

PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.:PIDC0063426

Program Name	<i>Economic Opportunities for Jordanians and Syrian Refugees</i>
Region	<i>MENA</i>
Country	<i>Hashemite Kingdom of Jordan</i>
Sector	<i>Trade and Competitiveness</i>
Lending Instrument	<i>P4R</i>
Program ID	P 159522
{If Add. Fin.} Parent Program ID	NA
Borrower(s)	<i>Hashemite Kingdom of Jordan</i>
Implementing Agency	MINISTRY OF PLANNING AND INTERNATIONAL COOPERATION
Date PID Prepared	04/14/2016
Estimated Date of Appraisal Completion	04/30/2016
Estimated Date of Board Approval	09/29/2016
Concept Review Decision	Following the review of the concept note, the decision was taken to proceed with the preparation of the operation.
Other Decision {Optional}	

I. Introduction and Context

A. Country Context

- Jordan is a small middle-income country** (GDP per capita of 5,423 USD in 2014¹). According to the latest 2015 census, Jordan has a population of 9.5 million, consisting of 6.6 million Jordanians and almost 3 million migrants. It suffers from a high unemployment rate of 13% for Jordanians. The country is facing severe challenges brought by insecurity in neighboring Syria and Iraq and declining oil prices which impact the neighboring Gulf Countries – a major source of investments, aid and remittances.
- After four years of a steady recovery, Jordan's economy slowed down in 2015 due to spillovers from the regional conflicts, particularly on tourism and trade** (tourism arrivals were down by 15% in the first half of 2015). Real GDP growth was 2.4 percent in 2015. GDP growth is forecast at 3.5 percent and 3.8 percent in 2016 and 2017, respectively. However, the growth rates are unlikely to generate enough employment growth to make a dent on structurally high unemployment and the needs of Jordanian host communities and

¹ Source Data.WorldBank.Org for 2014.

refugees.

3. **The insecurity in Syria has led to an influx of refugees** – the recent census estimates that 1.3 million Syrians now live in Jordan (13.7% of its total population). About 75% of Syrian refugees live in the Governorates of Mafraq, Irbid and Amman. There are 629 000 Syrians registered with UNHCR as refugees. The largest camp is Al Zaatari camp in Mafraq, host to almost 80,000 Syrian refugees.
4. **The situation of Syrians in Jordan is very diverse.** It ranges from a small number of wealthy industrialists who have established significant operations in Jordan, to extremely vulnerable female-headed households, which represent a quarter of all refugee households. Approximately 17% of the refugees live in camps; the balance lives in Jordanian host communities. 80% of Syrian refugees are below the national poverty line. .
5. **This Operation supports the implementation of some key elements of the Jordan Compact adopted in London on February 4** at the Conference on “Supporting Syria and the Region”. This Project supports the Economic Opportunities Aspects of the Compact.

B. Sectoral (or multi-sectoral) and Institutional Context of the Program

6. **Key pillars of the Compact** include: i) Turning the Syrian refugee crisis into a development opportunity that attracts new investments and opens up the EU market with simplified rules of origin, creating jobs for Jordanians and Syrian refugees whilst supporting the post-conflict Syrian economy; ii) Rebuilding Jordanian host communities by adequately financing through grants the Jordan Response Plan 2016-2018, in particular the resilience of host communities; and iii) Mobilizing sufficient grants and concessionary 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.
7. **To enable a better market access to the EU, negotiations between GoJ and the EU are ongoing.** They are expected to lead to the granting of a preferential access to the EU market for a number of Jordanian products through the relaxation of the rule of origin requirement (expected by summer 2016). This agreement would likely be limited in time, eligible product lines and geographic scope (selected number of Special Economic Zones).
8. **These Special Economic Zones are already well established** both in terms of institutions and infrastructure. Capacity utilization varies from approximately 10% in the case of Al Mafraq to close to 100% in the case of Irbid. These zones vary institutionally and include Qualified Industrial Zones; the free zones; the, industrial estates, development zones and privately-managed economic zones. Some of them are co-localized. All the public zones are under the authority of the Jordan Investment Commission (JIC).
9. Al Mafraq SEZ, near Jordan’s border with Syria, has spare capacity and could be used as **a construction hub not only for the future reconstruction of Syria** but also for the current construction needs in Al Mafraq and Irbid (where the largest proportion of refugees live).
10. In parallel to investment promotion efforts, substantial reform of the business environment is required. **Jordan has a weak and unpredictable business environment** (113th in Doing Business ranking, down from 107 last year).

