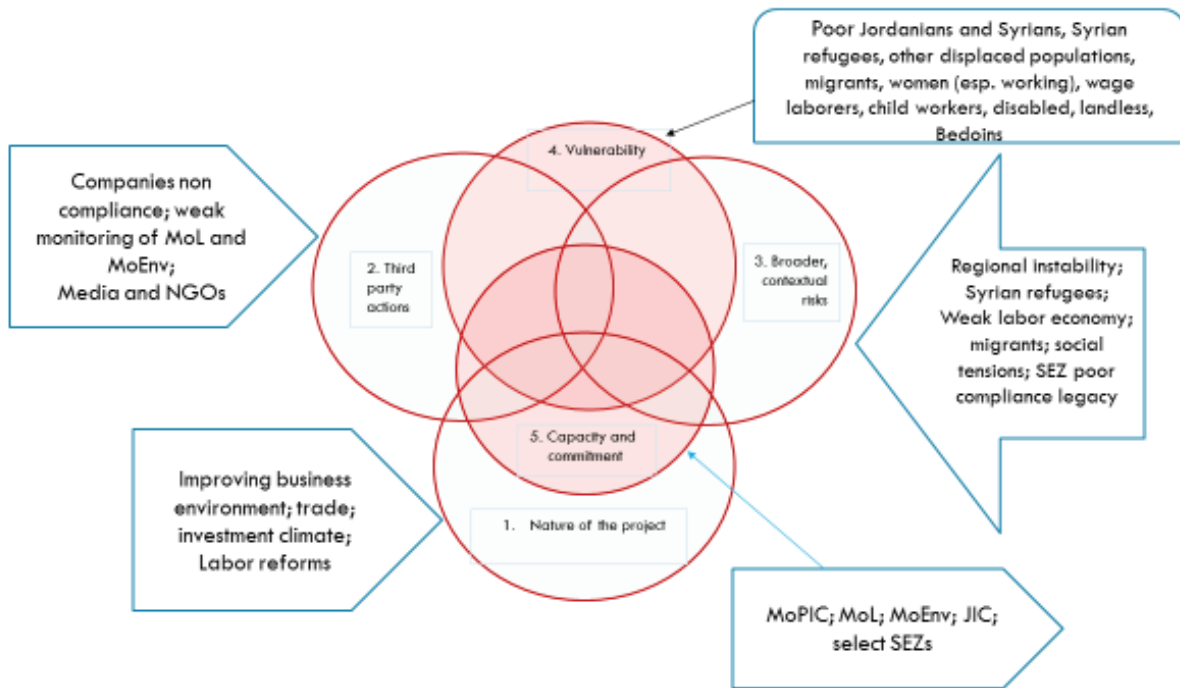
will facilitate the issuance of work permits to Syrian refugees; however, this may be a source of social tension due to preferential treatment vis-a-vis other migrant groups. Direct investments of SEZs or employment generation activities outside SEZs will not be financed under the Program; therefore, there is no direct causality between the Program and noncompliance of labor and environmental standards.

7. However, impacts associated with third-party actions are defined as ones that are contributed by the Program and for which good faith efforts to reduce Program-related risks will be implemented. The most prominent associated social risks include companies' noncompliance of labor and environmental standards; poor monitoring by the MOL and MoEnv; and the potential role of the media or NGOs by influencing public opinion and perceptions about program benefits that may create social tension.

8. Broader, contextual, and political risks have neither been caused by the Program nor have contributed to the risks; they are however considered substantial and may exacerbate other Program-related risks. These include the regional instability caused by the Syrian crisis, its weak labor economy, large migrant numbers (close to a third of the population), social tensions among some of the host communities and Syrian refugees, and legacy issues related to gross noncompliance of labor and environmental standards in SEZs. Despite these political economy risks (more details provided in Annex4- Political economy section), Program benefits outweigh the costs and therefore the Program is deemed viable.

