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Report No: 31334-JO

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$15 MILLION

TO THE

GOVERNMENT OF JORDAN

FOR A

PUBLIC SECTOR REFORM CAPACITY BUILDING PROJECT

February 24, 2005

Social and Economic Development Group
Middle East and North Africa

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CURRENCY EQUIVALENTS
(Exchange Rate Effective January 18, 2005)

Currency Unit = Jordanian Dinar
JD 0.713 = US\$1
US\$1.44 = JD 1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CDC	Cabinet Department for Communications
COMD	Council of Minister's Department
CSB	Civil Service Bureau
CSD	Cabinet Secretariat Department
DfID	Department for International Development (UK)
GFMIS	Government Financial Management Information System
GOJ	Government of Jordan
EAP	East Asia and Pacific
ECA	Eastern Europe and Central Asia
GNI	Gross National Income
GBD	General Budget Department
GPD	Government Performance Directorate
FM	Financial Management
FMR	Financial Management Report
ICR	Implementation Completion Report
LAC	Latin America and Caribbean
LIL	Learning and Innovation Loan
MOAD	Ministry of Administrative Development
HRM	Human Resource Management
HRPD	Human Resources Policies Directorate
MENA	Middle East and North Africa
MOF	Ministry of Finance
MOJ	Ministry of Justice
MOPIC	Ministry of Planning and International Cooperation
NIT	National Institute for Training
OED	Operations Evaluation Department (World Bank)
PAC	Public Administration Committee
PCF	Project Consulting Firm
PCT	Project Coordination Team
PIU	Performance Improvement Unit

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PM	Prime Minister
PSDA	Public Sector Development Administration
PSRA	Public Sector Reform Authority
PSRL	Public Sector Reform Loan
PSRD	Public Sector Reform Department
PCF	Project Consulting Firm
SIL	Structural Investment Loan
SDIS	Service Delivery Improvement System
SPP	Strategic Programmatic Plan
USAID	United States Agency for International Development

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THE HASHEMITE KINGDOM OF JORDAN
Public Sector Reform Support Capacity Building Loan

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Map
IBRD 29234

THE HASHEMITE KINGDOM OF JORDAN
PUBLIC SECTOR REFORM CAPACITY BUILDING LOAN
PROJECT APPRAISAL DOCUMENT
MIDDLE EAST AND NORTH AFRICA
MNSED

Date: 2/24/05	Team Leader: Giulio De Tommaso
Country Director: Joseph P. Saba	Sectors: General public administration sector (100%)
Sector Manager/Director: Dipak Dasgupta/Mustapha K. Nabli	Themes: Administrative and civil service reform (P)
Project ID: P091787	Environmental screening category: Not Required
Lending Instrument: Specific Investment Loan	Safeguard screening category: No impact

Project Financing Data

[X] Loan [] Credit [] Grant [] Guarantee [] Other:

For Loans/Credits/Others:

Total Bank financing (US\$m.): 15.00

Proposed terms: Fixed Spread Loan (FSL) with level repayments. The Loan has a 17-year maturity, including a five-year grace period. The currency of the Loan will be denominated in US Dollars.

Financing Plan (US\$m)

Source	Local	Foreign	Total
BORROWER	3.00	0.00	3.00
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT		15.00	15.00
Total:	3.00	15.00	18.00

Borrower: Government of Jordan

**Responsible Agency: Public Sector Reform Department in the Prime Minister's Office,
under the authority of the Minister of State for Public Sector Reform**

Estimated disbursements (Bank FY/US\$m)

FY	2005/6	2006/7	2007/8	2008/9				
Annual	5.28	5.36	2.75	1.61				
Cumulative	5.28	10.63	13.38	15.00				

Does the project depart from the CAS in content or other significant respects? <i>Ref. PAD A.3</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project require any exceptions from Bank policies? <i>Ref. PAD D.7</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Have these been approved by Bank management?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is approval for any policy exception sought from the Board?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project include any critical risks rated “substantial” or “high”? <i>Ref. PAD C.5</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project meet the Regional criteria for readiness for implementation? <i>Ref. PAD D.7</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Project development objective *Ref. PAD B.2, Technical Annex 3*

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.

Project description

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 Agenda¹ 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.

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.

c. Institutional Streamlining

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 and rationalization to move more rapidly to a new salary structure that reduces salary compression.

d. Resource Management

On issues of HR Management, 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.

On issues of Financial Management, 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.

Which safeguard policies are triggered, if any:
None

Significant, non-standard conditions, **if any**, for:

Board presentation: None

Loan/credit effectiveness: None

Covenants applicable to project implementation:

With the exception of standard covenants, none is required considering Jordan's experience with Bank projects and satisfactory compliance with commitments

THE HASHEMITE KINGDOM OF JORDAN

PUBLIC SECTOR REFORM CAPACITY BUILDING PROJECT

STRATEGIC CONTEXT AND RATIONALE

1. Country and sector issues

In the aftermath of the 1989 financial crisis, Jordan embarked into a full-fledged adjustment program with continuous support from the IMF and the World Bank. After more than a decade of adjustment and structural reforms, public debt has been more than halved from above 200 percent of GDP to less than 100 percent, and Jordan has been a star performer among emerging countries in terms of structural reforms throughout the 1990s. The country's economic prospects have been very dependent on regional political developments, which significantly dampened the impact of these reforms on economic growth, which nonetheless, has resumed to over 4 percent in the last few years of the 1990s.

The payoff of reform seems to have accelerated in the first years of the new millennium. GDP growth reached almost 5 percent in 2002, and after a mild recession in 2003 due to the war in Iraq, the economy has rebounded strongly in 2004 reaching around 7 percent growth. Jordan has graduated from its continuous stream of IMF programs in July 2004, while external reserves have been strong.

Yet governance systems and structures have not evolved as quickly as the macro-economic setting in creating an enabling environment for market-led growth, or delivering services effectively and efficiently to people. There is general agreement that continued economic progress depends on tackling public service reforms.

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.⁶

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 a) procedures for closing a business and firing workers are more cumbersome than in the rest of the region, and b) Jordan remains significantly less friendly to business and does worse on regulatory and corruption issues than

⁶ Kaufman, Kraay and Mastruzzi, Governance Matters, 2003

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.⁷

Public Sector Reform has been on the government's agenda since 1984, 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 Ministries of Administrative Development, Finance, Justice and ICT, as well as the General Budget Directorate. 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 on Public Sector Reform*." This 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 are solid. The program has benefited from the unwavering support of His Majesty King Abdullah II. Moreover, a number of the reforms included in the Government strategy has 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.⁹

⁷ CPIA indexes.

⁹ The Inter-Ministerial Committee is chaired by the Deputy Prime Minister and Minister of State for Government Performance. It includes all the ministers concerned with public sector reform, and among them 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.

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 Ministry of Finance, with donor-funded capital expenditure portion being led by the Ministry of Planning and International Cooperation.

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\$ 8 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 until the implementation process has reached maturity.

The proposed operation will support the government's efforts for reform by ensuring (i) strategic staffing within key agencies involved in administrative reform with qualified staff; and by (ii) providing training and other capacity building to ensure that this staff is able to actively manage the reform process. 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.

Additionally, a programmatic loan (the PSRL III), currently under preparation, could continue to provide policy support for key elements of the Public Sector Reform program in the future.

2. Higher level objectives to which the project contributes

The project seeks to strengthen capacity to advance public sector reforms, by hiring staff, providing goods and equipment, as well as technical assistance to key central government agencies responsible for carrying out a broad and ambitious public sector reform program. As such, it is fully consistent with the current CAS for Jordan (December 2002). The project also indirectly supports the strategic objective of promoting a more effective and responsive public sector. It is one of the Government's highest priorities.

B. PROJECT DESCRIPTION

1. Lending instrument

The Borrower selected a Fixed Spread Loan (FSL) with level repayments. The Loan has a 17-year maturity, including a five-year grace period. The currency of the Loan will be denominated in US Dollars.

2. Project development objective and key indicators

The project's principal goal is to support the ongoing implementation of the Government's public sector reform strategy by hiring staff, procuring equipment and providing technical assistance in key agencies responsible for carrying out administrative reform in Jordan. It also seeks to support the timely implementation of 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 the agencies responsible for carrying out performance monitoring, administrative reform and policy coordination are established and functioning well by project completion. Another indication of success is that the broader set of reforms has been implemented effectively.

3. Project components

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 five main areas of activity. These are: (a) policy coordination and decision-

making; (b) performance monitoring and evaluation; (c) streamlining and rationalizing government institutions; (d) management of financial and human resources, and (e) management and evaluation of the public sector reform process. 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 directorates under the authority of the Prime Minister to coordinate policies, oversee the realization of the National Agenda¹⁰ and monitor progress towards that end, and spearhead the reform of the public sector. It recommends restructuring the Prime Ministry and creating four operating units reporting to the Prime Minister: (1) the Cabinet Office/Secretariat; (2) the Government Performance Directorate (GPD); (3) the Public Sector Reform Directorate (PSRD), and (4) the Human Resourced Policy Directorate (HRPD).

One of the most important sets of reforms being pursued under this rubric is to strengthen capacity at the Cabinet secretariat to reduce the amount of routine business flowing before Cabinet 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.¹¹ 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.

b. Performance Monitoring and Evaluation

The Public Sector Reform Program calls for fostering high-performing, citizen-responsive services through the development of adequate improved monitoring and evaluation of government's performance. While many ministries and institutions have adopted measures to improve the quality of service delivery within their individual domains, the concept of service to the public has yet to become a major motivating force across Jordan's public administration.

The move to a more performance-based, client-focused culture will need to overcome a number of obstacles. 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 System (SDIS) across various line ministries and departments; (2) capacity building within GoJ institutions themselves to be able to implement the SDIS; and (3)

¹⁰ 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 Prime Ministry, called the Government Performance Directorate under the leadership of a Minister of State has been assigned this task.

¹¹ Examples include the disposition of minor property assets or whether certain individuals qualify for Jordanian citizenship.

selected initiatives for improving performance (such as by restructuring and/or reengineering certain services) in line ministries.

First, the GPD 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 Prime Ministry 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 Prime Ministry structure, help ensure that the new policy processes are fully established and functioning smoothly, and build the manpower and capacity of the GPD and the PSRD and provide training for their development.

A comprehensive strategy has been developed to institutionalize such an approach at every level of government. The strategy has two main components:

The first is *policy level performance management*, which seeks to ensure that Government as a whole is working towards clear goals and targets and measuring its performance. The starting point is the development of a National Agenda, which provides clear statements of Jordan's economic, social and governance objectives over the next 10-15 years. This agenda in turn determines national goals, which become the key mandates for the Government as a whole. To monitor performance, each goal will have Key Performance Indicator(s) attached to it, which are regularly measured and reported upon. The national goals are then translated into a government strategy, which will then determine the specific results each ministry and institution must achieve and the resources allocated to them. The results will be reflected in the Government's budget documents.

The second part of the strategy focuses upon service *delivery improvement* at the operational level, which will help ensure that Government is continuously improving its performance on the ground. Policies are translated into service standards that define the targeted level of performance, along with indicators and action plans (objectives, processes, resources, etc.) for delivery. Actual performance against standards will be regularly monitored, and performance reports will be published. Gaps in performance will be identified and reported, together with plans for closing the gap. The cycle aims to ensure continuous improvement in effectiveness and efficiency of service delivery, based on client needs. This component will support the creation of Performance Improvement Units (PIUs) on a pilot basis in selected ministries and institutions, 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 and institutions in a carefully sequenced manner.

Other efforts to enhance transparency and improve performance, such as the Challenge Fund will also be supported under this component of the project.¹²

¹² 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. ??? of Challenge Fund grants will be consistent with procedures

c. Streamlining and Rationalizing Government Institutions

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, 27 departments and around 100 autonomous agencies. Since the average number of cabinet ministries in the OECD is approximately 16, the number of ministries in Jordan is clearly excessive.¹³ 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 and rationalization to move more rapidly to a new salary structure that reduces salary compression (see the Human Resource Management section below).

d. Management of Financial and Human Resources

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,

¹³ 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.

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.

Financial Management (FM)

The goal of Jordan's financial management reforms is to improve the efficiency and effectiveness of administration through better overall management of the way budget resources are allocated and spent, as well as through the development of incentive frameworks that support an administrative culture of performance. The White Paper envisions a broad agenda of reforms, ranging from developing a Medium Term Fiscal Framework and Medium Term Expenditure Framework to ensure that strategic resource allocation decisions are made within a consistent macro-framework, to strengthening the linkage between budgeting, performance management and the proposed national development agenda. A substantial amount of diagnostic work has already been undertaken in this field, including a joint Bank/Fund review of public expenditure management carried out in March 2004. The recommendations of the joint report have been agreed by the Ministry of Finance, who has incorporated many of its recommendations into its own plan for financial management reform.¹⁴

In light of the presence of other agencies (particularly the Fund and GTZ), this operation will selectively target those areas where tangible results can be achieved. They include: (1) strengthening the capacity of the MoF for macro-fiscal analysis (a critical component for budget preparation); (2) developing a plan aimed reviewing internal organization of the MoF and its related departments; (3) strengthening selected treasury management functions including initial structures for a GFMS; (4) strengthening the budget preparation process by developing more sophisticated budget preparation instruments, such as the Medium Term Expenditure Framework (MTEF), and strengthening the capacity of the budget department as well as the budget preparation capacity of selected pilot ministries; (5) developing a more modern and relevant budget classification as a basis for developing result-oriented budgeting, and (6) supporting efforts to improve the performance orientation of the budget process in two pilot ministries.

¹⁴ Joint Bank-Fund Aide Memoire, *Jordan: Work Program for Consolidating Budget Management Reforms*, March 2004.

e. Management and Evaluation of Public Sector Reform Process

This component will focus on ensuring that the Public Sector Reform Program (PSRP) is implemented efficiently and effectively; that its strategic objectives are met; and that lessons are learned, shared and continuously applied in light of experience. The strategic vision and policy framework will be systematically evaluated and adjusted-based on both feedback received from various monitoring and evaluation exercises and on a systematic benchmarking against best practice in the field of public sector reform. The monitoring and evaluation functions will be based on the Strategic Program Plan (SPP) that was developed based on the public sector reform policy paper and its implementation strategies. The purpose of the SPP is to provide the Administration with a clear view of the strategic goals and objectives in each PSRP Component, against which progress in implementing the Program will be monitored over the next five years. The loan will finance the establishment of the Project Management function within the PSRD.

4. Lessons learned and reflected in the project design

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) ownership, commitment to reform and a clear strategy to move forward; (ii) early and systematic consultation of clients during project preparation to improve ownership and compliance; (iii) training and continuity of staff in functional postings to develop expertise, and (iv) adequate counterpart of funding for the project and 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 His Majesty King Abdullah II 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, all of whom are champions of the reform process.

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, well developed hiring, evaluation and dismissal procedures, and provisions for simplification of business processes across the public sector.

Consultation with the client: The project has been prepared in close consultation with Jordanian counterparts since the very early part of identification. This dialogue has ensured that implementation mechanisms which are flexible and effective will be instituted to effectively manage the process of reform.

