

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: AB1344

<b>Project Name</b>	Public Sector Reform Capacity Building Loan
<b>Region</b>	MIDDLE EAST AND NORTH AFRICA
<b>Sector</b>	General public administration sector (100%)
<b>Project ID</b>	P091787
<b>Borrower(s)</b>	GOVERNMENT OF JORDAN
<b>Implementing Agency</b>	Public Sector Reform Department
	Government of Jordan P.O. 555 Jordan 11118 Fax: 962-6-4645861 Khaled.T@MOP.GOV.JO
<b>Environment Category</b>	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Safeguard Classification</b>	<input type="checkbox"/> S <sub>1</sub> <input type="checkbox"/> S <sub>2</sub> <input checked="" type="checkbox"/> S <sub>3</sub> <input type="checkbox"/> S <sub>F</sub> <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	January 24, 2005
<b>Date of Appraisal Authorization</b>	January 24, 2005
<b>Date of Board Approval</b>	March 22, 2005

## 1. Country and Sector Background

Jordan's public administration has traditionally been regarded as one of the best in the region. It has a reasonably well-functioning civil service, and a strong nucleus of committed high-level civil servants. International comparisons on issues of governance reveal that Jordan ranks near the top of the list among the MENA countries in terms of overall governance effectiveness as well as individual categories such as 'voice and accountability', 'regulatory quality', and the rule of law.<sup>1</sup>

However, these assets are underutilized due to the institutional liabilities of the system: regulatory rigidity, an abundance of red tape, weak policy coordination and programming capacity, and absence of a service culture, resulting in indifferent and ponderous service delivery and sub optimal resource allocation and use.

For example, household and firm surveys reveal that procedures for closing a business and firing workers are more cumbersome than in the rest of the region, that Jordan remains significantly less friendly to business and does worse on regulatory and corruption issues than many upper middle income countries it is seeking to emulate, such as Chile and Malaysia. It has also been evident that the quality of public service delivery and business regulation did not improve as significantly as expected in the past several years<sup>2</sup>.

This situation is at odd with the ambitious development vision of the Kingdom which seeks to transform Jordan from a lower-middle income country into a dynamic knowledge economy. The economic quantum leap entailed by this vision requires a corresponding upgrading in the provision of public services, specifically in the field of human resources development, and in the area regulation and policy making in support of private sector development.

<sup>1</sup> Kaufman, Kraay and Mastruzzi, Governance Matters, 2003

<sup>2</sup> CPIA indexes.

The diagnosis of the ills of the public sector is not recent. It is shared by the whole polity and has become a mainstream public complaint since 1984.<sup>3</sup> Public Sector Reform has been on the government's agenda ever since, but progress has been uneven and slow. Some of the reasons for lack of progress have been political instability (governments used to average less than a year in power), lack of committed resources to carry out reforms beyond diagnostics, and the role assigned to public sector employment in the delicate socio-political equilibrium of Jordan.

In 1999 Jordan launched a broad-based Public Sector Reform Program, with support from the Bank and other bilateral donors. To date, there has been progress in modernizing the legal framework of the government, pilot reforms have been initiated, and extensive diagnostics work has been undertaken. Additionally, capacity was created within the General Budget Directorate, as well as the Ministries of Administrative Development, Finance, Justice and ICT. However, other agendas, such as improving policy coordination, or better integrating the institutions involved in policy formulation have not advanced significantly.

Since October 2003, the authorities have decided to step up the pace of reform. In October 2004 the outgoing Government of Jordan approved the *"White Paper Strategy on Public Sector Reform."* This ambitious plan builds on previous collaborative work with the Bank and DfID but, in structure and content, it is essentially homegrown. It maintains-in terms of content-the direction developed since 1999. It is comprehensive in dealing not only with priority initiatives but also in setting out clear objectives and in incorporating concrete time-tables and institutional responsibilities. The basic approach is incremental and pragmatic. It focuses on obtaining early successes and ensuring the development of good will and momentum for each subsequent measure. This modus operandi is based on a vision of public organizations and institutions as needing continuous improvement rather than conformity to an ideal model. Substantial efforts are devoted to setting up organizations and institutions with a high capability for self-diagnosis, with incentives to identify needed changes and launch them. This perspective of aiming for organizations with high adaptability and inherent capacity for change is in full agreement with recent literature in public or private management.