9. Adverse impacts that fall disproportionately on the poor or vulnerable groups are defined as vulnerability risks. Vulnerable groups are particularly exposed to systemic barriers to Program benefits. In this Program, vulnerable groups are defined as poor Jordanians, poor Syrians/Syrian refugees, other displaced populations (i.e., Libyans, Yemenis, and so on), migrant workers, women (especially women workers), wage laborers (especially those on a contract basis), child workers, the disabled, landless, the Bedouins, and Program-affected persons who may not be protected through national land compensation legislation. Working women are particularly vulnerable to different forms of harassment. Citizen engagement measures to strengthen voice of low-wage workers, migrants, and women; grievance redress mechanisms; actions to increase access to information about rights; and closer scrutiny of labor and environmental practices have been proposed in the PAP to mitigate these risks.

Figure 6.1. Summary of Key Risks



10. **Capacity and commitment** refers to the resources, capacity, and political will for addressing the social and environmental issues in the Program. While there is strong political will to implement the overall Program, capacity remains weak and a risk to Program implementation. Capacity of the following institutions/departments was assessed and measures were proposed as follows:

- **MoPIC.** Assignment of staff to oversee implementation of social and environmental PAP measures
- **MOL and MoEnv.** Providing human resources and financial means to conduct compliance monitoring of selected SEZ estates needed and development of baseline data
- **Select SEZs.** Improving the capacity and practices around labor practices and occupational safety and health within SEZs
- **JIC/one-stop shops.** Proactive information provision to clients on labor and environmental standards

11. Progress in this area will measure the Program’s performance through quarterly reporting, implementation support missions, and M&E of the DLI verifications and Results Framework indicators.

12. The regulatory framework was also assessed and spanned the review of the Jordanian laws pertinent to labor and environmental issues, land acquisition and resettlement, and International Labor standards (refer to the full annex for details).

13. Lastly, to bolster the social and environmental measures in the Program and demonstrate the Government’s commitment to doing good, the following social and environment (occupational health and safety) DLI will be introduced: Public disclosure of Better Work Jordan findings and of major labor

violations. While the Program will use existing infrastructure of the SEZs and is providing specific guidance on labor and safety-related issues in the PAP, it is paramount that the Government demonstrate commitment to making efforts to curb low compliance. Global experience has demonstrated that pressure created by ‘shaming’ through transparency of information has positively influenced increased compliance.

Environmental and Social Risks

14. The overall social risks are expected to be Substantial due to the perception by host communities and other migrant communities that Syrian refugees are disproportionately benefiting from job opportunities and resources. With regard to women’s employment, the need for viable solutions to enable refugee women to work outside of the camps—namely transportation and childcare—will be critical to provide culturally sensitive and safe employment options. Poor working conditions associated with weak compliance of labor standards are also a risk.

15. With regard to increased support to the SEZs, social risks associated with labor standards are expected to be Moderate given that Better Work standards will be followed and closely monitored. The environmental risks of this PforR and broader Jordan Compact support are expected to be Moderate and are associated with a direct impact on labor conditions and an indirect impact on labor-intensive sectoral production. Thus, worker health and safety is determined to be the predominant environmental risk, with air pollution, industrial effluent, and poor management of solid waste from these zones are identified secondary and indirect environmental risks. Other environmental risks include chemicals, dust, and livestock disease exposure in the agricultural sector and loss of limbs, fatal falls, and electrocution in the construction sector.

Assessment of Borrower Systems

16. The applicable federal and governorate environmental and social management systems in Jordan, from a legal, regulatory, and institutional perspective, are considered to be generally appropriate and comprehensive, with only a few gaps in relation to the principles of the ESSA. The scope of the legal and regulatory systems is adequate to address underlying environmental and social risks; therefore, no significant changes to the overall structure of these management systems are required or proposed. The systems, on paper, are in many respects consistent with the principles and attributes of a well-functioning system as defined by the World Bank policy on PforR financing.