Training and continuity of staff in key functional postings: The rationale for this project is to ensure that staffing in key functional positions is both adequate and continuous, despite changes in governments, donor assistance agencies, and other complicating factors. During preparation, all mitigating measures have been taken to ensure that this takes place. Among them: (i) extending the PCF contract for the first year of project implementation to ensure that Jordanian capacity is in place and that there is a seamless transition away from international expertise; (ii) the hiring-under project financing-of a number of national staff for a transitional period of three years, recognizing that retention of this staff depends on ensuring that it is adequately compensated, and (iii) the project finances studies and activities aimed at the reform of the employment and wage structure to ensure that competitive compensation packages are institutionalized.

Adequate counterpart funding for the project and the agency in charge of the reform: This project does not include provisions or conditionality to this effect. However, this has been discussed with the Jordanian authorities and should a programmatic and it recognizes the importance of ensuring that the reform process is adequately and securely financed for as long as it's necessary.

5. Alternatives considered and reasons for rejection

The government could have chosen a Learning and Innovation Loan (LIL) or a policy instrument, either in the context of an Adaptable Program Loan (APL) or a Programmatic Loan.

A LIL was considered and rejected early in the preparation process. It could have been used to pilot reforms in one key area and then used to scale up the results and develop a larger, longer term project at a later stage. However, the government felt that preparing a LIL and then waiting for the outcomes of the innovation and building them into a more comprehensive project would risk losing the reform momentum and allowing the vested interests against reform to regroup and oppose future reform measures.

The proposed operation could also have been included into a programmatic instrument. An adaptable program loan (APL) could have been used to support a phased implementation of reforms. This would have had the advantage that the Bank could review progress during the course of the reform program and approve future credit tranches on the basis of performance achieved during program implementation. However, the government felt that this instrument did not allow enough flexibility in managing its reform program over the medium to long term.

C. IMPLEMENTATION

1. Partnership arrangements

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 the primary financier of 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\$4.5 million trust fund for public sector reform, to be managed by the Bank. The activities of the trust fund will be mainly in the Service Delivery and Improvement of Services work stream (approximately US\$3 M, with the rest remaining unallocated for the moment) and will be closely aligned with the loan-financed activities to ensure maximum effectiveness and minimize duplication.

The U.K. agencies are considering possible parallel financing through the Global Opportunities Fund, aimed at providing support to the Challenge Fund and senior technical expertise.

2. Institutional and implementation arrangements

The project will be implemented in almost four years, from June 1, 2005 to March 31, 2009.

Executing Agency

The public administration Reform program currently undertaken by the Government of Jordan, is a complex, multi-sectoral endeavor, with several agencies and ministries involved in the management of different work-streams. At the policy level, the strategic leadership of the program is entrusted to the Public Administration Committee, which meets regularly, and is headed by H.E. the Deputy Prime Minister and Minister of State in charge of Government Performance. Consistent with the situation on the ground, the Public Sector Reform Capacity Building Loan finances activities of virtually all work streams, undertaken by virtually all intervening agencies of the Public Administration Reform Program.

An *Executive Level Interministerial Committee*, headed by the Executive Director of the Public Sector Reform Directorate and inclusive of Secretary General level staff of all concerned agencies, as well as a representative of the secretariat of the PAC will be created as a steering committee for the project. Its function is two fold: ensure that the directions provided by the PAC are being carried out and are reflected at the executive level, monitor the KPIs for the project, and ensure that any problem that arise are tackled and resolve quickly. This committee will meet at least once monthly.

The Public Sector Reform Directorate will take the leadership in the reform program, and as such will be the executing agency for the loan.

Each agency is responsible for providing technical input necessary to implement their respective components as well as to monitor and report for the purpose of the project. Within each unit, the Secretary General, who is represented at the executive level, will take the overall responsibility for its component.

Project Management

A *Project Coordination Team* domiciled in the Public Sector Reform Directorate will have the overall responsibility of the PSRCB project implementation over a period of 3.8 years (start June 1, 2005 – end March 31, 2009). This team is composed of a Project Manager, a Financial Officer, a Procurement Officer and a Lead Public Sector Reform Advisor (international expert).

The PCT will report directly to the Executive Director of the Public Sector Reform Directorate. The procurement and financial aspects of all the loan components (including financing the challenge fund) will be centralized with the PCT who will also be responsible for the compilation of progress, annual and completion reports on project implementation. For each component, a coordinator whose responsibility is to ensure regular coordination with the PCT as well as following up to ensure timely procurement will be identified.

In a transitional period, not to exceed 12 months, the Project Consulting Firm (PCF) will provide assistance to the Project Coordination Team. PCF's detailed Terms of Reference for this assignment are currently under preparation. In addition to project management, procurement and financial management assistance (which is described in detail below), PCF's functions will finance the Technical Lead position, and include diagnostic and analytic work. This will include (i) identification of suitable expertise to undertake the reform program, formulation of strategies; (ii) implementation plans for reform; and (iii) capacity building, in which international experts will transfer knowledge to the local team.

Financial Management Issues

The Public Sector Reform Directorate (PSRD) will be responsible for the implementation of this project however the project's funds will be managed by the Ministry of Planning and International Cooperation (MOPIC). The project will benefit, in addition to the PSRD, different entities being the Government Performance Directorate, Ministry of Justice, Ministry of Finance (MOF), Human Resources Policies Directorate, Cabinet of Secretariat, Government Communication Unit and Prime Ministry. A Project Coordination Team (PCT) will be supporting the PSRD in managing, monitoring and coordinating the project implementation and will be following on the project financial management and procurement aspects. For a transitional period of 12 months, a project consulting firm (PCF) will be supporting the PCT in the overall project management including the financial management aspects of the project. The PCF main responsibilities will include: (i) developing a Financial Procedure Manual, (ii) assisting in identifying and implementing an accounting system and (iii) assisting the project's Financial Officer in handling all financial management activities and transactions.

The PSRD is a directorate established under the Public Sector Development Administration (PSDA), a newly established body (bylaws issued in Official Gazette dated 17 January 2005). The financial management system in place at PSDA is based on principles and procedures defined by the legal framework and operational decrees applicable to the public sector in Jordan. Currently, the PSRD's expenditures are included in the MOPIC budget however they are approved and executed by the MOF. As at the date of this assessment the PSRD, as per the local regulations, was not eligible to have a MOF financial controller residing in its premises and accordingly authorizing the execution of its own expenditures. According to recent correspondence between the MOF and the PSDA, it is expected that the PSRD will be able to execute its own expenditures by the first quarter of 2005. However, and in order to reduce the risk of PSRD not being able to manage the project funds, the MOPIC will manage the project's Special Account and will make available the project counterpart funds. Accordingly, the PSRD will process the invoices and will issue payment requests addressed to the MOPIC for execution. However, the PSRD will be responsible for the accounting and report generation under the project through the installation of a ring fenced accounting system able to generate the Bank required FMRs and other financial reports to be used for monitoring and decision making purposes.

The loan will be disbursed over an expected implementation period of approximately 3.8 years (46 months) and its proceeds will be disbursed in accordance with the Bank's disbursements guidelines as outlined in the Disbursement Handbook. Transaction based disbursement will be used under the project. Accordingly, requests for payments from the loan account will be initiated through the use of withdrawal applications (WAs) either for Direct Payments, Reimbursements, Replenishments to the Special Account (SA), or Issuance of Special Commitments. To ensure that funds are readily available for project implementation, a SA in US dollars will be opened at the Central Bank of Jordan and will be operated by MOPIC.

The Project financial statements will be audited annually by an external independent auditor, acceptable to the Bank, and in accordance with internationally accepted auditing standards. The PSRD will submit annual audit reports to the bank no later than 6 months following the close of each fiscal year subject to an audit. Terms of Reference for the audit will be prepared and submitted for the Bank's no objection, no later than 9 months prior to the end of each fiscal year. Audit costs will not be financed by the Bank loan. Financial management arrangements are detailed in Annex 7.

Procurement Issues

Procurement for the proposed project would be carried out in accordance with the World Bank's "*Guidelines: Procurement Under IBRD Loans and IDA Credits*" dated May 2004; and "*Guidelines: Selection and Employment of Consultants by World Bank Borrowers*" dated May 2004, and the provisions stipulated in the Legal Agreement. The majority of the procurement will be for (i) technical assistance in the form of firms and individual consultants, (ii) training and study tours, and (iii) provision of office equipment. The methods for the procurement of Consultants will be Quality and Cost Based Selection, Least Cost Selection, Single Source selection and Selection Based on Consultant's Qualifications and selection of Individual Consultants. The methods for the procurement of Goods will be International Competitive

Bidding, National Competitive Bidding, and Shopping. No procurement of works is envisaged under the project.

The Public Sector Reform Directorate (PSRD) -under the guidance of the Minister of State for Public Sector- will be responsible for the overall procurement under the project. This agency is still in the process of being staffed. The current staff is a mix of civil servants and new recruits with private sector experience and background. The PSRD will benefit from the support of the PCF currently in place on DfID financing project (which will be ending prior to loan effectiveness) and whose services will be retained during the first year of the project in particular to provide assistance to the Project Coordination Team. However, there remains a need for intensive capacity building on the Bank Procurement Guidelines and procedures and for the selection of Consultants.

Single source of several consultants under the project will be required. These procedures are operationally justified to ensure continuity in the program at a crucial juncture of implementation and taking into account the frontloaded nature of the program. Moreover, the nature of activities undertaken by the project, and that critical importance of the assignments envisaged to be procured under these procedures for the achievement of the project's development objectives ensure a compelling case for single sourcing.

The consultants envisaged to be retained on single sourcing basis are: (i) the consulting firm for the project management (estimated cost US\$500,000 for 12 months), and an individual international consultant for the Institutional Streamlining (estimated cost US\$510,000 for 12 months). There may be also the need to extend contracts of several national consultants.

3. Monitoring and evaluation of outcomes/results

The Monitoring and Evaluation of the project will refer to the performance indicators outlined in Annex 3; monitoring of progress in project activities is also outlined in Annex 3. A Mid Term review will be carried out on January 31, 2007 and an Implementation Completion Report (ICR) will be prepared by the Borrower and the Bank no later than September 1, 2009.

4. 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 who 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.

5. Critical risks and possible controversial aspects

This loan can be considered risky for four reasons:

- First, continuing political instability in the Middle East (particularly in neighboring Iraq) could pose a risk to the implementation of Government programs, especially those that tackle public sector reform. Such uncertainty is a persistent problem for Jordan, and its past record suggests that such concerns can be managed effectively. While the risk is real, it is important that its potential impact not be overstated.
- Second, as public sector reform is an inherently long term and comprehensive task, there is the risk that the program will be implemented more slowly than envisaged, and that enthusiasm will wane over time. Such problems are exacerbated by Jordan's tendency to be over-dependent upon foreign advisors and limited middle management experience. On the positive side, substantial impetus for reform comes from the His Majesty King himself. The government is using this loan to strengthen the management of its program by building capacity and streamlining procedure at the Prime Ministry and developing indigenous capacity to manage the reform agenda. In addition, ongoing dialogue with the Bank (particularly through the PSRL operations) and other external partners can help emphasize the importance of a long term commitment, facilitate the design of feasible reforms and help craft realistic targets and benchmarks. The evidence would suggest this risk is manageable.
- Third, Jordan has a penchant for rapid cabinet turnover, with the average government remaining in power for about 9 months. The most recent reshuffle took place in mid-October 2004, and the responsibilities of the MoAD have been reassigned to two Ministers of State. The frequent reconfiguration of the government has made it difficult in the past to sustain momentum and continuity for reform. For this reason, the adoption and dissemination of the White Paper as a long term policy statement on the part of the GoJ is an important and unusual indication of government commitment to the Public Sector Reform Program. Still, there is indeed a risk that succeeding governments – over time – may potentially lose interest in the process of government reform. There are no additional steps that can be taken during preparation of this operation to mitigate this risk. However, strong signals exist of the commitment of HM the His Majesty King to this process and his intention to continue with the program for however long it is necessary to achieve results.
- Fourth, when international donors finance staff in a government unit in charge of reform, there is a risk that the reform will not be sustained once the donor funds have dried out. The

present loan is meant as a transitional redress to distortions in the compensation schemes of the Government of Jordan. The present pay structure provides an inadequate incentive for the recruitment of qualified staff to manage the reform operation. The loan is an interim measure while the government is undertaking pay reform. Pay reform is prominently featured in the White Paper and is likely to be one of the conditionalities of the related policy operation (PSRL III). In this instance again, the risk is real. The Bank is trying to address it in the context of the policy operation.

6. Loan conditions and covenants

With the exception of standard covenants, none is required considering Jordan's experience with Bank projects and satisfactory compliance with commitments.

D. APPRAISAL SUMMARY

1. Economic and financial analyses

Not Applicable

2. Technical

Project Design is consistent with the structure of ongoing reform, as reflected in the Government White Paper.

3. Fiduciary

As explained in section C above, the financial management system in place for this project is based on principles and procedures defined by the legal framework and operational decrees applicable to the public sector in Jordan and are acceptable to the Bank.

Procurement for the proposed project will be carried out in accordance with the World Bank's "*Guidelines: Procurement Under IBRD Loans and IDA Credits*" dated May 2004; and "*Guidelines: Selection and Employment of Consultants by World Bank Borrowers*" dated May 2004, and the provisions stipulated in the Legal Agreement. The majority of the procurement will be for technical assistance in the form of firms and individual consultants, in addition to training and some procurement of goods. The methods for the procurement of Consultants will be Quality and Cost Based selection, Least Cost Selection, Single Source selection and Selection Based on Consultant's Qualifications and selection of Individual Consultants. Procurement of works will mostly be under National shopping.

Detailed information about financial management and procurement arrangement can be found in Annex 7 and 8 of the PAD.

4. Social

There are no social safeguard issues likely to be triggered by this project. The program assists the government in the development of a pay reform and employment rationalization scheme.

However, the loan will not support a retrenchment operation. Moreover, it is not expected that any employment rationalization will take place in the period under consideration for the loan.

5. Environment

The project has been rated Environmental Category C. There are no environmental issues likely to be triggered by this project.

6. Safeguard policies

No environmental or social issues concern the proposed lending operation. The project, pending approval from management, is classified as S₃.

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

7. Policy Exceptions and Readiness

The Government is able to begin implementation of the project as soon as the loan becomes effective. The Government has prepared Terms of Reference for all assignments taking place in the first year of operation, and these have been reviewed and approved by the Bank. Moreover, procurement procedures have been initiated where necessary to reduce potential delays in implementation.

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

Annex 1: Country and Sector or Program Background
JORDAN: Public Sector Reform Capacity Building Loan

Jordan's public administration has traditionally been regarded as one of the best in the region, but there is scope for improvements.

Jordan's public administration has traditionally been regarded as one of the best in the region, and performs relatively well given the country's development level. It has a reasonably well-functioning civil service, as witnessed by Jordan's good human development indicators, and a small nucleus of committed high-level civil servants, as evidenced by governance indicators.