Ownership and commitment to the reform program is solid. The program has benefited from the unwavering support of King Abdallah. Moreover, a number of the reforms included in the Government strategy have already been approved, in particular the integration or creation of Public Sector Reform units into the Prime Minister Office, under specific delegated ministers. To ensure coordination of the reform effort across the Government, the Authorities transformed the recently activated Inter-ministerial Steering Committee on Public Sector Reform into a permanent Public Administration Cabinet Sub-Committee<sup>4</sup>.

## 2. Objectives

The project's principal goal is to support the ongoing implementation of the Government's public sector reform strategy by ensuring that the requisite institutional infrastructure is in place and functioning. It also seeks to support an important set of cross-cutting reforms in areas ranging from policy coordination to improved financial and human resource practices. It will be deemed successful if capacity is strengthened within the Prime Minister's office so that performance monitoring, administrative reform and policy coordination functions are established and functioning well by project completion. Another indication of success is that the broader set of reforms has been implemented effectively.

---

<sup>3</sup> The King's programmatic note to the past 15 governments has a mandate to reform the public sector and improve its services.

<sup>4</sup> The Inter-Ministerial Committee is chaired by the Deputy Prime Minister and Minister of State for Government Performance. It includes the Minister of Planning, the Minister of Finance, the Minister of State for Public Sector Reform, the Minister of Justice and the Minister of Information, Communication and Technology.

### 3. Rationale for Bank Involvement

The Bank has long recognized the importance of public sector modernization in Jordan. Four successive CAS have articulated the need to support various aspects of administrative reform. In 1999, Jordan launched a broad-based Public Sector Reform Program with support from the Bank and other bilateral donors.

The first two Bank-financed Public Sector Reform Loans (PSRL-I and II) have assisted Jordan since 1999 to initiate a structural reform program for core public sector functions. In terms of content, the first two PSRL loans have launched the Public Sector Reform along four parallel but complementary tracks:

- Public sector reform proper, led by the Ministry for Administrative Development: This track deals with a) the reform of civil service institutions (new Civil Service By-Law, training of civil servants); b) government restructuring (boundaries between state and private sector, redistribution of responsibilities between ministries); structural changes in responsibilities (as in the case for the audit functions); c) improving services to the citizens in ensuring better quality of service and easier access to them for households and businesses (information dissemination, guidance for users, procedural simplification and re-engineering of processes in public organizations).
- The e-government initiative, led by the Ministry for Post and Telecommunications. This track deals with IT development inside government, communications within government, and communications between government and businesses and citizens. This initiative is seen as a key component of the overall human resources-based economic growth strategy, which intends to transform Jordan into the regional center for exports of services and expertise in the field.
- Judicial Reform, started under a Royal Commission for the Development of the Judiciary (RCDJ), and then under the leadership of the Ministry of Justice. This track aims at modernizing the entire justice system from its day-to-day operations to judges' training and appointments, to procedures and evidence law.
- Financial management and budget reforms involve restructuring the expenditure budget, going over to a medium-term budgetary framework and modernizing financial management. This stream is under the responsibility of the Minister of Finance with substantial parts being led by the Minister of Planning.

Both operations have received satisfactory ratings in terms of project outcome and sustainability, based on the Bank ICRs. These ratings were confirmed by OED.

Starting in late 2003, DfID—with the active engagement of the Bank in terms of policy dialogue—provided support to the Jordanian Authorities to build up their capacity to engage into a further and more decisive stage of design and implementation of their Public Sector reforms.. The US\$ 12 M grant provided for staffing the Public Sector Ministry with both local and international experts, set up a program management function for the Reform, and funded the necessary studies and other required technical assistance. DfID's assistance will come to an end on June 30, 2005, at which time the Government's PSR program will still be only in the early stages of implementation. The capacity of the key units to manage the reform program will still be limited. Additional external assistance will be required.