Stakeholder Consultations

17. The preparation of the ESSA was carried out in a participatory manner involving feedback and inputs from a number of key stakeholders working in the Government, private sector, and NGOs and other sectoral experts, donor agencies, and international partners. The World Bank team used informal interviews and stakeholder dialogue in combination with more formal and structured focus groups and other public meetings to solicit information relevant to the analysis as well as to verify judgments made in the course of conducting this review. Field visits to a representative sample of SEZs were conducted to establish the status and standard of environmental and social safeguard systems at local levels and interviews were conducted with technical staff in relevant institutions. SEZs visited included Al-Hassan SEZ, Al-Dulayl Industrial Estate, Mauwaqqar Industrial Estate, and Irbid SEZ. Additionally, a two-day forum, which convened over 50 representatives ranging from investors, buyers, government agencies and ministries, international partners such as ILO, Better Work Jordan, EU, UNHCR, regulatory agencies such as the JIC, Jordan Garments, Accessories, and Textiles Exporters' Association (JGATE), and Worker’s Union, discussed broad program design and feasibility issues. The forum took place during April 12–13, 2016, in Amman.

18. **Key issues raised were as follows:**

- Concerns by some investors that the business model of replacing migrant workers with Jordanians or Syrian refugees may not work given the expertise migrants have already developed in certain industries.
- Having training programs that cover the needs of factories will help create opportunities for both Jordanians and Syrian refugees.
- Preference over Jordanian and Syrian refugee workers due to concerns about cultural differences between migrant workers and local communities that tend to be more conservative.
- Difficulties in hiring more Jordanian and Syrian refugee women as the industrial estate is more heavy-industries-centered at the time of survey.
- Regarding the integration of Syrian refugees, local community members are complaining and claiming that the Syrian refugee laborers are a burden and are compromising the minimum rights to get job opportunities. Additionally, Syrian refugee managers and supervisors are said to grant a preferential treatment to Syrian refugees. These tensions and risks would be mitigated by creating more jobs for Jordanians.

Actions to Address Environmental and Social Risks

19. The proposed PforR operation will be used strategically to begin strengthening Jordan's environmental and social management systems by using a risk-based approach, starting with: (a) managing perception issues about who the winners and losers are in the Program; (b) providing human resources and financial means for the MOL and MoEnv to conduct compliance monitoring of selected SEZ locations; (c) improving capacity and practices around labor standards enforcement and occupational safety and health within SEZs; and; (d) instituting policies at the JIC that regulate land acquisition, resettlement, compensation, and environmental and labor standards in SEZs.

20. These activities were distilled as part of the DLI related to SEZs, which makes public support to SEZs conditional on these improved environmental and labor practices. As such, this requirement will have the full force of legal covenants and will be the basis for funds disbursement under the proposed operation. The Program will also support the reinforcement of the MOL and MoEnv, as well as the SEZ management administration.

21. These activities will be supported by technical assistance activities, to run in parallel with the PforR, estimated at US\$5 million. Other technical assistance activities budgeted will support broader capacity building activities, such as addressing sources of pollution and resource use in the SEZs and development and adoption by the industries of a Better Work Jordan compliance structure, within the lifetime of the PforR operation.

22. With respect to social measures, SEZ development and management companies will improve stakeholder and public consultations to make the process more inclusive through consultations. These guidelines will be followed for planning and conducting meaningful consultation for each stage of social assessment. With regard to enforcement of labor laws, the MOL and the SEZs will work in close collaboration. A labor cell will be established within the social unit at the company level to liaise closely on issues of child and bonded labor, as well as to assist the district labor officer to monitor and help create the conditions for the enforcement of existing labor laws. To deal with public complaints or disputes within

an industrial zone, a system of grievance redress will also be developed and implemented, which will be complemented by measures to strengthen the existing hotline at the MOL.

23. SEZs will also be expected to develop, notify, and implement SOPs covering the occupational, construction, labor working conditions, and community aspects related to health, safety, and environment. The social units will take the lead in this aspect and work in collaboration with the MOL and MoEnv. The enforcement of by-laws and policies in the JIC relating to the establishment of industries will also be improved by the SEZs.

24. If these activities are successfully implemented, as outlined above, the overall environmental and social management systems in Jordan will be strengthened and set on a more sustainable path. Based on the World Bank's assessment, a number of specific actions will be undertaken to address environmental and social risks associated with the Program.