11. **Labor market reforms are key to the implementation of the Jordan Compact** which includes a series of measures designed to formalize existing, informal Syrian labor. At present only 6,300 Syrians hold work permits in Jordan (compared to 324,000 foreign workers).
12. **The vocational training system in Jordan requires strengthening in order to support implementation of the Jordan Compact.** In the coming months, GoJ intends to release its new vocational training strategy that should lead to a complete overhaul of this system in the near future.

C. Relationship to CAS/CPF

13. **The proposed operation directly supports the new Country Partnership Framework (CPF) under discussion.** The first pillar of the CPF aims to catalyze the private sector's role as an engine for growth and moving away from a model in which the bulk of formal employment is created in the public sector. This pillar will aim at implementing the necessary investment climate reforms and facilitating greater participation of the private sector to the economy. The second pillar of the CPF aims at helping Jordan to improve the equity and quality of service delivery. In this context concerns with regard to service delivery have focused on growing inequalities in provision and an erosion of quality. The proposed program supports a better government-to-business service delivery and more stability and predictability in rule making and implementation of policies and regulations.
14. **Private sector-led growth is also a key element of the first pillar of the Middle East and North Africa strategy** and inevitably feed into the pillars of economic recovery and building resilience against refugee shocks. The forthcoming IMF program will also be supportive of this approach since it is expected to focus on jobs and the investment climate.
15. **Overall, this PforR aligns with the CPF, the government's Vision 2025 and new Middle East and North Africa strategy.** The government's overall vision for the next 10 years is to place Jordan on a more sustainable growth path with job creation, better service delivery, a more conducive investment climate, and a stronger involvement of citizens in the decision making process.

D. Rationale for Bank Engagement and Choice of Financing Instrument

The Bank's response needs to be multi-faceted and includes the following considerations:

16. **The fiscal crisis facing Jordan calls for support to the State's Budget** that will contribute to support Jordan's resilience, mitigate its exacerbated vulnerabilities and enhance its ability to provide economic opportunities for both Jordanians and Syrians.
17. **The magnitude of impact of the Syrian crisis on Jordan requires a unique response.** The World Bank is well positioned to support such a response through to the Concessional Financing Facility it has put in place to finance the needs of Middle East countries affected by the Syrian crisis.
18. **The objective of providing economic opportunities to Jordanians and Syrian refugees**

entails business environment and investment climate reforms which the World Bank Group has been consistently supporting in Jordan.

19. **The Bank has the convening power to support donor coordination** around a common goal and support GoJ in implementing the Jordan Compact.
20. **The PforR instrument was chosen because:** i) It supports the government's program as outlined in the Compact; ii) The strong focus on results by both the government and the Bank is underlined through disbursements linked to results and robust monitoring and evaluation mechanisms; iii) It allows for improvements in Jordan's systems and institutions that will lead to the implementation of a large critical part of the government's program.

II. Program Development Objective(s)

21. Based on the objectives of the Compact and below-mentioned Program Boundaries, **the proposed PDO of the project is to "Improve Economic Opportunities for Jordanians and Syrian Refugees"**.
22. **It 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"*

III. Program Description

PforR Program Boundaries

23. In order to support the implementation of the Jordan Compact, this PforR is expected to support: i) Business Environment Reforms; ii) Labor Market Reforms, including Vocational Training; iii) Trade Reforms, building on the discussions on potential improved market access to the EU; iv) Special Economic Zones development.

Initial Environmental and Social Screening

24. **An Environmental and Social Systems Assessment (ESSA) is being prepared by the World Bank** for the proposed PforR. It will include the following information: (a) a summary of environmental and social risks and benefits associated with proposed activities required to achieve the PDO and the Disbursement Linked Indicators for each Results Area; (b) an assessment of the borrower's environmental and social (E&S) management systems which apply to these activities, their risks and benefits; (c) an evaluation of the borrower performance and track record in implementing their E&S management systems; (d) an assessment of the extent to which the borrower's E&S management systems are consistent with the World Bank's core E&S principles spelled out in the Bank policy on PforR and associated Guidance materials; and (e) a set of recommendations and actions which the borrower has agreed to undertake in order to improve the implementation of applicable systems.

25. Tentative financing

Source:	300 (\$m.)
Borrower/Recipient	Hashemite Kingdom of Jordan
IBRD	200 ²
IDA	100
Others (specify)	
Total	300

26. Contact point

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² Expected to be financed in part by the new Concessional Financing Facility.