- Jordan's score on the index of overall government effectiveness is 66.6, compared with 49.9 for the MENA region and 41.5 for lower middle income countries.¹⁵ On individual governance categories such as 'voice and accountability', 'regulatory quality', and the rule of law, Jordan ranks near the top of the list among the MENA countries. However, the composite corruption index calculated by Kaufmann, Kraay, and Mastruzzi for Jordan is 69.3, which is slightly higher than the regional average of 54.7 and substantially higher than the average for lower middle income countries of 37.0.
- The quality of Jordan's regulatory environment is also quite good. According to the World Bank's *Doing Business* database, entrepreneurs expect to spend on average 36 days to open a business. The world average for business registration is 40 days. The cost of opening a business in Jordan is 52 percent of gross national income (GNI) per capita. The regional average cost for setting up a business is 53 percent of GNI per capita. Contract enforcement for existing firms is relatively easy and inexpensive. The average duration for contract enforcement in Jordan is 147 days. The MENA average is 305 days; nearly twice as long.

Yet, there is scope for improvements. Household and firm surveys reveal much scope for improvement, as the system exhibits institutional liabilities: 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:

- While Jordan falls in the middle of the pack in terms of barriers to entry and outperforms the regional average on indicators of contract enforcement, some trouble spots remain. Procedures for closing a business and firing workers is more cumbersome than in the rest of the region.

¹⁵ The governance index is compiled by Kaufmann, Kraay and Mastruzzi (2003). It represents a statistical compilation of responses on the quality of governance given by enterprises, citizens and experts. The index uses a scale ranging from 0-100 in which higher ranking represent better outcomes.

- 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 witness any significant improvements in the past several years.¹⁶
- Jordan faces challenges in simplifying business regulation. For instance, it takes 11 procedures to establish a business in Jordan. In rest of the MENA countries the average number of steps is 9. At 12 percent of GDP, Jordan's level of private investments is also lower than other similarly growing economies.
- Other areas of concern involve civil service human resource management and quality of financial management. On the latter, a lack of coordination between macro and fiscal policy and lack of clarity on the expenditure cycle and extra-budgetary funds leaves the achievements of financial stabilization on soft footing.

In the past twenty years, Jordan has undertaken significant reforms which have paved the way for effective public sector reform. Since the balance of payments crisis of the late 1980s and the disturbances associated with the first Gulf War (300,000 Jordanians returning within a few months), Jordan has undertaken successful stabilization and adjustment efforts – efforts which have been supported by the Fund, the Bank and a large number of bilateral donors. Inflation and budget deficits have been reduced and the current-account stabilized. In addition, Jordan has implemented a major shift in trade policy, signing an association treaty with the EU in 1999, joining the WTO in 2000, and entering into a free-trade treaty with the United States in 2001.

Progress has been achieved in other areas as well, including privatization, maintaining exchange rate stability and building sufficient foreign exchange reserves, putting in place a broad-based VAT, reducing public external debt, increasing recourse to internal financial markets, and fiscal consolidation. Combined, these adjustment efforts have borne fruit and are spurring growth.

Conforming to the patterns of success observed in other countries, Jordan steadily progressed from macro-stabilization, to trade policy reform, to a shift to private sector-led growth. International experience suggests that only after these types of reforms were undertaken were intense reforms of the core public sector able to be successfully launched.

Public Sector Reform in the past five years has come front and center of the national agenda.

In 1999 Jordan launched a broad-based and far reaching 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) aimed at assisting Jordan in initiating a structural reform program for core public sector functions. Both operations have received satisfactory ratings

¹⁶ CPIA indexes.

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

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.

Despite these efforts, the effects of the overall institutional impact of this reform program to date are modest. This is perhaps in part because of the longer term nature of the initiated reforms, but most importantly, due to lack of committed resources, bureaucratic resistance and the impact of government instability (the average life of a government in Jordan is six to nine months). In the past few years the overall perception of the quality of governance in the country has declined. Between 1998 and 2002, in all six governance indicators, the performance of Jordan has slipped. Perceptions that Government effectiveness, regulatory quality, rule of law and the control of corruption have declined in the past four years are particularly pronounced.¹⁷

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*

¹⁷ Kaufman, Kraay, and M. Mastruzzi 2003: Governance Matters III: Governance Indicators for 1996-2002.

Sector Reform." This ambitious plan was produced by the Inter-ministerial Steering Committee on Public Sector Reform, which met regularly for several months with support from DfID and the Bank. This strategy seeks to substantially transform the structure of the Government and radically improve the Government's core functions. 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. It defines five main areas of activity. These are: (a) policy coordination and decision-making; (b) performance monitoring and evaluation; (c) streamlining and rationalizing government institutions; (d) management of financial and human resources, and (e) management and evaluation of the public sector reform process.

The reform plan was formalized in a government White Paper in October 2004. DfID assistance to the program comes to an end in June, 2005, and without external assistance the government capacity to move ahead with public sector reform will be severely limited. And this will come at a critical juncture when the major institutional initiatives are only beginning implementation. It is also relevant to note that despite the earlier achievements in improving public service delivery and improving informational capacity, Jordan still faces serious challenges. The objective of the loan is to ensure that this work continues; the Government of Jordan has requested assistance from the Bank to support its work once DFID funding is no longer available.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies
JORDAN: Public Sector Reform Capacity Building Loan

Sector Issue	Project		Ratings (Bank Financed Projects Only)		
	Component it refers	Name	OED Ratings		
<u>Completed Projects</u>			Outcome	Sustainability	ID Impact
World Bank	All	Public Sector Reform Loan I	Satisfactory	Likely	Modest
World Bank	All	Public Sector Reform Loan II	Satisfactory	Likely	Modest
<u>Other Development Agencies</u>					
GTZ	Financial Management	Financial Management and Budget Execution support			
DFID	All	Public Sector Reform			
USAID	Legal and Judicial Reform	AMIR Program			
USAID	Service Delivery				

**Annex 3: Results Framework and Monitoring
JORDAN: Public Sector Reform Support Loan**

Results Framework

PDO	Outcome Indicators	Use of Outcome Information
<p>The project seeks to support the implementation of the Public Sector Reform Program by ensuring that there is an appropriate institutional framework in place to take the agenda forward; that the policy framework is supportive, and that the government will be able to adequately monitor its performance.</p>	<ul style="list-style-type: none"> • Policy coordination, administrative reform and performance monitoring are functioning according to the priorities set out in the Government's White Paper and elaborated in its Strategic Program Plan (SPP), and broader reforms are proceeding on schedule. 	<ul style="list-style-type: none"> • These results can be used to flag that the overall reform objectives highlighted in the Strategic Program Plan are on track. • By Mid Term Review, poor progress in achieving the project's development objectives will trigger a reassessment of the implementation strategy.
Intermediate Results	Results Indicators for Each Component	Use of Results Monitoring
<p>Component One: <i>Improving Policymaking, Management of the Reform Process and Strategic Communications</i></p> <p>Strengthen capacity at the Cabinet secretariat to improve strategic focus and reduce the amount of routine business flowing before Cabinet for decision.</p> <p>Strengthen the Prime Ministry capacity to provide greater strategic guidance and oversight for the Public Sector Reform Program.</p>	<p>Component One:</p> <ul style="list-style-type: none"> • Strengthen the Secretariat to provide improved administrative and technical support to the Cabinet and its sub-committees, and develop robust, enforceable procedures for the management of Cabinet and sub-committee business • New Prime Ministry structure is in place, with GPD and PSRD headed by Ministers of State for Government Performance and Public Sector Reform established and functioning. Prime Ministry assumes leadership role for government performance 	<p>Component One:</p> <ul style="list-style-type: none"> • Failure to improve Secretariat performance or reduce the number of routine items flowing to Cabinet will signal that new structures and business processes will require further review and strengthening. • Success in meeting SPP benchmarks, combined with assessments of the functioning of the GPD and PSRD units, will indicate how effective the new institutional set-up is and whether further corrective action is necessary.

<p>Strengthen Government communications in support of the reform agenda.</p>	<p>and the management of the public service.</p> <ul style="list-style-type: none"> • The Prime Ministry is able to lead and implement effective communications by ministries and other government institutions, so as to ensure consistent messages and high professional standards in both internal and external communication. 	<ul style="list-style-type: none"> • Performance indicators and surveys will assess whether the Government's communications plan has been developed and implemented effectively.
<p>Component Two: <i>Performance Management and Service Delivery</i></p> <p>Ensure that every ministry and institution sets, publishes and monitors its performance against standards for services delivered to citizens, and continually improves the quality and cost-effectiveness of service delivery.</p> <p>Institutionalize a performance-based culture, where concepts of public service, client focus and results orientation are at the forefront.</p>	<p>Component Two :</p> <ul style="list-style-type: none"> • The SDIS team is in place and functioning, and capacity building programs are being conducted. • SDIS is implemented across target ministries and institutions. Standards are set and agreed to for main government services, and capacity is developed in line departments. • Service delivery levels are measured against the defined service standards. Gaps in delivery are identified and targeted for elimination. • Reports on service standards and performance measurement are compiled and published. • Awareness of performance standards is raised among clients, civil society institutions and employees. • Performance indicators demonstrate tangible progress towards realizing the National Agenda. 	<p>Component Two:</p> <ul style="list-style-type: none"> • During Year 1, results will be used to adjust SDIS methodology. During Years 2 and 3, results will be used to enhance commitment and feed into broader SDIS operations and strategy. • Low percentage of Government institutions that set service standards and measure their performance against it shows a lack of commitment that will require remedial measures. • Low percentage of Government institutions that are tailored to client needs may show a lack of customer orientation in designing services that will require remedial action. • SDIS data will be used to monitor service delivery in institutions and make improvements as needed, with progress in addressing gaps carefully monitored. • Lessons learned are integrated in the restructuring and reengineering process across government.

<p>Component Three: <i>Institutional Streamlining</i></p> <p>Establish a simpler, more transparent and effective structure focused on Government's core functions by progressively reviewing the mandate, status, organization, function and administrative efficiency of all Government ministries and institutions.</p> <p>Eliminate unnecessary, overlapping and duplicating functions, provide increased accountability for policy and operations, and improve administrative efficiency.</p>	<p>Component Three:</p> <ul style="list-style-type: none"> • Develop an approach and methodology for streamlining based on an accurate baseline of existing institutions. • Progressively review the mandates, status, organization, functions and efficiency of Government ministries and institutions. <ul style="list-style-type: none"> ○ By Year 1, conduct reviews in one sector as a pilot. ○ By Year 2, complete streamlining reviews in 30 percent of Government ministries and institutions, including the pilot sector. ○ By Year 3, complete streamlining reviews for 70 percent of ministries and institutions. ○ By Year 4, complete streamlining reviews for all Government ministries and institutions • Take appropriate action to streamline Government organization in the wake of reviews, with approximately 50 percent of recommendations implemented by Years 3 and 4 	<p>Component Three:</p> <ul style="list-style-type: none"> • Assess methodology and capacity of PSRD to conduct reviews and revise and strengthen as necessary. • Monitor the proportion of studies conducted and recommendations implemented to assess the effectiveness of the effort. • Analyze cost savings in a representative sample of rationalization efforts. • Target a significant reduction (20 percent or more) in the number of ministries over the next five years, along with a proportionate number of other Government institutions
<p>Component Four <i>Human and Financial Management Reform</i></p> <p><i>Improved Human Resource Management Practices and Procedures</i></p> <p>Establish the necessary institutional and legal arrangements to provide for efficient</p>	<p>Component Four</p> <ul style="list-style-type: none"> • Establish an HR Policy Directorate within the Prime Ministry with an appropriate mandate, legal powers and staff to lead the modernization of HR management within the public sector. • Establish an independent body to oversee the application of merit-based recruitment and promotion throughout the public service. 	<p>Component Four</p> <ul style="list-style-type: none"> • Critical indicator of success will be the rationalization of HR functions between the proposed HR policy unit and the Civil Service Bureau, and the creation of new institutions as envisioned in the plan. • Passage and implementation of the new Civil Service Bylaw and its successful

<p>and effective human resource policy development, operational management and independent oversight.</p> <p><i>Improved Financial Management Practices and Procedures</i></p> <p>Improve the ability of the budget to reflect policy priorities and encourage effective expenditure management through a variety of reforms, including: (1) strengthened capacity for macro-fiscal analysis in the Ministry of Finance; (2) institutional reform in the Ministry of Finance and related departments; (3) restructuring the process of budget preparation to better account for downstream expenditures; (4) introducing new tools for budget execution; and (5) piloting a results-oriented budget approached in selected ministries</p>	<ul style="list-style-type: none"> • Civil Service By-Law drafted and approved by June 2005. • HR policy guidebook is developed and continuously updated; roll-out of new policies and procedures to line departments initiated. • Pay and grading study completed by April 2006. • Robust, accurate models completed for estimating the cost of: (1) HR salary rationalization; and (2) a potential VRS exercise developed. • New HR policies piloted in two ministries. • Progressive transfer of authority and responsibility for HR management to ministries and institutions, along with strengthened capacity. • The National Institute of Training is restructured according to provisions of the White Paper and SSP. • Fully functional model of macro-fiscal forecasting in MOF • Timely production of macro-fiscal policy reports during budget preparation calendar. • Master plan for a new MoF organization produced by 2006 and implemented by 2008. • Accurate cash plan produced in agreement with all line ministries. • Reduced public borrowing costs. • Fully established Medium Term Expenditure Framework (MTEF) by 2007. • Revamped budget classification system 	<p>roll-out will be monitored, with remedial action taken as necessary.</p> <ul style="list-style-type: none"> • The conduct of the proposed pay and grading review, and its use in salary rationalization exercises in pilot ministries, will be reviewed at mid-term and corrective action taken as needed. • By Year 3, roll-out should be completed in at least two ministries, and lessons identified for subsequent ministries and departments. • National Institute of Training restructuring plan to be monitored and remedial action taken as necessary. • Identify potential constraints (technical, administrative, organizational) to full effectiveness of the MOF in providing timely and useful policy analysis and take corrective action. • Use reliable cash flows of budgeted amounts as an indicator of quality of the dialogue between MoF and line ministries • Use public borrowing costs to review effectiveness of debt department • The development of an MTEF should provide an indicator of progress in budget prioritization and integration. • Use budget classification indicator to measure the intensity and coordination of efforts to revamp the basic budget tools. • Regular expenditure tracking function
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	<p>implemented by 2007</p> <ul style="list-style-type: none"> • Regular (bi-annual) public expenditure function established and related sectoral budget policy reports produced. • Dedicated high quality budget units fully functional in pilot ministries • Development of financial and impact indicators of budget execution • Presentation of pilot budget along new output-based programs, with specific result indicators, by March 2006 in the Ministry of Justice and March 2007 in the other pilot ministry. 	<p>will help point to potential bottlenecks in the institutionalization of expenditure reviews.</p> <ul style="list-style-type: none"> • Budget units help track commitment to revamping budget function as part of the overall administrative effort. • Development of financial and impact indicators will allow monitoring consistency between the permanent monitoring function and the budget process. • Pilot budget exercise will demonstrate the capacity of line ministries to move towards result-oriented budgeting.
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Arrangements for results monitoring