The proposed operation is will support the government's efforts for reform by (i) strategic staffing within the revamped Prime Minister's office with qualified staff; and by (ii) providing training and other capacity building to ensure that staff is able to actively manage the process of Administrative Reform in Jordan. The loan seeks to continue the capacity building efforts begun under DfID assistance and to

reduce disruptions. It is anticipated that by providing technical assistance and building capacity, the operation will greatly accelerate the systematic mainstreaming of the reform effort.

#### **4. Description**

Consistent with the proposed areas of Public Sector Reform highlighted by the White Paper, the proposed project will build capacity by hiring staff and providing training and equipment to support reform in four main areas of activity. These are: (a) policy coordination and decision-making; (b) performance monitoring and evaluation; (c) streamlining and rationalizing government institutions; and (d) management of financial and human resources. The nature of each activity and the loan's proposed input is described below.

##### **a. Policy Coordination and Decision Making**

The Government of Jordan's Public Sector Reform strategy calls for strengthening the ability of the Prime Minister's Office (PMO) to coordinate policies, oversee the realization of the National Agenda<sup>5</sup> and monitor progress towards that end, and spearhead the reform of the public sector. It recommends restructuring the PMO and creating four operating units reporting to the Prime Minister: (1) the Cabinet Office/Secretariat; (2) the Government Performance Unit (GPU); (3) the Public Sector Reform Department (PSRD); and (4) the Human Resource Policy Unit.

One of the most important sets of reforms being pursued under this rubric is revising the Cabinet and its associated business practices to reduce the amount of routine business flowing before Cabinet and to allow it to focus upon more strategic issues. In 2003, for example, nearly 2,800 items were advanced to Cabinet for decision. (The average in many OECD countries is 500 to 700.) Many were minor in nature and did not require Cabinet attention.<sup>6</sup> Under the new structure, the role of the Cabinet Secretary will be strengthened to effectively manage the Cabinet process; a series of ministerial sub-committees will be established to carefully vet decisions before they go to Cabinet; and by-laws will be re-drafted to reduce the amount of routine business being forwarded on to Cabinet for decision.

Other important changes will also be supported in this area. The GPU will be established and given the role of helping to define the national development agenda and monitoring performance towards its implementation across government (about which more will be said below). The Ministry of Administrative Development will be brought directly under the PMO and reconstituted as the PSRD, so that its higher profile will allow it to better advance reforms across the civil service. Other functions, ranging from human resource policy to strategic communications and parliamentary affairs, will be strengthened and enhanced. The proposed lending operation would support the move to the new PMO structure, help ensure that the new policy processes are fully established and functioning smoothly, and build the manpower and capacity of the GPU and the PSRD and provide training for their development.

---

<sup>5</sup> According to the White paper "the National Agenda is a published document which will provide clear statements of where Jordan wants to be in economic, social and governance terms over the next 10-15 years. This document will determine the national goals which will become the mandates of the Government as a whole. The national goals should be high level and limited in number. To measure performance, each goal will have Key Performance Indicators which are regularly measured and reported upon, in order to answer the question: "Is government working". The national goals are translated into a government strategy, i.e. objectives and plans on how to deliver the National Agenda. These objectives and plans will then determine the specific results of each ministry and institution must achieve, and the resources allocated to them. The results will be reflected in the Government's Budget documents." A new department in the PMO, called the Government Performance Department under the leadership of a Minister of State has been assigned this task.

<sup>6</sup> Examples include the disposition of minor property assets or whether certain individuals qualify for Jordanian citizenship.

## **b. Performance Management and Service Delivery Improvements**

The Public Sector Reform Program calls for fostering high-performing, citizen-responsive services through the development of adequate evaluation of government's performance. The proposed operation would build manpower and provide training, capacity building and consultancies to address: (1) the institutionalization and roll-out of the Service Delivery Improvement Strategy (SDIS) across various line ministries and departments; (2) capacity building within GoJ institutions themselves to be able to implement the SDIS; and (3) selected initiatives for improving performance (such as by restructuring and/or reengineering certain services) in line ministries.

