

PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)**APPRAISAL STAGE**

Report No.:

Program Name	Economic Opportunities for Jordanians and Syrian Refugees Program-for-Results
Region	Middle East
Country	Hashemite Kingdom of Jordan
Sector	Trade and Competitiveness
Lending Instrument	Program for Results
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Implementing Agency	Ministry of Planning And International Cooperation
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I. Program Context**A. Country Context**

Jordan is a small middle-income country facing severe challenges. The total closure of land trade routes with Syria and Iraq and other security-related challenges around Jordan adversely impacted 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). It suffers from a high unemployment rate of 13%. Real GDP growth has contracted to 2.4 percent in 2015 from 3.1 percent in 2014². These low growth rates are insufficient to provide enough jobs to the growing population.

The crisis in Syria has led to a massive influx of Syrian refugees over the past 5 years. As of June 2016, Jordan hosted 655,217 registered Syrian refugees³, 80 percent of whom live in host communities. This represents about 10 percent of Jordan's population. About 75% of Syrian refugees live in the Governorates of Mafraq, Irbid and Amman. The largest camp is Al Zaatari camp in Mafraq, host to almost 80,000 Syrian refugees. According to the recently concluded census, the total number of Syrians has reached about 1.3 million, and there are a further 1.6 million non-nationals in Jordan. According to the Ministry of Labor, 324,000 foreigners have work permits, 65% of them are Egyptians, 3% from Arab countries, 26% are Asians and 2% are Syrians.

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; exports to Iraq and Syria 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 2010-2014, averaging growth of 2.7 percent.

³ Source UNHCR June 2016

The situation of most Syrian refugees in Jordan is highly vulnerable. Extremely vulnerable female-headed households represent a quarter of all refugee households. Approximately 17% of the refugees live in camps. The majority of refugees – about 80%, are below the national poverty line and need assistance.

The WBG has been asked by the Government of Jordan and the International Community to support a holistic approach to the Syrian refugees' influx, which targets both the Jordanian host communities and the Syrian refugees in Jordan. The parameters of the international response were defined in the Compact, which was adopted in the Heads of State Level “Supporting Syria and the Region Conference” held in London on February 4, 2016. This Project supports the Economic Opportunities Aspects of the Compact.

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

The core objective of the Compact is to adopt a holistic approach to the twin challenge of addressing Jordan's structural growth needs and managing the influx of Syrian refugees. This will be primarily achieved by developing economic opportunities for both Jordanians and Syrian refugees, through increased investments. In addition, improved access to Jordan's labor market will help Syrians in legally seeking income opportunities. In parallel, reforms and measures that improve Jordan's competitiveness (trade and investment climate reforms) will be needed to increase investments and spur stronger job creation.

In the Compact, the Government of Jordan committed to generate 50,000 job opportunities for Syrian refugees by the end of 2016—primarily in the form of work permits, rising to 200,000 in the coming years.

Jordan has a weak business environment. In parallel with investment promotion efforts to target the new opportunities described above, substantial reform of the business environment is required. In terms of Doing Business Indicators, Jordan ranks 113th globally 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 as it is often unpredictable. In addition to addressing the business environment, other important areas that will require significant improvement as part of the implementation of the Compact include: (i) access to finance which has been identified as one of the most important obstacles to firms operations by the recent Enterprise Survey (2013-2014); (ii) incubation type support for some industries – provision of rentable factory space, (iii) transportation and child care (core issues for women's employment) (iv) trade facilitation and (v) skills' development.

II. Program Scope

The PforR addresses part of the Government Program through the Jordan Compact approach. The PforR 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”*.

The PforR program supports the following core themes: (i) investment climate reform, (ii) investment promotion, and (iii) labor market reform. These topics represent the boundaries of the Project.

The Jordan Compact’s approach is anchored on the following three interlinked pillars in order to support Jordan’s growth agenda whilst maintaining its resilience and economic stability:

- (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—all with the aim to creating jobs for Jordanians and Syrian refugees whilst supporting the post-conflict Syrian economy;
- (ii) 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
- (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.”

III. Program Development Objective/s (PDO) and key results

Key Program objectives

Based on the objectives of the Jordan Compact and the proposed Project Boundaries, the PDO of the project is to “Improve Economic Opportunities for Jordanians and Syrian refugees”.

Key Program Results

The PforR seeks to improve economic opportunities for both Jordanians and Syrians by:

- i. Reforming Jordan’s labor market regulations to grant access to Syrian refugees to the formal labor market and allowing them to legally contribute to Jordan’s economic activity.
- ii. Improving Jordan’s investment climate through improving predictability of regulations, and reducing red tape, supporting small businesses, and trade facilitation.
- iii. Attracting and retaining investments—both domestic and foreign, especially in manufacturing, in Special Economic Zones that will likely benefit from preferential access to the EU. The foreign investments would most likely come from: i) the Syrian business diaspora; ii) regional investors and iii) investors targeting the EU market.

IV. Environmental and Social Effects

The combined social and environmental risks are considered to be substantial. However they, will be mitigated through specific actions. 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. Legacy issues associated with low compliance of labor conditions as well as lack of compliance with environmental standards are also a risk. In terms of increasing women’s employment for both Jordanians and Syrian refugees alike, the need for viable solutions to enable women to work – namely transportation and childcare – will be critical. Child labor is also a concern, particularly as early signs of vulnerability and negative coping strategies are prevalent among the Syrian refugees population. 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.

In order to mitigate these social and environmental risks as described above, a DLI requiring public disclosure of Better Work Jordan’s ratings of major labor and environmental violations in the garment sector has been included. This public disclosure DLI is expected to incentivize an increase in compliance, improve Ministry of Labor monitoring, and serve as a pilot for expansion to other labor-intensive sectors.

V. Financing (in USD Million)

Source	Amount (Million USD)	% of Total
Government through the budget	86	22
IBRD/IDA/CFF	300	78
Total Program Financing	386	100

VI. Institutional and Implementation Arrangements

The Counterpart Agency for the PforR is the Ministry of Planning and International Cooperation, which is responsible for overall implementation of the Compact. With the assistance of USAID, MOPIC has established a Project Management Unit to manage the implementation of the Compact. This unit will also support 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 Functions. In the line ministries and agencies responsible for delivering the program, institutional strengthening is required.

The PforR will rely on MOPIIC and the general arrangements the Government has established to implement the Compact and coordinate the key line ministries and agencies. In order to strengthen its general economic reform capacity, the Government has recently created a position of deputy prime minister charged with this responsibility.

VII. Contact Point

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