25. This ESSA recommends undertaking the following social and environmental measures during the life of the Program:

(a) Strengthening JIC Environmental and Social/Labor Advisory Services

- Strengthen one-stop-shop role to include: (i) proactive information sharing (through printed materials and other relevant venues) of environmental and labor standards to investors, and (ii) proactive information sharing about land acquisition, compensation, and resettlement laws and regulations.

(b) Establishment of Workers' Centers at a Zone Level (modelled after Workers' Center Pilot/Better Works)

- Support the establishment of Workers' Centers at the SEZ level to provide a bundle of services for workers, to include information on social and environmental standards, preventative medical checkups, legal advice, and a secure grievance redress system for workers. This specifically includes the following:
 - Legal advisor or worker's rights and channels and processes available for grievance redress (including advisors—not just translators—in different languages)
 - Proactively providing information on labor standards and environmental standards through printed materials and company visits and awareness-raising activities
 - **OSH advisor to** oversee OSH issues at zone level and liaises with the MOL, MoH, and MoEnv for follow-up needed
 - Clinical doctors to oversee specialized services such as eyes, ears, respiratory conditions, minor injuries, repetitive injuries, and urgent care
 - **Compliance monitoring officer to** liaise with management and compliance staff to monitor company-level compliance issues on environmental and labor standards
 - Allowing for outsourcing of medical services to the private sector

(c) Strengthening MOL's Inspectorate Unit

- Develop infrastructure (database software and computers) to strengthen the MOL hotline (grievance redress system) and establish IT linkages between inspectors and hotline.
- Strengthen existing grievance redress mechanisms at the MOL to allow for confidential and effective resolution of complaints between affected people, communities, and managers of SEZs.
- Complete a memorandum of understanding between the Ministry of Health and the MOL to enable MOL to take responsibility and accountability for workers' dormitories inspection and compliance.
- Continue to support a singular integrated inspection database across MOL, MoEnv, and other relevant ministries, which aggregates current compliance rates for individual factories across several inspection agencies. This is in order for risk-based inspections to increase in parallel with a lower average of yearly inspections per factory.
- Build an M&E system to assess percentage of case resolution
- Redeploy and train existing Inspectorate Unit staff to increase technical expertise, while changing mindset from 'policing' to providing incentives to comply with standards.
- Conduct awareness-raising and communications activities to increase the knowledge of grievance system available to workers.
- Provide legal advisors (to advice on the labor law) with diversity of language skills to manage cases of migrant workers.

(d) Support Ministry of Environment Capacity More Strategically

- Focus MoEnv Inspectorate capacity on designing and implementing—in priority, pollution hotspots—air pollution abatement plans, containing: (i) targets for selected environmental improvement objectives, (ii) a clear assignment of roles and responsibilities for the different stakeholders involved, and (iii) incentive mechanisms (including soft loans) to encourage industries to comply with environmental regulation.
- Promote pollution control through a combination of (i) positive incentives (including soft loans and technical assistance) to encourage the use of cleaner production processes, and (ii) gradual phasing-in of negative incentives (pollution levy for industrial emissions exceeding a given standard) to induce firms to meet effluent/ambient standards (for example, through end-of-pipe treatment). Initially the levy would be linked to the level of activity/employment and later—once adequate monitoring capacity is in place—to emission levels.
- Promote the inclusion of specific targets of environmental improvements in selected sectors, particularly those targeted by the Jordan Compact to create increased employment. This will include definition of responsibilities for their achievement, performance indicators, and allocation of the required human and financial resources.

(e) Policy and Assessment Areas for Strengthening Environmental and Social Standards

- Developing, notifying, and implementing SOPs related to OSH and improve implementation of bylaws
- Completion of OSH Strategy according to ILO Convention 187
- Memorandum of understanding between the Ministry of Health and MOL for MOL to lead on dormitory inspections
- In-depth assessment of dormitory safety and quality of life

(f) Provision of a Women-Friendly Enabling Environment

- Provide safe transportation that is culturally sensitive to women to SEZs.
- Request SEZs benefiting from EU trade preferences provide stipends above their base salaries to women working in SEZs to cover child care costs.
- Generate data to measure sexual harassment cases nationally and support a national dialogue between relevant ministries on adopting a regulatory framework against sexual harassment to protect women.