These steps, in turn, will require that a variety of supporting measures be undertaken. As noted above, the GPU will be established under the PMO and tasked with a variety of responsibilities. It will help articulate and publish a national development agenda that specifies the Government's strategic goals. The agenda will be based upon extensive research and integrate inputs from key players and organizations within and outside of Government. These goals will be closely linked to the SDIS, which will require government ministries and agencies to set and publish standards for the services they provide to citizens and to monitor and publish the results regularly. Building upon performance monitoring initiatives already underway in a few ministries, such as the Ministry of Justice, this component will support the creation of Performance Improvement Units (PIUs) on a pilot basis in selected line ministries, along with the development of a general service standard setting methodology, client voice tools and capacity building. After pilot testing, these initiatives will be rolled out in other ministries in a carefully sequenced manner.

Other efforts to enhance transparency and improve performance, such as the Challenge Fund and the King Adallah II Award for Excellence, will also be supported under this component of the project<sup>7</sup>.

## **c. Institutional Streamlining**

The PSR strategy calls for a fundamental restructuring of the Government and the realignment of functions in a number of ministries and agencies. At present, Jordan has 28 ministries and around 170 agencies and departments. Since the average number of cabinet ministries in the OECD is approximately 14, the number of ministries in Jordan is clearly excessive<sup>8</sup>. The White Paper envisions gradually reducing the number of ministries over the next five years to fewer than 20. It also envisions reviewing and rationalizing the number, mandate and status of other government institutions, with particular emphasis upon differentiating between policy and executive functions and ensuring that all agencies with a policy function are directly under ministerial oversight. Finally, this work stream envisions providing support for efforts to review and improve the efficiency and effectiveness of procedures and work methods within ministries and institutions.

The proposed operation would finance staff costs and provide technical assistance in a limited number of agencies for streamlining exercises. Agencies which have already begun the process of restructuring and will be able to provide results within the period of implementation of the loan are expected to be pilots for this component. As an incentive, the GoJ hopes to allow ministries that move proactively on streamlining

---

<sup>7</sup> The Challenge Fund was launched in August 2004 and provides challenge grants to local institutions to implement innovative projects for which they do not have the necessary technical expertise.

<sup>8</sup> Two caveats are worth mentioning in this context. First, there is no "optimal" size of ministries, and international experience varies considerably on this score. Second, comparative experience indicates that it is often extraordinarily difficult to reduce the number of ministries, since efforts to do so are resisted on both political and administrative grounds.

and rationalization to move more rapidly to a new salary structure that reduces salary compression (see the human resource management section below).

#### **d. Resource Management**

This component will support reforms in two critical areas: financial and human resource management, with particular emphasis upon supporting HRM reforms. A more detailed discussion of each is provided below.

##### *Human Resource Management (HRM)*

With approximately 2.5 civil servants per 100 inhabitants, Jordan's civil service is not particularly overstaffed by global or regional standards. At 16 percent, the proportion of GDP being spent on the government wage bill is high, but when one deducts the expenditure on the armed forces, spending on the remainder of the civil service is not inconsistent with regional norms. However, problems do remain with staffing and skills mix, a highly compressed wage structure, and ensuring maximum motivation, productivity and efficiency from staff.

With the support of DfID, important preliminary diagnostic work has been undertaken in the area of civil service reform and improved human resource management. In the upcoming phase of the program, such efforts will be further advanced. They include the roll out of a new civil service bylaw and the implementation of new human resource management policies and procedures across Government. These reforms are intended cover a wide range of HRM issues, such as improving manpower planning; overhauling existing recruitment and promotion procedures; improving pay and grading; rationalizing the system for contract employment (a particular problem within Jordan); and improving procedures for performance appraisal and staff development, among other goals. They will also address the reorganization of the Government's HRM functions and restructuring of various overlapping agencies (such as the proposed HR Policy Unit and the Civil Service Bureau, or CSB), as well as the decentralization of some HRM operations and oversight capacity.