Outcome Indicators	Baseline	Data Collection and Reporting				Data Collection Instruments	Responsibility for Data Collection
		YR1	YR2	YR3	Frequency and Reports		
Performance monitoring, administrative reform and policy coordination are functioning .						Implementation Reports	Public Sector Reform Department
Results Indicators for Each Component							
Component One : Number of Departments in the Prime Ministry, adequately staffed by qualified staff	2	4	0	0	Quarterly	Implementation Reports	PSRD
Number of employees hired and trained by the PSRD Unit	10	4	1	1	Annually	Implementation Reports	PSRD
Number of employees hired and trained by GPD	0	8	10	12	Annually	Implementation Reports	GPD
Component Two							
The SDIS Team is in place, and functional	30%	70%	90%	95%	Annually	List of SDIS team members, competencies	PSRD
No. of ministries and institutions setting service standards, that cover the main services, and measuring service delivery levels against the defined service standards	0	1	15	25	Quarterly cumulative report	Standards, and results of measurements, published by ministries and institutions through the approved media	PSRD + Ministries & Institutions

Outcome Indicators	Baseline	Data Collection and Reporting					Responsibility for Data Collection
		YR1	YR2	YR3	Frequency and Reports	Data Collection Instruments	
No. of ministries and institutions which provide services that are more tailored to clients' needs	0	1	7	15	Yearly cumulative report	'Client Voice' tools	PSRD
No. of ministries and institutions which identify gaps in the delivery of services and improve the levels of delivery	0	1	5	10	Yearly cumulative report	Service Delivery Reports by ministries and institutions	PSRD + Ministries & institutions
Component Three: a) % of Ministries & Gov. Institutions being reviewed	0	One Sector(Pilot)	30%	70%	Annually	GoJ Database & Implementation Reports	PSRD
b) % of Ministries & Gov. Institutions being implemented	0	0	25%	50%	Annually		
Component Four: number of agencies having piloted New HR and FM policies.	0	1	2	3	Annually	Implementation Reports	PSRD, MOF/MOJ

Annex 4: Detailed Project Description

JORDAN: Public Sector Reform Support Loan

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; (d) management of financial and human resources, and (e) management and evaluation of the public sector reform process. 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 Ministry to coordinate policies, oversee the realization of the national developmental agenda and monitor progress towards that end, and spearhead the reform of the public sector. It recommends restructuring the Prime Ministry and creating four operating units reporting to the Prime Minister: (1) the Cabinet Office/Secretariat; (2) the Government Performance Directorate (GPD); (3) the Public Sector Reform Directorate (PSRD); and (4) the Human Resources Policies Directorate.

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 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.¹⁸ 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 to Cabinet for decision.

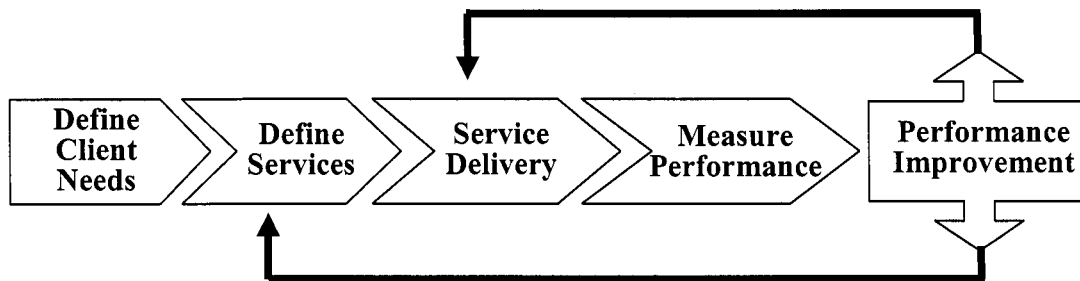
Other important changes will also be supported in this area. The project will support the establishment of GPD to ensure the role of defining the national development agenda and monitoring performance towards its implementation across government (about which more will be said below). The Ministry of Administrative Development will be brought directly under the Prime Ministry 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 Prime Ministry structure, help ensure that the new policy processes are fully established and functioning smoothly, and build the manpower and capacity of the GPD and the PSRD and provide training for their development.

¹⁸ Examples include the disposition of minor property assets or whether certain individuals qualify for Jordanian citizenship.

b. Performance Monitoring and Evaluation

Moreover, the Public Sector Reform Program calls for fostering high performing, citizen-responsive services through the development of adequate evaluation capacity for 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 System (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.

Following the adoption of the Public Sector Reform White Paper, all ministries and institutions are responsible for setting service delivery standards, monitoring performance against these standards and striving to improve their performance. PSRD is mandated to support ministries and other government institutions in implementing these reforms by designing and rolling out a SDIS. SDIS is at the heart of efforts to develop more efficient and effective public services in Jordan. It is a process of continuous improvement based on recognition that the only reason for delivering a service is to satisfy the legitimate needs of clients or citizens. The concept of "Client Centred Service" has been adopted globally in public sector reform initiatives as a core means of re-thinking what services are needed and how they should be delivered. SDIS is built on the following five stage process:



The SDIS is based on the concept of continuous performance improvement. A prerequisite for implementation of the strategy is that there is awareness—both within and beyond the public sector—of the need for a ‘client based’ public service ethos. In order to exercise their voice, citizens need both awareness and a capacity to organise with others to express or act upon that voice. Strategies to raise awareness include popular education, mass media, and education and literacy campaigns.

PSRD will support ministries and institutions in implementing SDIS with a view to helping them deliver higher quality services to clients and citizens by reviewing client perceptions and establishing standards for improvement. It will do so primarily through the production of a service delivery improvement toolkit, through initial training of Performance Improvement Units in the ministries and institutions, and through general advisory support. PSRD has already prepared a preliminary toolkit of methodologies. The toolkit covers the following areas: client

voice, measuring performance and service delivery, setting service targets and standards, institutional appraisal, performance improvement, and internal and external communication.

In order to develop the toolkit, an initial pre-pilot was undertaken in the National Institute for Training (NIT), and the first full-scale pilot is to be undertaken in one ministry/institution (to be determined in March 2005). Next, overlapping stages of the same cycle will include first six and then eight further ministries and institutions before a comprehensive roll-out plan will be developed to implement SDIS Government-wide at almost two equal numbers of ministries and institutions.

Other efforts to enhance transparency and improve performance, such as the Challenge Fund will also be supported under this component of the project.¹⁹

c. Streamlining and Rationalizing Government Institutions

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, 27 departments and around 100 autonomous institutions. Since the average number of cabinet ministries in the OECD is approximately 16, the number of ministries in Jordan is clearly excessive.²⁰ 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.

This work will proceed along several dimensions. To support the streamlining process, a database is being developed that records details of the mandate and function of every ministry, department and institution. When completed, the database will provide an invaluable source of information during the implementation process and serve as a tool for managing the machinery of government in the future.

The first stage review will focus on aligning ministerial portfolios more closely with core government functions and examining the potential for combining mandates to improve policy coordination. The second stage will focus on departments and institutions. Initial work suggests the need for clearer, more functionally-related criteria for determining the most appropriate status and governance arrangements.

¹⁹ 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.

²⁰ 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.

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

d. Management and Evaluation of the Public sector Reform Process

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 following:

HR Policy Reforms:

One of the fundamental goals of the HR reform effort is to strengthen and professionalize HR management within both the center of government and, more importantly, at the level of the line departments. This work has several components. The first is the production of a revised civil service bylaw that will provide the regulatory framework for these changes. It should be completed by June 2005. After the bylaw is completed, a new more detailed manual encapsulating the new policies and procedures will be prepared and rolled out to the various ministries and other government institutions.

Revised Institutional Framework for HR Management:

The proposed HR reforms will also address the reorganization of the Government's HRM functions and restructuring of various overlapping agencies, with the goal of separating the policy and oversight functions and strengthening the capacity of line departments to manage their staff. Currently, policy, management and HR oversight functions are concentrated in the CSB. The proposed reforms will create an HR policy unit within the Prime Ministry whose function will be to develop and oversee HR policies and procedures for the civil service as a whole. An independent oversight body will be set up to ensure meritocracy in recruitment and promotion, and it may serve an appeals function as well. Day to day responsibility for the

management of HR matters in areas such as transfers, promotions and manpower planning will be handed over to newly created HR units within various line departments on a phased basis.

Recruitment and Promotion:

There is a widespread consensus within Jordan that current recruitment and promotion practices are in need of a serious overhaul. Recruitment currently takes place through a civil service database that is biased against recent graduates and makes it difficult to apply for specific jobs. It places too much emphasis on level of qualifications and knowledge, rather than skills, and is heavily weighted towards performance on the civil service examination. Performance appraisal tends to be non-transparent, focused on behavior rather than results, and not linked to departmental objectives. A number of initiatives are underway to remedy these problems that will be supported by the loan. Finally, this effort will seek to rationalize the system of contract appointments, which can be prone to abuse and used to circumvent weaknesses in existing recruitment procedures.

Pay and Grading Reform:

The proposed operation would also provide technical assistance in the development of a strategy for pay reform and employment rationalization. One of the major activities will be support for a major pay and grading exercise, which will create job descriptions across the civil service and rationalize ad-hoc and disparate pay structures. Some initial work on comparing public sector salary structures with the private sector has already been completed, and more will be done. Other work will seek to model the benefits and costs of various pay reform scenarios. 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.

Training and Human Development:

Finally, the loan will support efforts to transform the National Institute for Training into a high-quality, demand-driven provider of training and development programs for senior and middle-level managers within the public service. It will both provide the top-most echelons of the public service with the training and development they require to perform their strategic policy and management roles effectively and facilitate the development of HR capacity within government ministries and institutions.

- Budget and Financial Management (BFM)

Improved financial management (including both fiscal policy and public expenditure management) is an essential prerequisite for the success of the public sector reform program. It is closely linked to all the other components: policy and decision-making, performance management and service delivery, institutional streamlining and human resource management. The shift to a more results- and citizen-focused public service cannot be achieved without appropriate mechanisms that create the necessary incentives to ensure that all public funds are not only allocated in line with National Agenda policies and programs, but are also spent as efficiently and effectively as possible to deliver the required results. This will require major

changes to the Government's financial management and budgeting systems, as well as a significant enhancement of financial management capacity throughout all institutions of government.

A Comprehensive Strategy for Financial Management Reform:

The MoF has adopted a comprehensive strategy for financial management reform for the period from 2004 to 2007 which covers three levels of reform. The first is modernizing the organizational structure of the ministry and capacity building to ensure more efficient performance and capacity to manage reform initiatives. In addition to a comprehensive review of the ministry's role, and the legislative and administrative framework directing its work, this effort will include probable changes in enlarging and enforcing the role of the ministry in managing public funds.

The second level deals with all financial reform programs aimed at helping financial policy in achieving its objectives. Those objectives are enforcing financial stability and avoiding financial crisis through more efficient allocation of available resources according to national priorities. This will help in achieving sustainable economic growth, which will reflect positively on the living standards of citizens all over the kingdom.

The third level concentrates on the importance of achieving harmonization and enforces the forward and backward relations between the financial management reform agenda and other dimensions of public sector reform. These components include policy and decision making, performance management & service delivery, the restructuring of government institutions and human resources management.

The Project Components

The current loan is aligned with the Government's strategy and intended to improve current budget practices in terms of strengthening the macro framework, improved budgetary alignment with government priorities, and better budget execution and treasury management. It is also intended to provide the basic foundation (and selected pilot activities) to support a gradual transition towards a more result-oriented budgeting system. This lending operation will be selectively targeted on the following issues where tangible results can be achieved.

(1) Strengthening the Capacity of the MoF for Macro-Fiscal Analysis

After more than decade under IMF programs, Jordan needs to develop full capacity to establish its own fiscal policy, ensuring macroeconomic stability as the basis for solid economic development. Sound and credible macro-economic forecasts are also needed to support a change in the current method of budget negotiation to one where ministry budgets are prepared on the basis of a pre-approved ceilings, consistent with the overall budget constraints and the Cabinet strategic budget allocations. The MoF has recently created a macro-fiscal unit that will report directly to the minister and will help strengthen advice on macro-fiscal policy. The loan will ensure that suitable capacity is established in the macro-fiscal unit in terms of personnel, training and equipment.

(2) Developing a Plan Aimed Reviewing Internal Organization of the Ministry of Finance and its Related Departments

The budget and financial management reforms require a comprehensive review of the MoF's role, legislative framework and internal organization. This will include enlarging and enforcing the role of the ministry in managing public funds, regulating the activities of spending units in relation to accounting, cash management control, reporting and internal audit functions, and ensuring the maximum degree of integration of the budget function. For this purpose, the major tasks of the ministry, its directorates and general departments will be defined and the job descriptions established. The review would also aim at strengthening MoF's capacity to manage the reform process by developing a formal reform management structure that is anchored in the existing line management structure, with specific reporting and coordination arrangements at the top. Some of the policy reforms outlined above may need modification of the General Budget Law and related legislation. The loan funds such broad review of the MoF role and organization.

(3) Strengthening Selected Treasury Management Functions

The treasury cash management system needs to be modernized to ensure predictable flows of funds in line with program spending profiles and to minimize the cost of public debt. Better control over the budget financial execution will be achieved through the modernization of the financial and accounting system in conformity with international accounting standards, attaining ideal management of treasury accounts by applying monthly cash flow plan, and applying the Single Treasury Account concept. This will permit precise assessments regarding the current and future financial status of the treasury in order to provide needed liquidity at the right time, which by turn will ease debt management. Studies to design a GFMIS system that integrates the accounting, control and reporting functions will also be initiated.

(4) Strengthening the Process of Budget Preparation

Work as started in both the MoF and MOPIC on the development of a Medium-Term Expenditure Framework (MTEF), which will translate the Government's objectives as outlined in the National Agenda into a three-year rolling expenditure allocation that includes both current and capital expenditures. Budget preparation in line ministries needs also to be improved to make sure it is fully consistent with the overall national goals, and with the specific constraints on the ground. Internal budget process at the level of the line ministry need to be modernized, and their capacity with respect to budgeting enhanced. Finally, the General Budget Department's internal capacity needs to be strengthened. The loan will fund the required technical assistance and training to support these reform activities.

(5) Developing a More Modern Budget Classification for Result-Oriented Budgeting

The modernization of the budget classification system is a key pre-requisite to reforming the internal budget preparation process by allowing a more detailed view of how the budget is spent at various administrative levels. Budget classification modernization, in particular, economic, functional, program and geographic classification, is also key to allow the linkages between financial allocation and the monitoring of outputs and outcomes.

(6) Support Pilot Efforts to Improve the Performance Orientation of the Budget Process in Two Pilot Ministries

Result-oriented budgeting will be developed using a model that is adapted to Jordan's current systems and capacity. This should result in a system where spending authority is decentralized closer to the service delivery levels, and where spending authority will be aligned with accountability to deliver pre-specified results. The introduction of Result-Oriented Budgeting will be closely related with the performance monitoring system established through the Government Performance Directorate.

e. Management and Evaluation of The Public Sector Reform Process.