(g) Strengthening Transparency, Participation, and Accountability (to manage social risk associated with perceptions and to be developed with the support of external communications and relations)

- Develop a comprehensive plan between the World Bank and GoJ with clear, concise, consistent messages about the Program.
- Develop a communications strategy and rollout plan with MOPIC to share information about Program objectives, components, and investments; access to program benefits.
- Segment the target audience and the messages to target groups that are the perceived ‘losers’ of the Program through identifying the issues (that is, misperception about replacement of Jordanian or migrant workers, and so on).
- Strengthen impacts of the program by establishing and communicating processes put in place during program implementation (for example, how different geographic areas and social groups are targeted, whether targeting happens in a manner that is transparent and based on clear criteria, such as poverty or vulnerability, and not solely on refugee/non-refugee status).
- **Public disclosure of compliance information of factories in participating qualified industrial zones.** There are approximately 30 criteria being discussed and to be agreed to and revised through tripartite workshops, every two years. Annual reports on companies’ performance are to be released and shared with all.
- **Participation of each targeted factory in compliance programs modelled after Better Work Jordan.** While Better Work Jordan is currently limited to the garment industry, there is a shared donor commitment to find practical solutions to expand its work beyond the garment sector. Donors, buyers, and other stakeholders are cognizant in that there are industry-specific elements that are different from the garment industry

and that there are variances in the state of social dialogue at the sector level; however, it is expected that commitment and funding will be leveraged by both buyers and donors.

- Based on current results of air and water quality monitoring, establish a list (or improve existing ones) of priority pollution hotspots, particularly in Zarqa.
- Encourage compliance with environmental regulation through public disclosure of performance of the polluters by the NGOs and the media, in tandem with the suggested public disclosure program to be implemented by Better Work Jordan.

(h) Support to Workers in the Agricultural and Construction Sectors (albeit indirectly)

- Share of workers with social security coverage to continue to grow by at least 10 percent per year, with the support of a nationwide campaign
- Share of employed workers paid below minimum wage to decrease

(i) Strengthening Case Management of Child Labor

- At least 3,000 child laborers identified, withdrawn, and rehabilitated through the National Framework on Child Labor.

(j) Environmental Measures - Emissions Inspections and Industrial Waste Management

• **Targeting Emissions Inspections**

- The MoEnv, in partnership with the GAM, will pilot accelerated efforts to improve the air-monitoring system, including ambient air quality, as well as emission from stationary (for example, the likely highest emitting sectors) and mobile ones.
- Continue to put into place a risk-based management approach to inspections, defining in a transparent manner priority locations/sectors (as opposed to the standard approach, which is primarily complaint driven).
- Maintain the MoEnv as the primary inspection authority for emissions inspections until the JIC is able to fully take on this function, if that is the intention of the GoJ. When the function does transfer to the JIC, offer incentives to move MoEnv inspectorate staff to the JIC to seed capacity.

• **Improve Industrial Waste Management Capacity**

Industrial waste, including hazardous, medical, and construction waste, has increased and is likely to continue to increase with incentives to expand businesses and create employment. Although the solid waste management sector is receiving attention, as the incremental load of solid waste is said to be created from the Syrian refugee influx, increased industrial waste management systems are not receiving the attention they need to

Annex 7: SORT and Program Action Plan

SORT	
Risk Category	Rating (H, S, M, L)
Political and Governance	M
Macroeconomic	S
Sector Strategies and Policies	H
Technical Design of Project or Program	M
Institutional Capacity for Implementation and Sustainability	S
Fiduciary	M
Environment and Social	S
Stakeholders	H
International Community Support	H
OVERALL	H