The operation would increase capacity by hiring of staff, as well as by providing technical assistance to the restructuring of the CSB and other concerned units. The proposed operation would also provide technical assistance in the development of a strategy for pay reform and employment rationalization. The ultimate goal will be to provide enough detailed analytic work for widespread salary reform to reduce compression and ensure continued access to skilled managerial and technical talent. As noted above, the GoJ is proposing implementation of an innovative program in which departments will be able to move to a revised salary structure in exchange for progress in streamlining and rationalizing their operations.

##### *Financial Management (FM)*

The goal of Jordan's financial management reforms is to improve the efficiency and effectiveness of budgetary allocation. The White Paper envisions a broad agenda of reforms, ranging from establishing a permanent Cabinet sub-committee to take collective responsibility for fiscal and budget policies; developing and introducing a Medium Term Fiscal Framework and Medium Term Expenditure Framework to ensure that strategic resource allocation decisions are made on an informed basis; and strengthening the linkage between budgeting, performance management and the proposed national development agenda. A substantial amount of diagnostic analysis has also already been undertaken in this field, including a joint Bank/Fund review of public expenditure management carried out in March

2004. This analysis has been agreed by the MoF, which has incorporated many of its recommendations into its own plan for financial management reform.<sup>9</sup>

Although the MoF has requested support under the proposed capacity building loan, in light of the presence of other donors and agencies (and particularly the International Monetary Fund), this lending operation will be carefully and selectively targeted at a couple of high priority issues. They include: (1) strengthening the macro-economic forecasting capacity of the MoF (a critical component for budget preparation); and (2) developing a plan for more closely integrating the Budget Department within the MoF. The loan will help strengthen the MoF and its monitoring function for recurrent expenditures and the Ministry of Planning and International Cooperation (MOPIC) for its capital investment monitoring functions. On a highly selective basis, it could also support pilot efforts to improve the performance orientation of the budget process in ministries such as Justice.

## 5. Financing

Source:	(\$m.)
BORROWER	3
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	15
	Total 18

## 6. Implementation

This project reflects extensive coordination among donors. DfID has been the primary financier of the Public Sector Reform Program during the period 2002-2004. However, DfID will not be financing the public sector reform program in the 2005-2008 period. The Bank and DfID have been in close cooperation to ensure that the operations are properly sequenced and coordinated.

USAID is proposing to parallel finance the work undertaken by the loan through an additional US\$5 million trust fund for public sector reform, to be managed by the Bank. The activities of the trust fund will be closely aligned with this project to ensure maximum effectiveness. In addition, special care will be taken to ensure that activities financed under the loan are complementary to those financed by the IMF (who has appointed a resident budget advisor in Amman working with the embryonic macro-fiscal unit) and GTZ (who are working on the medium-term fiscal framework and other issues).

The project will be implemented over three and a half years, from June 1, 2005 to December 31, 2008.

The Public Sector Reform Department (PSRD) in the Prime Minister's Office will be the executing agency of the project. The Minister of State for Public Sector Reform is fully committed to undertaking the reforms and is keen to proceed with the staffing of his team as well as the GPU. The team to be assembled is expected to perform several important functions, including acting as a driver for reform in the initial phase, building capacity within government, and ensuring that the PSR program is implemented on time.

To ensure sustainability of reforms and high-level ownership and coordination, a steering committee for Public Sector Reform, chaired by, the Deputy Prime Minister and Minister of State for Government Performance, has been created. Its mandate is to monitor and evaluate progress on reform. The Minister of State for Public Sector Reform and the Steering Committee would be responsible for the overall

---

<sup>9</sup> Joint Bank-Fund Aide Memoire, *Jordan: Work Program for Consolidating Budget Management Reforms*, March 2004.

implementation of the project, with each member of the committee responsible for implementation of components within his/her functional area.

## **7. Sustainability**

Prospects for sustainability increase when the Government itself drives a reform program and incorporates international experience and stakeholder feedback in the design. The Government has benefited in designing the reform program and from substantial international experience through Bank and the DfID sponsored assistance.