The main role of this component is to ensure that the Public Sector Reform Program (PSRP) is implemented efficiently and effectively; that its strategic objectives are met; and that lessons are learned, shared and continuously applied in light of experience. The strategic vision and policy framework will be evaluated and adjusted-based on both feedback received from various monitoring and evaluation exercises and on a systematic benchmarking against best practice in the field of public sector reform. The program management functions will be based on the Strategic Program Plan (SPP) that was developed based on the public sector reform policy paper and its implementation strategies. The purpose of the SPP is to provide the Administration with a clear view of the strategic goals and objectives in each PSRP Component, against which progress in implementing the Program will be monitored over the next five years. The loan will finance the establishment of this monitoring and evaluation function within the PSRD

Annex 5: Project Costs
JORDAN: Public Sector Reform Capacity Building Loan

Project Cost By Component and/or Activity	Local US \$million	Foreign US \$million	Total US \$million
Policy and Decision Making	1.03	0.36	1.39
Improving Performance Management and Service Delivery	3.95	2.59	6.54
Institutional Streamlining	1.92	1.73	3.65
Improving Resources Management	2.41	4.17	6.58
Human Resource Management	0.96	1.56	2.53
Financial Resource Management	1.45	2.59	4.05
PSR Program Management and Coordination	1.23	0.98	2.21
Total Baseline Cost	10.54	9.83	20.37
Physical Contingencies	0.19	0.16	0.35
Price Contingencies	0.61	0.31	0.90
Total Project Costs¹	11.34	10.28	21.62
Interest during construction			
Front-end Fee		0.08	0.08
Total Financing Required	11.34	10.36	21.70

¹Identifiable taxes and duties are US\$3.01 million, and the total project cost, net of taxes, is US\$18.92 million. Therefore, the share of project cost net of taxes is 86.27%.

Annex 6: Implementation Arrangements

JORDAN: Public Sector Reform Capacity Building Loan

The public administration reform program currently undertaken by the Government of Jordan, is a complex, multi-sectoral endeavor, with several agencies and ministries involved in the management of different work-streams. To ensure the strategic coherence of the program, the Government has approved a White Paper, which defines the strategy of the Government in terms of reform and identifies deliverables in the medium and long term. At the policy level, the strategic leadership of the program is entrusted to the Public Administration Committee, which meets regularly, and is headed by H.E. the Deputy Prime Minister and Minister of State in charge of Government Performance. Its membership is composed of H.E. the Deputy Prime Minister, H.E. the Ministers of Finance, Planning, ICT, Trade, and Justice, and H.E. the Minister of State for Public Sector Reform,

Executing Agency

An *Executive Level Interministerial Committee*, headed by the Executive Director of the Public Sector Directorate and inclusive of Secretary General level staff of all concerned agencies will be created as a steering committee for the project. Its function is two fold: ensure that the directions provided by the PAC are being carried out and reflected at the executive level, and ensure that any problem that arise are tackled and resolve quickly. This committee will meet at least once monthly. The Public Sector Reform Department will take the leadership in the reform program, and as such will be the executing agency for the loan.

Each agency is responsible for providing technical input necessary to implement their respective component as well as to monitor and report for the purpose of the project. Within each unit, the Secretary General, who is represented at the executive level, will take the overall responsibility for its component.

Project Management

A *Project Coordination Team* domiciled in the Public Sector Development Administration will have the overall responsibility of the PSRCB project implementation over a period of 3.5 years (start June 1, 2005 –end March 31, 2009). This team is composed of a Project Manager, a Financial Officer, a Procurement Officer and a Lead Public Sector Reform Advisor (international expert). This team is principally made up of local staff. The technical expert, financed by the PCF is meant to provide the technical leadership for the broader reform effort.

The PCT will report directly to the Executive Director of the PSRD. The procurement and financial aspects of all the loan components (including financing the Challenge Fund) will be centralized with the PCT who will also be responsible for the compilation of progress, annual and completion reports on project implementation. For each component, a coordinator whose responsibility is to ensure regular coordination with the PCT as well as following up to ensure timely procurement will be identified.

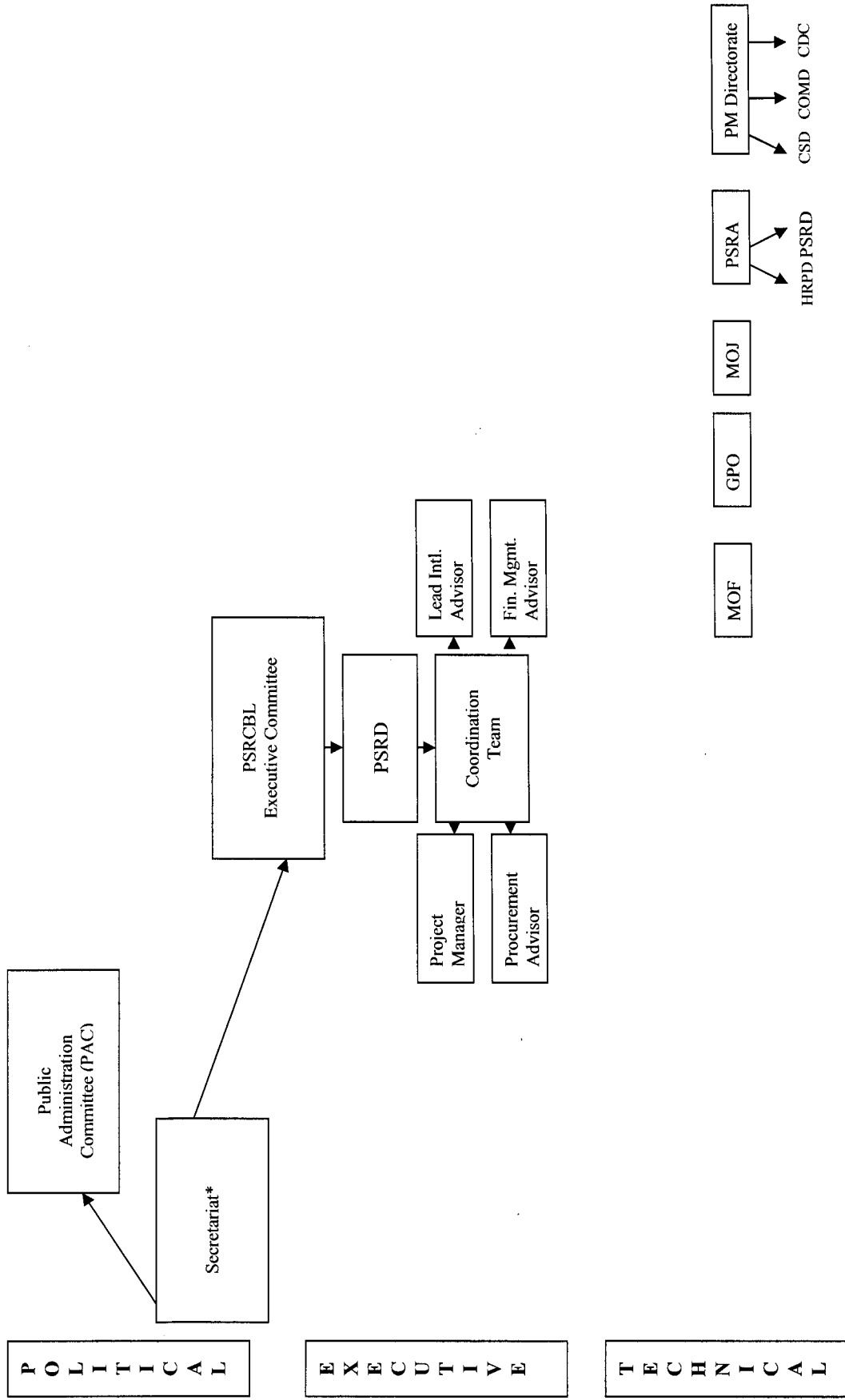
In a transitional period, not to exceed 12 months, a management consulting firm, PCF, will provide assistance to the Project Coordination Team. PCF's Terms of Reference are currently being prepared by PSRD. In addition to project management, procurement and financial management assistance (which is described in detail below), PCF's functions will include diagnostic and analytic work. This will include (i) identification of suitable expertise to undertake the reform program, formulation of strategies; (ii) implementation plans for reform, and (iii) capacity building, in which international experts will transfer knowledge to the local team.

The project is expected to be implemented over 46 months, from June 1, 2005 to March 31, 2009.

Table A: Component and Participating Agencies of the PSRCB Project

Strengthening the capacity	<ul style="list-style-type: none"> • Strengthening Capacity of COM Directorate • Improving Business Processes at Cabinet Level • Communications Strategy 	COMD CSD CDC
Improving Performance Management and Service Delivery	<ul style="list-style-type: none"> • Developing a National Agenda • Developing a Service Delivery Improvement System (SDIS) • Financing the Challenge Fund 	GDP PSRD PSRD
Institutional Streamlining	→	PSRD
Improving Resource Management	<ul style="list-style-type: none"> • Human Resources Management -HR Pilot in MOJ • Support to Financial Management -Macroeconomic Forecasting -Institutional Reform in MOF -FM Pilot in Ministry of Justice • Strengthening the Capacity of the General Budget Department for Financial Sector Reform 	HRPD MOJ MOF MOF MOJ GBD
PSR Program Management and Coordination	<ul style="list-style-type: none"> • Support to Project Management Unit 	PSRD
Project Management (PCT)	→	PSRD

Table B: Implementation Arrangements for the PSRCB Project



*Secretariat's *Rapporteur* is member of PSRCBL Executive Inter-ministerial Committee.

Annex 7: Financial Management Arrangements
JORDAN: Public Sector Reform Capacity Building Loan Project

Executive Summary

Bank policies require that loan proceeds be used only for the purposes for which they were made available, with due regard to economy, efficiency and the sustainable achievement of the project's development objectives. Therefore, the recipient of the loan is requested to maintain, among other things, an appropriate and adequate financial management system, including records, accounts and financial statements, which adequately reflect the operations, resources and expenditures of the project. The objective of this assessment is to determine whether the entity implementing the Bank Financed project has acceptable financial management arrangements including its financial management system, its accounting, reporting and auditing arrangements as well as its internal controls and flow of funds.

The Public Sector Reform Directorate (PSRD) will be responsible for the implementation of this project however the project's funds will be managed by the Ministry of Planning and International Cooperation (MOPIC). The project will benefit, in addition to the PSRD, different entities being the Government Performance Directorate, Ministry of Justice, Ministry of Finance (MOF), Human Resources Policies Directorate, Cabinet of Secretariat, Government Communication Unit and Prime Ministry. A Project Coordination Team (PCT) will be supporting the PSRD in managing, monitoring and coordinating the project implementation and will be following on the project financial management and procurement aspects. For a transitional period of 12 months, a project consulting firm (PCF) will be supporting the PCT in the overall project management including the financial management aspects of the project. The PCF main responsibilities will include: (i) developing a Financial Procedure Manual, (ii) assisting in identifying and implementing an accounting system and (iii) assisting the project's Financial Officer in handling all financial management activities and transactions.

The PSRD is a directorate established under the Public Sector Development Administration (PSDA), a newly established body (bylaws issued in Official Gazette dated 17 January 2005) replacing the Ministry of Administrative Development. The PSDA is headed by the Minister of State for Public Sector Development. The financial management system in place at PSDA is based on principles and procedures defined by the legal framework and operational decrees applicable to the public sector in Jordan. Currently, the PSRD's expenditures are included in the MOPIC budget however they are approved and executed by the MOF. As of the date of this assessment the PSRD, as per the local regulations, was not eligible to have a MOF financial controller residing in its premises and accordingly authorizing the execution of its own expenditures. According to recent correspondence between the MOF and the PSDA, it is expected that the PSRD will be able to execute its own expenditures by the first quarter of 2005.

The Special Account (SA) will be opened at the Central Bank and will be managed by the MOPIC. The PCT will be responsible for project planning, budgeting, invoice clearing, consolidating project information and reporting on these activities including the generation of

FMRs and other project monitoring reports to be used for project management and decision making. For this purpose a “Ring fenced” accounting system will be implemented to facilitate the project accounting and reporting functions and to enable the project to generate the Bank required Financial Monitoring Reports (FMRs).

The Project’s financial statements will be audited annually by an external independent auditor, acceptable to the Bank, in accordance with internationally accepted auditing standards. PSRD will submit the audit report to the Bank no later than six months following the closing of the fiscal year being audited. The audit’s Terms of Reference (TOR) will be prepared and submitted for the Bank’s no objection, no later than nine months prior to the end of each fiscal year.

Risk Assessment and Mitigation Summary

The overall inherent risk relating to this project is rated as moderate based on recent Economic and Sector Work (ESW) that identified weaknesses in the private and public sector’s financial accounting, reporting and auditing activities as well as PSRD’s limited experience in implementing Bank financed projects.

The main control risks relate to: (i) the PCT’s limited experience in Bank guidelines and procedures, (ii) the lack of an information system able to generate project reports, (iii) the number of beneficiaries involved in this project which affects the reliability of the flow of information process, and (iv) the legal status of the PSRD. These risks will be mitigated through: (i) training provided to the PCT and the PCF, (ii) introducing a ring fenced accounting system for the project, (iii) defining the flow of information and funds between the different entities in a financial procedure manual to be prepared by the PCF and (iv) having the MOPIC manage the project funds as it is experienced with Bank’s rules and regulations since it follows and monitors Bank financed projects as well as manages the SA of different projects.

A detailed financial management questionnaire was carried out and is included in the project’s files, the risks identified and the mitigating measures addressing these risks are detailed in the table below.

Accounting system: The PSRD lacks an accounting system capable of following on the project’s activities and generating timely reports for project management and monitoring purposes. Parallel arrangements will be implemented to overcome this shortcoming whereby PSRD will install a simple accounting system that would enable it to record all project related transactions and generate project reports. Copies of payment requests and supporting documents forwarded to the MOPIC will be kept in the project’s files at the PSRD while the original documents will remain with the MOPIC. A detailed chart of accounts identifying funds by financiers and expenditures by component and entity will be developed for the project and included in the financial Procedure Manual. Spreadsheet applications will be used initially till the accounting software becomes fully operational.