Program Action Plan

Action	Legal covenant (Y/N)
Put in place a PMU within MOPIC to monitor the implementation of the Compact and PforR.	Y
Issue a prime minister decree appointing the AB as a third-party verifier.	Y
Develop an Operations Manual for the PforR ‘Economic Opportunities for Jordanians and Syrian Refugees’.	Y
Extend the period of free work permits and relaxed inspections targeting Syrian refugees for the next two years (target date: September 2016)	Y
Disseminate information regarding eligibility, administrative process, and service standards for obtaining work permits and Ministry of the Interior ID cards (target date: biannually starting September 2016)	Y
Monitor and report quarterly: the number of work permits applied for and the number issued, disaggregated by new work permits (first time to an individual), renewal work permits, change of employer work permits, as well as by gender, sector/occupation, Governorate/camp and nationality. (Target date: quarterly starting January 2017)	Y
Develop and implement a system that allows residents of refugee camps to enjoy mobility to search for and attend work and put in place an advisory committee including members from the World Bank, ILO, UNHCR, and the International NGO (INGO) coordinator (target date: December 2016)	Y
Monitor and report quarterly the number of leave permits applied for, the number received, and the frequency of use, disaggregated by camp, gender, and age. (Target date: quarterly starting January 2017)	Y

Include refugees and economic migrants in the Department of Statistics Employment and Unemployment Surveys (target date: quarterly survey starting January 2017)	Y
Carry out an awareness-raising campaign regarding household enterprises to inform the public about the availability of this option and the reduced restrictions and incentives to foster the creation of such businesses.	Y
Instruct the JIC to recruit 26 high caliber staff with relaxed salary constraints as recently allowed by the Cabinet (target date: June 2017)	Y
Publish and publicize an ‘investor’s guide’ for domestic and foreign investors with specific information for Syrian investors and other restricted nationalities (target date: December 2017).	Y
Set up a Client Relationship Management (CRM) information technology (IT) system and database for investor targeting and aftercare at the JIC (target date: December 2018)	Y
Strengthen the MOL’s Inspectorate Unit’s capacity to identify, track, and more effectively resolve noncompliance on labor and environmental standards through the development of IT tools (database and program) to enable staff to input and monitor data (including development of a baseline data on labor and environmental compliance to standards); establish linkages with other entities within the MOL (such as hotline, child labor, operational safety and health [OSH]), Ministry of Environment, and Ministry of Social Development; and increase effectiveness of their resolution (target date: June 2017)	Y

Annex 8. Implementation Support Plan

Table 8.1. Main Focus of Implementation Support

Time	Focus	Skills Needed	Resource Estimate, including other Development Partners (US\$, million)	Partner Role
First 12 months	Investment promotion Labor/work permits Trade	Investment targeting and after care Labor regulation Trade facilitation	1	USAID/JCP coordination ILO coordination
12–48 months	Investment promotion Labor/work Permits Trade	Investment targeting and after care Labor regulation Trade facilitation	1	USAID coordination ILO coordination
Other	Trade in services, business incubation, construction sector	Sectoral expertise	3	DFID coordination

Table 8.2. Task Team Skills Mix Requirements for Implementation Support

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Program Management	20	16	—
Labor Market	20	—	—
Investment Climate	10	—	—
Investment Promotion	10	8	—
Verification	2	5	—
Fiduciary and Safeguards	5	6	—

Annex 9. Role of Partners in Program Implementation

1. **There are several initiatives taking place in Jordan to support the implementation of the Compact directly or indirectly and more broadly private sector development.** The EU has counted about 77 on this area. Among the main programs in place in Jordan are:

- **USAID.** Jordan competitiveness, workforce development, SME financing programs
- **EU.** SME financing and support, vocational training support
- **GIZ** It has several initiatives including some on vocational training.
- **EBRD.** It provides SME financing
- **DFID and Dutch** plan financing initiatives

Table 9.1. Key Donors Supporting Compact

Donor	Programs	Approximate Annual Amount (US\$, million)
World Bank Group	Regulatory and Investment Promotion Reform (through various trust funds including the Transition Fund), Social Resilience Program	25
EBRD	SME Financing Support	10
EU	Vocational Training, SME Support	20
OPIC (US)	SME Financing Support (guarantee facility)	20
USAID	Work Force Development Program, Jordan Competiveness Program, SME Financing Program,	25
Germany - BMZ	Plan for Prospect	200
Other Donors: DFID, JICA, GTZ, AFD, CIDA, UNDP, Arab Fund	Vocational Training, SME Support (including finance)	15

Note: AFD = Agence Francaise de Developpement; BMZ = German Federal Ministry for Economic Cooperation and Development ; CIDA = Canadian International Development Agency; GTZ = German Agency for Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit); JICA = Japan International Cooperation Agency; UNDP = United Nations Development Programme.