Furthermore, a clear strategy has been prepared providing for implementation of reform measures over the short, medium and long term. The short term measures – which this project is directly supporting – are already showing visible and positive outcomes, which gives strength to the reform program and improves its chances of being sustainable.

The government is further addressing the issue of stakeholder involvement by developing a public information and consultation strategy to be implemented over the next three years. If successfully implemented, the prospects of successful reform are further increased.

Sustainability will further depend upon the Government's incorporation of the various experts that are made available to it under this project into the permanent fabric of the public sector. The Government has pledged to do so immediately following the development and approval of a new civil service by-law and a new incentive framework.

## **8. Lessons Learned from Past Operations in the Country/Sector**

Lessons learned from Bank-supported Public Administration Reform and Capacity Building projects in the LAC, EAP, ECA and MENA Regions and previous efforts to improve public administration in Jordan highlight the following as success factors: (i) high-level political support and ownership of program; (ii) presence of a critical number of 'champions of change' within government; (iii) market-based salary structures and merit-based career development prospects; (iv) special attention and focus on improving institutions rather than seeking expedient facilitations of reform; (v) reduction in the discretionary powers of government employees; (vi) simplification of procedures and focus on service delivery; (vii) early and systematic consultation of clients during project preparation to improve ownership and compliance; (viii) training and greater continuity of staff in functional postings to develop expertise; and (ix) adequate counterpart and institutionalization of funding for the project and adequate funding for the agency in charge of the reform.

The project contains the following features to incorporate previous lessons learned:

***Ownership, commitment to reform and a clear strategy for moving forward:*** The project is supported by the King and the Prime Minister, whose office is responsible for overall Public Sector Reform. In addition, the Deputy Prime Minister in charge of Government Performance is at the head of a Ministerial Committee in charge of Government Reforms. This high level committee includes the Minister of Finance, the Minister of Justice, the Ministers of State for Government Performance and Public Sector Reforms, and the Minister of Planning.

The White Paper provides the program with a well defined vision and strategy to achieve Public Sector Reform, and includes very important lessons from international experience, such as the development of a performance-based staff compensation and incentive system.



**Consultation with the client:** The project has been prepared in close consultation with Jordanian counterparts since the very early part of identification.

## 9. Safeguard Policies (including public consultation):

No environmental or social issues concern the proposed lending operation. The project pending approval from management is classified as S<sub>3</sub>.

Safeguard Policies Triggered by the Project	Yes	No
<a href="#">Environmental Assessment (OP/BP/GP 4.01)</a>	<input type="checkbox"/>	<input type="checkbox"/>
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Pest Management ( <a href="#">OP 4.09</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Cultural Property ( <a href="#">OPN 11.03</a> , being revised as OP 4.11)	<input type="checkbox"/>	<input type="checkbox"/>
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Indigenous Peoples ( <a href="#">OD 4.20</a> , being revised as OP 4.10)	<input type="checkbox"/>	<input type="checkbox"/>
Forests ( <a href="#">OP/BP 4.36</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	<input type="checkbox"/>	<input type="checkbox"/>
Projects in Disputed Areas ( <a href="#">OP/BP/GP 7.60</a> )*	<input type="checkbox"/>	<input type="checkbox"/>
Projects on International Waterways ( <a href="#">OP/BP/GP 7.50</a> )	<input type="checkbox"/>	<input type="checkbox"/>

## 10. List of Factual Technical Documents

### Government of Jordan

- White Paper Strategy on Public Sector Reform (2004)

### World Bank

- OPCS (2001). Key performance indicators for managing and achieving results.
- World Bank (2004): Country Brief: Middle East and North Africa Region: Jordan
- World Bank (2004): Country Governance Brief : Jordan

### Other donors

- DfID Program of Public Sector Reform Support 2002-2004

## 11. Contact point

Contact: Giulio De Tommaso

---

\* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

Title: Public Sector Mgmt. Spec.  
Tel: (202) 458-0048  
Fax: (202) 522-2510  
Email: Gtommaso@worldbank.org

12. For more information contact:

The InfoShop  
The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 458-5454  
Fax: (202) 522-1500  
Web: <http://www.worldbank.org/infoshop>