Risk	Risk rating	Risk mitigating measures
Inherent Risk		
Country financial management strategy	Moderate	(i) According to recent ESW including a CFAA, the financial risk in the Hashemite Kingdom of Jordan is moderate
Project financial management issues	Moderate	(i) PCF will be assisting the PCT, for the first 12 months, in managing the project and coordinating among the different entities (ii) Parallel arrangements will be implemented to generate timely monitoring reports (iii) Training in Bank policies and guidelines will be provided to PCT and PCF
Counterpart funds	Low	(i) MOPIC will include the project funds in its budget and will make available the counter part funds needed for implementation
Overall Inherent risk	Moderate	
Control Risk		
Implementing entity	Moderate	(i) PCF will be assisting the PCT in managing the project and coordinating among the different entities (ii) Training in Bank policies and guidelines will be provided to PCT and PCF (iii) Ring fencing the project's implementation (iv) Parallel arrangements will be implemented to generate timely monitoring reports
Funds flow	Moderate	(i) The flow of funds process will be included in a Financial Procedure Manual to be developed by the PCF (ii) MOPIC will include the project funds in its budget and will make available the counter part funds needed for implementation
Staffing	Moderate	(i) A financial officer with relevant experience will be hired to follow up on the project's FM arrangements

<i>Risk</i>	<i>Risk rating</i>	<i>Risk mitigating measures</i>
		(ii) A PCF will support the financial officer in the FM aspects of the project for the first year
Internal audit	Low	(i) The project's expenditures will follow the internal audit procedures as per government rules and regulations
External audit	Low	(i) External audit will be carried out by an independent auditor acceptable to the World Bank
Reporting and Monitoring	Moderate	(i) Quarterly FMRs will be issued by the PCT and submitted to the bank (ii) Annual audited statements will be submitted to the Bank (iii) Flow of information between the different entities will be included in the Financial Procedure Manual to be developed by the PCF
Information systems	Moderate	(i) Introducing a ring fenced accounting system which will enable the PCT to report on the project activities and generate project financial reports
Overall Control risk	Moderate	

Staffing and training: It has been agreed that a financial officer with relevant experience will be part of a PCT that will be engaged by project effectiveness. The financial officer will be assisted by a PCF for the initial 12 months of the project and will be responsible for the financial management arrangements of the project. Training will be provided to the PCT and the PCF on Bank rules, regulations and guidelines.

Financial Procedure Manual: For the purpose of having accurate and complete financial information as well as for defining the flow of information between the different beneficiaries and the flow of funds, a Financial Procedure Manual will be developed by the PCF and will document:

- Flow of documents, the time frame required for clearance of invoices and the level of authority;
- The relation between the different entities;
- Supporting documents retention and safety;
- Process for preparing and remitting withdrawal applications;
- Chart of accounts for the project;
- Budgeting process;

- Financial reporting including formats of FMRs;
- Contracts posting into the system;
- Flow of funds; and
- Accounting policies and procedures to be followed

Flow of funds

To ensure that funds are readily available for the project's implementation, the MOPIC will open a special account denominated in US \$ at the Central Bank of Jordan. Deposits into and payments from the SA will be made in accordance with the provisions of the Loan Agreement. The task of preparing the replenishment applications throughout the implementation period will be the responsibility of PSRD while MOPIC would have the responsibility of issuing payment requests to the Central Bank and submitting the replenishment applications to the Bank (refer to Figure 1 for details of the project flow of funds).

Payment for services rendered under the Challenge Fund will be centralized within the PCT. The annual audit report issued by the project's external independent auditor will include an opinion on the financial activities of the fund.

All invoices, whether for advance payments or for expenses incurred, will be subject to PSRD and MOPIC controls and procedures as well as to the approval and authorization of the PCT and the MOF financial controller.

Reporting arrangements

Quarterly: The PCT will be responsible for generating FMRs and submitting them to the Bank as part of the project progress report or separately. These reports are made up of:

- *Financial reports:* to include a cash flow statement, beginning and ending project cash balances and an expenditure report comparing actual and planned expenditures in addition to a special account reconciliation statement. Also, a narrative report explaining all variances that exceed 15 percent when compared to plan and the proposed corrective actions should be included as an annex to the financial reports.
- *Procurement reports:* providing information on the procurement of goods, services, training and the selection of consultants showing procurement performance against plan, including information on all authorized contract variations. The reports should also include a listing of all contracts showing amounts committed and disbursed under each.

These reports should be remitted to the Bank within 45 days from the end of the quarter. The proposed format of the reports will be agreed during negotiations and included in the Financial Procedure Manual.

Annually: Audited project financial statement (PFS) will be submitted to the Bank and will include:

- Statement of sources and utilization of funds, indicating funds received from various sources and project expenditures.

- Appropriate schedules classifying project expenditures by component, showing yearly and cumulative balances.
- Special account reconciliation statement reconciling opening and year end balances.
- Statement of payments made using SOEs procedures as defined in the legal agreement.
- Statement of project commitments, being the unpaid balances under the project signed contracts.

Auditing arrangements

The PSRD will remit to the bank no later than six months after the end of each year the audit report of the project. The external audit report shall encompass all projects' activities and shall be in accordance with internationally accepted auditing standards (such as the international standards on auditing: ISA). The annual audit report of the project accounts shall include an opinion on the PFS and the special account transactions. In addition to the audit reports, the auditor will prepare a management letter identifying any observations, comments and deficiencies, in the system and controls that the external independent auditor consider pertinent and shall provide recommendations for their improvements. The external auditor should be acceptable to the Bank and his TOR will be prepared and submitted for the bank's no objection, at least nine months prior to the end of the project's fiscal year. Audit costs will not be financed by the Bank Loan.

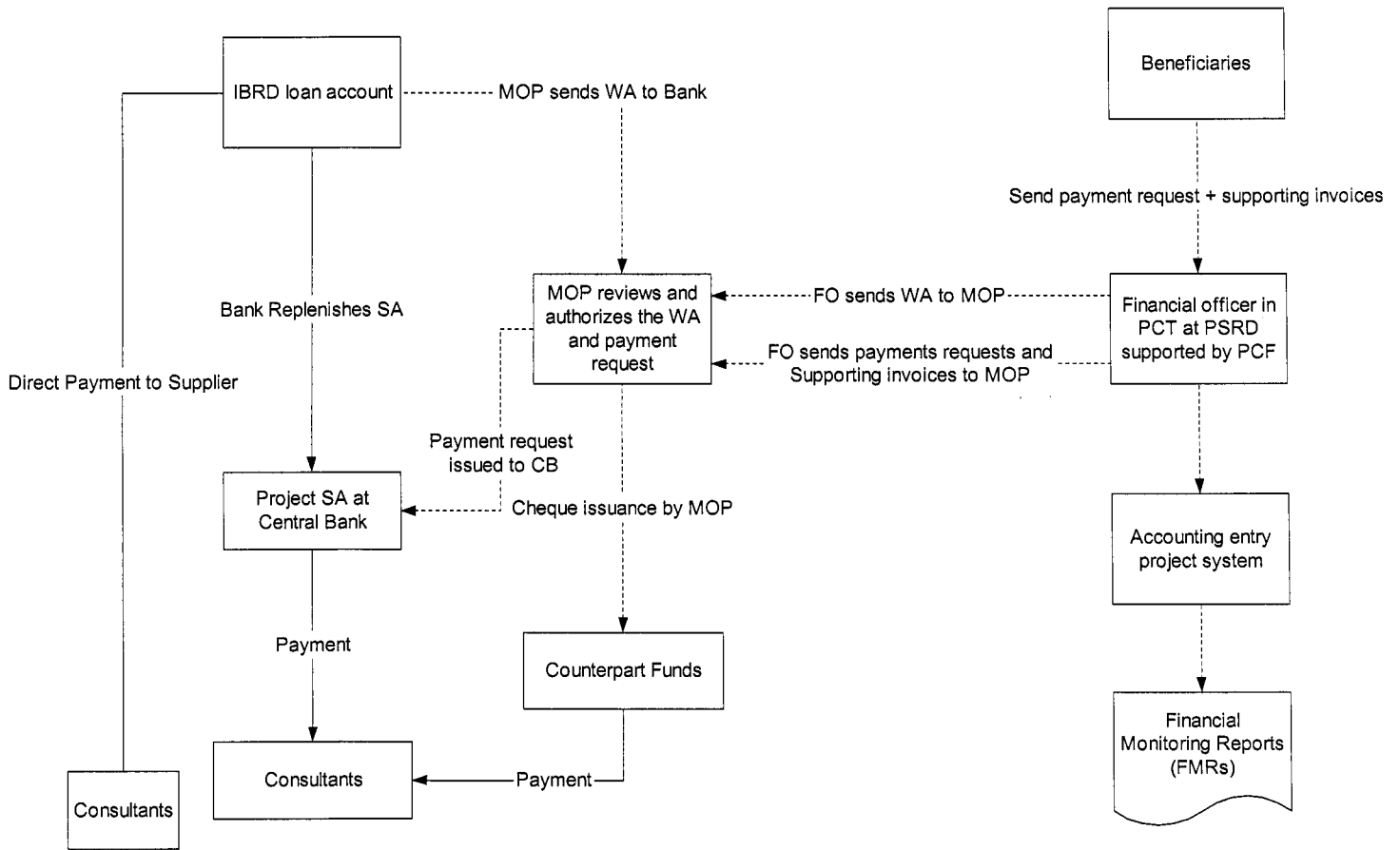
Bank supervision

The project will require intensive supervision during the start up phase to ensure the timely implementation of the agreed upon action plan, including hiring the Financial Officer, installing the accounting system and appointing the Auditor. The first supervision mission after effectiveness will take form of a launch workshop where the PCT and PCF will be trained on Bank rules, regulations and guidelines. The project will be supervised regularly to ensure compliance with Bank requirements and to develop financial management ratings.

Action plan agreed with the borrower

Action	Due date
Hire a financial officer with relevant experience	By effectiveness
Engage the PCT	By effectiveness
Install an accounting software	Within 3 months after effectiveness
Finalize a Financial Procedure Manual	Within 3 months after effectiveness

Figure 1:



-----: Document Flow
 ———: Cash Flow

Disbursement Arrangements

The loan will be disbursed over an expected implementation period of approximately 3.8 years (46 months) and its proceeds will be disbursed in accordance with the Bank's disbursements guidelines as outlined in the Disbursement Handbook. Transaction based disbursement will be used under this project. Accordingly, requests for payments from the loan account will be initiated through the use of withdrawal applications (WAs) either for Direct Payments, Reimbursements, Replenishments to the Special Account, or Issuance of Special Commitments. All WAs will include appropriate supporting documentation including detailed Statements of Expenditure (SOEs) for reimbursements and replenishments to the Special Account.

Authorized signatories, names and corresponding specimens of their signatures will be submitted to the Bank prior to the receipt of the first replenishment application.

Retroactive financing: Payments made to the borrower out of its own resources before the date of a loan agreement are normally not eligible for financing under the loan, except that withdrawals, in an aggregate amount not exceeding the equivalent of US\$1.5 million, may be made in respect of all categories on account of payments made for expenditures before that date but after December 31, 2004. Payments must be for expenditures that are eligible under the Loan Agreement. Procedures for procurement and the use of consultants, and processing and clearances are subject to the Bank's Procurement and Consultants Guidelines. Documentation requirements for expenditures claimed under retroactive financing are the same as those for disbursement against payments made after the Loan Agreement is signed.

Allocation of loan proceeds

Category	Amount of loan allocated	Percentage of Expenditures to be financed
(1) Goods	\$600,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost), and 90% of local expenditures for other items procured locally.
(2) Consultant Services	\$10,950,000	90% for firms domiciled within the territory of the borrower; 95% of local expenditures for services of individual consultants within the territory of the borrower; 90% of foreign expenditures for services of individual and firms.
(3) Training	\$900,000	100%
(4) Challenge fund	\$870,000	90%
(5) Operating costs	\$180,000	50%
(6) Front End Fee	\$75,000	Amount due under Section 2.04 of the loan agreement.
(7) Unallocated	\$1,425,000	
Total	\$15,000,000	

Statement of Expenditures (SOE): During implementation SOEs will be used for all expenditures relating to (i) Goods under contracts costing less than US\$250,000, (ii) consulting services under consultants firms contracts costing less than US\$100,000 equivalent each and under individual consultant contracts costing less than US\$50,000 equivalent each and (iii) operating cost, under such terms and conditions as the Bank shall specify by notice to the borrower. The supporting documentation will be maintained at the PSRD and will be made available for review by Bank supervision missions upon request. Documentation relating to SOEs would be retained for up to one year from the date the bank receives the audit report for the fiscal year in which the last withdrawal application from the loan account was made.

Special Account: To facilitate project implementation and make timely payments, the MOPIC will open a US\$SA at the Central Bank of Jordan. The authorized allocation will be US\$1,000,000 (representing approximately four month of eligible expenditures financed by the loan), with an initial deposit of US\$500,000. Full allocation can be claimed once the cumulative disbursements reach US\$2,000,000. The SA will be managed and administered by the MOPIC. The MOPIC will be responsible for submitting the withdrawal applications with appropriate supporting documentation for expenditures incurred. Deposits into and payments from the SA to pay consultants, suppliers and others will be made in accordance with the provisions of the loan agreement. Replenishments of the SA would follow Bank's procedures. The minimum amount for submitting replenishment applications for direct payments and special commitments would be 20% of the respective authorized allocation of the SA.

Annex 8: Procurement Arrangements
JORDAN: Public Sector Reform Capacity Building Loan

A) General

Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and the provisions stipulated in the Legal Agreement. The general description of various items under different expenditure categories are described below. For each contract to be financed by the Loan, the different consultant selection methods, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank project team in the Procurement Plan. The Procurement Plan will be updated the first time six months after effectiveness and at least annually thereafter or as required to reflect the actual project implementation needs and improvements in institutional capacity. The project allocations will be targeted to finance consultants, training, study tours, equipment and the Innovation and Excellence Fund. No procurement of Works is envisaged under the project.

Procurement of Goods: Goods procured under this project would include mainly office equipment, computers and related equipment. The procurement will be done using the Bank's SBD for all ICB and National SBD agreed with or satisfactory to the Bank for conducting National Competitive Bidding (NCB) for values of contracts less than US\$250,000. The national procedures for NCB will be adapted to comply with clauses 3.3 and 3.4 of the Guidelines. In particular the following will be observed: all bidding opportunities will be advertised with a reasonable time for submission of bids (not less than three weeks); evaluation criteria will be clearly stated in the bidding documents; a one envelope system will be used, a public bid opening in which the prices of all bidders (except for late bids) are read out will be promptly conducted after the deadline for submission of bids; award will be to the technically responsive bidder who has offered the lowest price and had the required qualifications; no negotiations will be conducted with awarded bidders and award will be on based on all items included within the bid or the lot in case of multiple lots. Shopping will be the method used for contracts less than \$100,000. The procedures will be in compliance with clause 3.5 of the Guidelines and will allow for open bidding with simplified forms for requests for quotations. These forms will cover all the necessary information required from bidders to submit responsive quotations.