2. **The main support that is being granted to Jordan in the context of the Compact is the preferential market access the EU is granting to Jordan, which preliminary details are highlighted hereafter:**

- **EU:** The EU's Rules of Origin initiative for Jordan. Jordan and the EU are currently in discussions on a scheme whereby the EU will provide further facilitation to Jordanian exports in the framework of the existing EU-Jordan Association Agreement, which already provides for Jordanian products to enter the EU market on a highly preferential basis. This will be part of a package of EU support for the country in the context of the present Syrian refugee crisis. The scheme will ensure a direct connection with the creation of additional employment opportunities for Syrian refugees. Jordan is also expected to pursue other measures to improve the business and investment environment and facilitate the access of Syrian refugees to the labor market. Such actions will be important if the scheme is to achieve its full potential of stimulating investment, job creation, and additional exports.

- The EU will agree to allow exporters in Jordan to use alternative rules of origin for a wide range of industrial/manufactured products. The alternative origin rules will be those available to least-developed

countries under the EU's Everything But Arms scheme, which are typically more flexible than those provided for under the EU-Jordan Association Agreement.

- The scheme is expected to apply for a period of ten years with a midterm review.
- The possibility to use these alternative rules of origin will be conditional—at least initially—on production taking place in specific development/industrial zones with the participation of a specific percentage of Syrian refugee labor (in a set of 11 industrial zones and to firms employing 15 percent of Syrian refugees in the first two years then 25 percent of Syrian refugees beyond).
- The initiative is expected to follow a two-phase approach and with the possibility of a countrywide availability of the alternative rules of origin once Jordan achieves its target of creating 200,000 jobs for Syrian refugees, as announced in the International Compact for Jordan adopted in the London Conference of February 2016.

3. **During phase one, companies located in a number (11) of specific development zones and industrial areas and employing a certain percentage of Syrian refugee labor will be entitled to make use of the rules of origin relaxation for their products exported to the EU.** Companies must employ refugees under formal employment conditions, in line with national labor law and nationally applicable work standards, guaranteeing equal treatment, and in line with internationally agreed labor standards (notably ILO core conventions). Syrian refugees must be employed on a full time basis with annual contracts.

4. The Jordanian competent authorities will certify and monitor that any exporting company regime fulfils the abovementioned conditions and grant the exporter an authorization number to that effect, which will be used by the EU's customs authorities to confirm the entitlement for a duty-free importation of the products based on the more relaxed rules of origin.

5. **Annual reporting obligations to the Commission will accompany this initiative.** The Jordanian competent authorities will need to collect data and information about the companies operating in the selected areas, the goods that are exported, the number of Syrian refugees employed (ideally also by gender), and the respect of decent working conditions.

6. Verification and administrative cooperation procedures are created between the Jordanian authorities and the European Commission and the member states' customs authorities to identify and prevent contraventions.

7. **Phase two enters into force once Jordan has achieved a greater participation of Syrian refugees in the formal labor market for a total number of 200,000 job opportunities⁴⁵ across the whole economy.** At this stage, the rules of origin regime will be further simplified by extending it to the whole country. In practice, the requirements concerning the place of production and the employment of a specific number of Syrian refugees at a company level will no longer apply. However, Jordan still needs to ensure that at least 200,000 jobs in the formal labor market continue to be available to Syrian refugees until the end of the 10-year duration of the initiative; the EU will also expect Jordan to ensure that decent working conditions will apply also to this wider participation in the labor market. An appropriate monitoring mechanism needs to be put in place to that effect.

⁴⁵ The definition of job opportunities and the use of work permits as a proxy are to be determined in the course of 2016.