Selection of Consulting Services: The Consulting Services from firms and individuals that are required for the different components of the project and the purchase of Goods are as follows:

i. Policy Coordination and Decision Making: The estimated cost of this component, inclusive of contingencies, is US\$1.39 million and is mainly to strengthen manpower and the capacity of the staffing of the GPD and the PSRD and provide training for their development. The objective is to provide the required support to the Prime Ministry to coordinate policies, oversee the realization of the national developmental agenda and monitor progress. The proposed arrangements for the component envisage the selection of national and international individual consultants, and the purchase of office equipment. The services of firms will also be required and

they will be selected under the Quality and Cost Based Selection (QCBS) and Selection Based on the Consultant's Qualifications (CQS).

ii. Performance Management and Service Delivery Improvements: The estimated cost of this component, inclusive of contingencies, is US\$6.71 million. However, out of this, US\$1.00 million is allocated for the Innovation and Excellence Fund while US\$5.71 million are targeted for the selection for consultants to build manpower, and provide training capacity building and consultancies to address: (1) the institutionalization and roll-out of the Service Delivery Improvement System (SDIS) across various line ministries and departments; (2) capacity building within GoJ institutions to implement the SDIS. The proposed arrangements for the component envisage the selection of national and international individual consultants, and the purchase of office equipment. The services of firms will also be required and they will be selected under the Quality and Cost Based Selection (QCBS) and Selection Based on the Consultant's Qualifications (CQS).

iii. Institutional Streamlining: The estimated cost of this component, inclusive of contingencies, is US\$3.65 million. The objective is to build capacity and provide technical assistance in a limited number of agencies for streamlining exercises. The proposed arrangements for the component envisage the selection of national and international individual consultants, and the purchase of office equipment. The services of firms will also be required and they will be selected under the Quality and Cost Based Selection (QCBS) and Selection Based on the Consultant's Qualifications (CQS). One of the international individual consultants has already been recruited under DfID financing and his services are expected to be single sourced under the project for an estimated cost of US\$510,000 over a period of 3.8 years.

iv. Resource Management: the estimated cost for this component, inclusive of contingencies, is US\$6.70 million. The proposed arrangements for the component envisage the selection of national and international individual consultants, and the purchase of office equipment. The services of firms will also be required and they will be selected under the Quality and Cost Based Selection (QCBS) and Selection Based on the Consultant's Qualifications (CQS). The component resources are distributed among two sub-components:

a) *Human Resource Management (HRM):* this will include the roll out of a new civil service bylaw and the implementation of new human resource management policies and procedures across Government. This will also address the reorganization of the Government's HRM functions.

b) *Financial Management (FM):* this will include carrying reform to strengthen the role and capacity of the Ministry of Finance and its recurrent expenditures monitoring functions and the Ministry of Planning and International Cooperation for its capital investment monitoring functions, in addition to the budget departments of line ministries and the Audit Bureau.

v. Program Management: the estimated cost for this component, inclusive of contingencies, is US\$2.21 million. The proposed arrangements for the component envisage the selection of national and international individual consultants, and the purchase of office equipment. The services of firms will also be required and they will be selected under the Selection Based on the

Consultant's Qualifications (CQS). The project coordination and facilitation shall be carried by a Project Coordination Team staffed with skills for undertaking the overall coordination of the project and its different funds, and in particular procurement activities and financial management. For the first year, the currently recruited international firm financed under DfID is proposed by the Government to be single sourced for supporting the PMT and providing technical expertise for an estimated cost of US\$500,000 over a period not to exceed one year.

Others: under the Performance Management and Service Delivery Improvements, a US\$1.00 million is allocated for the Innovation and Excellence Fund targeted for selected initiatives for improving performance in line-ministries. Government entities can propose initiatives which will be assessed using criteria elaborated in the Operation Manual developed for this fund. The proceeds of this fund will be provided to the selected entities on a grant basis. PSRD can then procure the required goods and services on a simplified competitive basis. The guidelines and procedures for the preparation, submission, and implementation of initiatives are detailed in the Operational Manual. Under the fund the selection of individual consultants and the procurement of goods under shopping procedures are envisaged. The services of firms will also be required and they will be selected under the Selection Based on the Consultant's Qualifications (CQS). The first two procurement packages for each of the following: selection of individual consultants, selection of firms and shopping for goods shall be subject for revision by the Bank.

B) Assessment of the agency's capacity to implement procurement

Jordan's public procurement system is a highly centralized, well defined system by a series of regulations issued by the Council of Ministers and managed by the Government Tenders Directorate (GTD) of the Ministry of Public Works and Housing (MoPWH) for civil works and consultants' services and by the General Supplies Department (GSD) of the Ministry of Finance (MoF) for supplies and equipment. In the central government, procurement regulations specify the responsibilities of ministries. Regulations also establish a series of thresholds which determine what level of government authority exists for procurement of civil works, goods and services. Within each threshold level, the process is under the responsibility of committees. In addition, Special Tender Committees (STC) are formed for a particular project which is distinguished by its size, source of funding or other characteristics that require special attention. Committees do not make final decisions but submit their recommendations to higher level policy officials for ratification. STC is not restricted to any threshold and are used to expedite implementation of special projects. The currently establish STC for the on-going Innovation and Excellence Fund shall see its agenda extended to cover the project.

Procurement activities for this project will be carried out by the Public Sector Reform Department (PSRD) under the guidance of the Ministry of State for Public Sector Reform. The agency is staffed by public servants assisted by consultants recruited by the Ministry. For the first year of the project, a project management firm will continue to support the staff of the Ministry and in particular the Project Coordination Team. This will provide valuable assistance to the Ministry for the preparation of TOR's and the technical specifications of equipment, technical evaluation of proposals and biddings, and management of contracts. However, the Project Coordination Team in the Ministry will prepare and manage the procurement process. It

is expected that by the loan effectiveness, a Procurement Officer shall be selected and dedicated to carry out and coordinate all procurement functions for this project. It is highly recommended to select a staff with past experience in the World Bank or international projects. The assessment of the capacity of the MSPSR to implement procurement actions for the project has been carried out by the Bank team Senior Procurement Specialist on November 10, 2004. The assessment reviewed the organizational structure for implementing the project and the interaction between the project's staff responsible for procurement and the Ministry's relevant central unit for administration and finance.

Most of the issues/risks concerning the procurement component for implementation of the project have been identified and are mainly related to the fact that the Ministry is a newly established entity and the procurement person is not yet recruited and potentially might not have experience in the Bank Guidelines for procurement. Moreover, the implementation period for this project is 3.8 years which necessitates strict adherence to the implementation plan to avoid any slippages in the set schedules. However, these risks are offset by the fact that the Ministry has also staff and consultants with solid skills in drafting TORs and managing technical assistance and by the fact that the handover and training shall be ensured for the first year by the international firm retained from DfID project. Capacity building in procurement skills is required to complement the skills of the team working on this project. This will be achieved by providing the Ministry team with training on the Bank Guidelines for the Selection of Consultants and Procurement of Goods through a seminar to be conducted prior to the project launch. As for the procurement officer, he will be provided with the opportunity to attend the relevant training which is conducted by International Labor Organization in Turin, Italy.

The overall project risk for procurement is moderate.

C) Procurement Plan

The Ministry, at appraisal, developed a Procurement Plan for project implementation which provides the basis for the procurement methods. This plan will be agreed between the Ministry and the Project Team and will be made available at the Ministry's offices. It will also be available in the Project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team first time 6 months after effectiveness and afterwards annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

D) Frequency of Procurement Supervision

In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended two supervision missions to visit the field to carry out post review of procurement actions during the first year of the project and once per year for years two and three And last year of the project.

Attachment 1

1. Goods and Works and non consulting services.

(a) The List of contract Packages which are expected to be launched in the first 18 months of the project is detailed in the hereunder table 1.

2. Consulting Services.

(a) The List of Consulting Assignments which are expected to be launched in the first 18 months of the project is detailed in the hereunder table 2.

(b) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US\$200,000 equivalent per contract, may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

3. Review by the Bank of Procurement

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank:

- (a) All contracts awarded before the loan effectiveness and to be paid from the proceeds of the loan regardless of the contract amount;
- (b) The first two contracts from each type of procurement of Goods or selection of Consultants, regardless of the contract amount;
- (c) Each contract for Goods estimated to cost the equivalent of US\$250,000 or more;
- (d) Each contract with a Consultant for services provided by a firm estimated to cost the equivalent of US\$100,000 or more;
- (e) Each contract with a Consultant for services provided by an individual consultant estimated to cost the equivalent of US\$50,000 or more
- (f) All Direct Contracts and Single Source contracts;
- (g) All contracts with cumulative amendment(s) that meet the respective thresholds;
- (h) In respect of the Innovation and Excellence Fund: The first two procurement packages for each of the following: selection of individual consultants, selection of firms and shopping for goods.

All other contracts shall be subject to Post Review by the Bank.

Table 1- Procurement plan of Goods for the first 18 months

1	2	3	4	5	6	7	8	9	10	11
Ref. No.	Sub-Cat	Sub-comp	Description of Procurement	Estimated Cost in USD	Procurement Method	Domestic Preference (yes/no)	Review by Bank (Prior/ Post)	Bid-Opening Expected Week /d	Contract signature Expected Week /d	Comments
	/a			/b	/c					
FR-001	FR	230-310	SDIS Library_Instl Streaming PSRD	22,457	SH	No	Prior	8	15	
OF-002	OE	210-230-310-411-520	Photocopier_Binding_Fax_tel	19,775	SH	No	Prior	12	19	
EQ-003	CE	110-120-130-210-310-421-520	IT general related equipment: Server_PC_laptop_Printer_Scanner_Standard SW	214,992	NCB	No	Prior	14	23	
SW-004	SW	422	Software for Debt Management+Training (4 people)	236,072	NCB	No	Prior	23	32	
EQ-005	CE	230-240-411-423	IT general related equipment: PC_Printer_Scanner_Standard SW	288,155	ICB	Yes	Prior	21	32	Equipment for the comp 240 shall be in compliance with the implementation of phase 2 in the 8 identified institutions
SW-004	SW	210	Software for Monitoring Indicators	233,927	NCB	No	Post	32	40	
EQ-006	CE	110-120-130-240-310-422	IT general related equipment: Server_PC_Printer_Scanner_Standard SW	231,379	NCB	No	Post	54	62	Equipment for the comp 240 shall be in compliance with the implementation of phase 3 in the 8 identified institutions
FR-007	FR	310	Instl Streaming PSRD	15,527	SH	No	Post	62	67	

**Table 1- Procurement plan of Goods for the first 18 months
(continued)**

SW= Off-the-shelf Specialized Software

CE= Computer Equipment and Standard Software; SH= Shopping

NOTES:

- a/ FR= Furniture; OE= Office Equipment; NCB= National Competitive Bidding
- b/ ICB= International Competitive Bidding
- c/ Cost estimate includes contingencies
- d/ In weeks after date of Loan effectiveness

Table 2- Procurement plan for the selection of (long term individual) consultants for the first 18 months

1 Ref. No.	2 Sub-Cat. /a	3 Sub-comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method /c	7 Review by Bank (Prior / Post)	8 Prep. Start Exp. Week /d	9 Proposals Submission Expected Week /d	10 Contract signature Expected Week /d	11 Comments
				/b	/e						
A001	LT	110	Business Process-Nat'l Ind.- Specialist (1)	44,989		IC	Post	1	5	9	
A002	LT	110	Business Process-Nat'l Ind.- Specialist (2)	44,989		IC	Post	1	5	9	
A003	LT	120	Communications Strategy-Nat'l Ind.-Specialist (1)	71,368		IC	Prior	1	7	12	In process
A004	LT	120	Communications Strategy-Nat'l Ind.-Specialist (2)	71,368		IC	Prior	1	7	12	In process
A005	LT	130	Streamlining Procedures -Nat'l Ind.-Sr Policy Expert (1)	108,618		IC	Prior	7	13	18	
A006	LT	130	Streamlining Procedures -Nat'l Individual-Policy Expert (1)	67,483		IC	Prior	7	13	18	
A007	LT	130	Streamlining Procedures -Nat'l Ind.-Policy Expert (2)	67,483		IC	Prior	7	13	18	
A008	LT	210	National Agenda-Nat'l Ind.-Sr Researcher (1)	142,736		IC	Prior	1	7	12	In process
A009	LT	210	National Agenda-Nat'l Ind.-Sr Researcher (2)	142,736		IC	Prior	1	7	12	In process
A010	LT	210	National Agenda-Nat'l Ind.-Sr Researcher (3)	142,736		IC	Prior	1	7	12	
A011	LT	210	National Agenda-Nat'l Ind.-Jr Researcher (1)	71,368		IC	Prior	1	7	12	
A012	LT	210	National Agenda-Nat'l Ind.-Jr Researcher (2)	71,368		IC	Prior	47	53	58	
A013	LT	210	Setting Up the Key Performance Indicators-Nat'l Ind.-Sr Consultant (1) training on KPI	107,036		IC	Prior	1	7	12	
A014	LT	210	Setting Up the Key Performance Indicators-Nat'l Ind.-Sr Consultant (2) training on KPI	107,036		IC	Prior	47	53	58	
A015	LT	210	Monitoring Performance-Nat'l Ind.-Sector Specialist (1) - Mid-level	109,253		IC	Prior	17	23	28	In Process
A016	LT	210	Monitoring Performance-Nat'l Ind.-Sector Specialist (2) - Mid-level	109,253		IC	Prior	17	23	28	In Process
A017	LT	210	Monitoring Performance-Nat'l Ind.-Sector Specialist (3) - Mid-level	109,253		IC	Prior	17	23	28	In Process
A018	LT	210	Monitoring Performance-Nat'l Ind.-Sector Specialist (4) - Mid-level	109,253		IC	Prior	43	49	54	In Process
A019	LT	210	Monitoring Performance-Nat'l Ind.-Sector Specialist (5) - Mid-level	109,253		IC	Prior	43	49	54	In Process
A020	LT	210	Monitoring Performance-Nat'l Ind.-Sector Specialist (6) - Mid-level	109,253		IC	Prior	43	49	54	In Process
A021	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Sr. SDIS Specialist (1)	65,150		IC-DC	Prior	0	6	11	On Board- M. Wafa
A022	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Sr. SDIS Specialist (2)	65,150		IC	Prior	0	6	11	
A023	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Sr. SDIS Specialist (3)	65,150		IC	Prior	0	6	11	
A024	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Sr. SDIS Specialist (4)	65,150		IC	Prior	0	6	11	

Table 2- Procurement plan for the selection of (long term individual) consultants for the first 18 months (continued)

1 Ref. No.	2 Sub-Cat. /a	3 Sub-comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method /c	7 Review by Bank (Prior / Post)	8 Prep. Start Exp. Week /d	9 Proposals Submission Expected Week /d	10 Contract signature Expected Week /d	11 Comments
				/b	/e						
A025	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Associate-Mid level (1)	77,559		IC-DC	Prior	0	6	11	On Board- M.Olayan
A026	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Associate-Mid level (2)	77,559		IC-DC	Prior	0	6	11	On Board- M. Argawi
A027	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Associate-Mid level (3)	77,559		IC-DC	Prior	0	6	11	On Board- A.Stiftich
A028	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Consultant (1)	68,252		IC	Prior	1	7	12	
A029	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Consultant (2)	68,252		IC	Prior	1	7	12	
A030	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Consultant (3)	68,252		IC	Prior	1	7	12	
A031	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Consultant (4)	68,252		IC	Prior	1	7	12	
A032	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Consultant (5)	68,252		IC	Prior	1	7	12	
A033	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Consultant (6)	68,252		IC	Prior	1	7	12	
A034	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Technical Staff (1)	48,878		IC	Prior	21	27	32	
A035	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Technical Staff (2)	48,878		IC	Prior	21	27	32	
A036	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Technical Staff (3)	48,878		IC	Prior	21	27	32	
A037	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Technical Staff (4)	48,878		IC	Prior	21	27	32	
A038	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Technical Staff (5)	48,878		IC	Prior	21	27	32	
A039	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Technical Staff (6)	48,878		IC	Prior	21	27	32	
A040	LT	220	Bldg Capacity for SDIS Team-Nat'l Ind._Junior Technical Staff (7)	48,878		IC	Prior	21	27	32	
A041	LT	250	Challenge Fund Administrator-Nat'l Ind.	52,086		IC-DC	Prior	43	49	54	On Board- Salary shall start the second year of the Loan-R. Ma 'aytah.
A042	LT	250	Challenge Fund Staff (1)-Nat'l Ind.	26,581		IC-DC	Prior	43	49	54	On Board- Salary shall start the second year of the Loan- M.Khasawneh

Table 2- Procurement plan for the selection of (long term individual) consultants for the first 18 months (continued)

1 Ref. No.	2 Sub-Cat. /a	3 Sub-comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method /c	7 Review by Bank (Prior / Post)	8 Prep. Start Exp. Week /d	9 Proposals Submission Expected Week /d	10 Contract signature Expected Week /d	11 Comments
				/b							
A043	LT	250	Challenge Fund Staff (2)-Nat'l Ind.	26,581		IC	Post	46	50	54	Salary shall start the second year of the Loan.
A044	LT	310	Developing Capacity for Institutional Streamlining within PSRD-Nat'l Ind.- Sr Consultant (1)	214,103		IC-DC	Prior	0	6	11	On Board-M. Qattous
A045	LT	310	Developing Capacity for Institutional Streamlining within PSRD-Nat'l Ind.- Sr Consultant (2)	214,103		IC-DC	Prior	0	6	11	On Board-M. Charibeh
A046	LT	310	Developing Capacity for Institutional Streamlining within PSRD-Nat'l Ind.- Associate Consultant (1)	107,052		IC	Prior	0	6	11	
A047	LT	310	Developing Capacity for Institutional Streamlining within PSRD-Nat'l Ind.- Associate Consultant (2)	107,052		IC	Prior	24	30	35	
A048	LT	310	Developing Capacity for Institutional Streamlining within PSRD-Nat'l Ind.- Associate Consultant (3)	107,052		IC	Prior	33	39	44	
A049	LT	310	Developing Capacity for Institutional Streamlining within PSRD-Nat'l Ind.- Associate Consultant (4)	107,052		IC	Prior	33	39	44	
A050	LT	310	Developing Capacity for Institutional Streamlining within PSRD-Nat'l Ind.- Jr Consultant (1)	54,309		IC	Prior	46	52	57	
A051	LT	310	Developing Capacity for Institutional Streamlining within PSRD-Nat'l Ind.- Jr Consultant (2)	54,309		IC	Prior	46	52	57	

**Table 2- Procurement plan for the selection of (long term individual) consultants for the first 18 months
(continued)**

1 Ref. No.	2 Sub-Cat. /a	3 Sub-comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method /c	7 Review by Bank (Prior / Post)	8 Prep. Start Exp. Week /d	9 Proposals Submission Expected Week /d	10 Contract signature Expected Week /d	11 Comments	
				/b								
A052	LT	310	(i) Inception of Streamlining Process-Developing & Testing of Methodology (45d)-Capacity Building in PSRD and Gvt inst.(30d); (ii) Review and Rationalize Government Institutions (100d); (iii) Developing Implementation of streamlining alternatives:Approach,Methodology (40d);Toolkit (30d); Capacity Building in PSDA and Institutions (20d)-Int'l Ind.	510,206		IC-DC	Prior	0	6	11	On Board-The scope of work (265 person-day) of the Int'l Ind. will comprise the inception of the process, training, review of institutions and development of the implementation methodology.	
A053	LT	411			105,454		IC-DC	Prior	0	6	11	On Board-R.Abdah
A054	LT	411		Sr. HR Specialist (1)	105,454		IC	Prior	0	6	11	
A055	LT	411		Sr. HR Specialist (2)	105,454		IC	Prior	0	6	11	
A056	LT	411		Sr. HR Specialist (3)	52,727		IC	Prior	15	21	26	
A057	LT	411		Jr. HR Specialist (1)	52,727		IC	Prior	15	21	26	
A058	LT	411		Jr. HR Specialist (2)	52,727		IC	Prior	15	21	26	
A059	LT	411		Jr. HR Specialist (3)	43,433		IC-DC	Prior	0	6	11	On Board-E. Sawalha
A060	LT	411		Minister's Secretary	52,725		IC-DC	Prior	0	6	11	On Board-Y. Ghosneh
A061	LT	415		Adviser to the Minister	52,727		IC-DC	Prior	0	6	11	On Board
A062	LT	415		HR Pilot in the Ministry of Justice- Nat'l Ind.-Jr. Associate (1)	52,727		IC-DC	Prior	0	6	11	On Board
A063	LT	415		HR Pilot in the Ministry of Justice- Nat'l Ind.-Jr. Associate (2)	52,727		IC	Prior	17	23	28	
A064	LT	415		HR Pilot in the Ministry of Justice- Nat'l Ind.-Jr. Associate (3)	52,727		IC	Prior	17	23	28	
A065	LT	421		HR Pilot in the Ministry of Justice- Nat'l Ind.-Jr. Associate (4) Economic Researcher-Level 1 (1)-Nat'l Indiv.	21,410		IC-DC	Prior	0	6	11	On Board-C.Snadi

**Table 2- Procurement plan for the selection of (long term individual) consultants for the first 18 months
(continued)**

1 Ref. No.	2 Sub- Cat. /a	3 Sub- comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method /c	7 Review by Bank (Prior / Post)	8 Prep. Start Exp. Week /d	9 Proposals Submission Expected Week /d	10 Contract signature Expected Week /d	11 Comments
				/b	/d						
A066	LT	421	Economic Researcher-Level 1 (2)-Nat'l Indiv.	21,410		IC-DC	Prior	0	6	11	On Board- H.Shahine
A067	LT	421	Economic Researcher-Level 1 (3)-Nat'l Indiv.	21,410		IC	Post	3	7	11	In Process
A068	LT	421	Economic Researcher-Level 2 (1)-Nat'l Indiv.	42,821		IC	Post	3	7	11	In Process
A069	LT	421	Economic Researcher-Level 2 (2)-Nat'l Indiv.	42,821		IC	Post	3	7	11	In Process
A070	LT	421	Adviser (1)-Nat'l Indiv.	107,052		IC	Prior	44	50	55	In Process
A071	LT	421	Adviser (2)-Nat'l Indiv.	107,052		IC	Prior	44	50	55	In Process
A072	LT	421	Adviser (3)-Nat'l Indiv.	107,052		IC	Prior	44	50	55	In Process
A073	LT	425	Ministry of Justice Pilot-Researcher (1) - Nat'l Ind.	52,727		IC	Prior	1	7	12	
A074	LT	425	Ministry of Justice Pilot-Researcher (2) - Nat'l Ind.	52,727		IC	Prior	1	7	12	
A075	LT	425	Ministry of Justice Pilot-Researcher (3) - Nat'l Ind.	52,727		IC	Prior	1	7	12	
A076	LT	510	Project Management-Nat'l Ind.	186,142		IC	Prior	1	7	12	
A077	LT	510	Procurement Specialist-Nat'l Ind.	142,736		IC	Prior	1	7	12	
A078	LT	510	Financial Management Specialist-Nat'l Ind.	142,736		IC	Prior	1	7	12	
A079	LT	520	Sr. M&E Specialists (1)-Nat'l Ind.	124,095		IC-DC	Prior	0	6	11	On Board- M.Jajjoui
A080	LT	520	Sr. M&E Specialists (2)-Nat'l Ind.	124,095		IC	Prior	0	6	11	
A081	LT	520	Associate Consultants (Jr.) (1)-Nat'l Ind.	62,047		IC	Prior	1	7	12	
A082	LT	520	Associate Consultants (Jr.) (2)-Nat'l Ind.	62,047		IC	Prior	1	7	12	

NOTES:

a/ ST= Short Term Individual Consultant ; LT= Long Term Individual Consultant (Staff); TA= Technical Assistance (Firm); TR= Training (Firm); STD= Study (Firm), SV= Study Visit. Study Visits and arrangements for Workshops and renting facilities are stated in the procurement plan for reference. The selection of the sites are not procurement activities.

b/ IC= Individual Consultant; DC= Direct Contract; QCBS=Quality-and-Cost-Based Selection; CQS= Selection Based on Consultants' Qualifications; LCS= Least-Cost Selection; SSS= Single Source Selection.

c/ Cost estimate includes contingencies-Estimated amount for a firm and individual consultant long term is the amount for the life of the project. Estimates amount for an individual consultant short term is the amount for the yearly duration of the contract, even if it is anticipated that the same consultant shall be performing another year.

d/ In weeks after date of Loan effectiveness

Table 2- Procurement plan for the selection of (short term individual) consultants for the first 18 months

1 Ref. No.	2 Sub- Cat. /a	3 Sub- comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method	7 Review by Bank (Prior/ Post)	8 Prep. Start Exp. Week /d	9 Proposals Submission Expected Week /d	10 Contract signature Expected Week /d	11 Comments
				/b	/c						
B001	ST	110- 130	Developing \1-Business Process (25 days)\2- Streamlining Procedures (30 days) – International Ind.	74,819		IC	Prior	21	27	32	
B002	ST	110	Business Process-Nat'l Ind.- Associate Consultant (30 days)	8,615		IC	Post	1	5	9	
B003	ST	120	Communications Strategy \1development of a strategy (45 days);\2 capacity building;\3 Workshops & Conferences-International Ind. (1)	74,731		IC	Prior	29	35	40	Consultancy for Y1. Other consultants (or the same) are foreseen for the Y2 and Y3
B004	ST	120	Communications Strategy-Nat'l Ind.- Communication Advisor (20 days)	5,686		IC	Post	8	12	16	Consultancy for Y1. Other consultants (or the same) are foreseen for the Y2 and Y3
B005	ST	130	Streamlining Procedures –Nat'l Ind.-Researcher (20 days)	5,686		IC	Post	24	28	32	Consultancy for Y1. Other consultants (or the same) are foreseen for the Y2.
B006	ST	210	Training for GPD staff (change mngt/Project mngt)-Nat'l Ind. (6 programs)	8,657		IC	Post	20	24	28	Consultancy for Y1 & Y2. Other consultants (or the same) are foreseen for the Y3 and Y4
B007	ST	240	1 st Pilot Institution-Development, Selection of Tools-International Ind.	78,638		IC	Prior	1	7	12	Pilot Institution to be selected in Mar 05. Tranche from June – August 2005.
B008	ST	240	1 st Pilot Institution-Development of Performance Improvement Toolkit-International Ind.	34,553		IC	Post	4	8	12	Pilot Institution to be selected in Mar 05. Tranche from June – August 2005.
B009	ST	310	Implementation of Streamlining Alternatives – International Ind.	97,564		IC	Prior	33	39	44	
B010	ST	413	Establishment of Oversight Commission- International Ind.	46,376		IC	Prior	46	52	57	
B011	ST	413	Establishment of Oversight Commission-Legal Counsel-Nat'l Ind.	92,246		IC	Prior	46	52	57	
B012	ST	414	Development of Women Leadership Program. International Ind.	50,000		IC	Prior	27	33	38	

**Table 2- Procurement plan for the selection of (short term individual) consultants for the first 18 months
(continued)**

1 Ref. No.	2 Sub- Cat. /a	3 Sub- comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method	7 Review by Bank (Prior/ Post)	8 Prep. Start Exp. Week /d	9 Proposals Submission Expected Week /d	10 Contract signature Expected Week /d	11 Comments
				/b	/c						
B013	ST	415	HR Pilot in the Ministry of Justice- Int'l Ind.	74,710		IC	Prior	1	7	12	
B014	ST	421	Training in Macroeconomic Forecasting: Methodology and Software- Nat'l Ind.	67,092		IC	Prior	5	11	16	
B015	ST	421	Preparation of Operational Manual, Macro-fiscal unit-Nat'l Ind.	2,843		IC	Post	14	18	22	
B016	ST	422	Strengthening the Treasury Function-Cash Management Department-Int'l Ind.	26,690		IC	Post	15	19	23	
B017	ST	422	Improving Free Zones Corporation Agency- Int'l Ind.	18,785		IC	Post	34	38	42	
B018	ST	423	1-Improving the Quality of Budget Submissions in 5 Pilot Ministries-Designing New Budget Submission and Implementation; 2-Improve Internal Processes at GBD; 3-Moving Towards a Mid-term Expenditure Framework:a]-TA on Budget Linkages to GBD and 8 Pilot Ministries,b]-Splitting Down Aggregate Ceilings Among Line Ministries;c]-MTEF Training and set-up Basic systems-Int'l Ind.	104,084		IC	Prior	29	35	40	
B019	ST	423	Improve Internal Processes at GBD- Nat'l Ind.	9,951		IC	Post	43	47	51	
B020	ST	424	1-Financial Reporting of Budget Execution; 2-Developing M&E Capacity in GBD; 3-Training on Developing and Evaluating Performance Indicators-Int'l Ind.	45,530		IC	Post	17	21	25	

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b/ IC= Individual Consultant; DC= Direct Contract; QCBS=Quality-and-Cost-Based Selection; QOS= Selection Based on Consultants' Qualifications; LCS= Least-Cost Selection; SSS= Single Source Selection.

c/ Cost estimate includes contingencies-Estimated amount for a firm and individual consultant long term is the amount for the life of the project. Estimates amount for an individual consultant short term is the amount for the yearly duration of the contract, even if it is anticipated that the same consultant shall be performing another year.

d/ In weeks after date of Loan effectiveness

Table 2- Procurement plan for the selection of (consultant firm) consultants for the first 18 months

1 Ref. No.	2 Sub-Cat.	3 Sub-comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method	7 Review by Bank (Prior / Post)	8 Prep. Start Exp. Week /d	9 Proposals Submission		10 Contract signature		11 Comments
				/b	/c				Expected Week	/d	Expected Week	/d	
C001	TA/TR	110-130	\1-Improving Business Processes at Secretariat Level Building (28 weeks) \2-Capacity for the council of ministers directorates (10 weeks) -Nat'l Firm	163,862	QCBS	Prior	0	10	23	In Process			
C002	TA	120	Firm for Evaluation, Review, Polling-Nat'l Firm (18 weeks)	79,091	CQS	Post	26	32	41				
C003	TR	130	Streamlining Procedures-Training and Capacity Building (25 people)	45,527	CQS	Post	8	14	23				
C004	TA	210	Desk research, data gathering, knowledge transfer-International Firm (90 days)	127,500	QCBS	Prior	5	15	28				
C005	TA	210	Communicating the National Agenda-Nat'l Firm	142,157	QCBS	Prior	13	23	36				
C006	TR	230	Establishing SDIS Library-Training on Projects/M&E/Change Mgt./MSProject Software-Nat'l Firm (48 people)	44,138	CQS	Prior	2	8	20				
C007	TA	240	Readiness Assessment for 14 Institutions-Nat'l Firm	17,059	CQS	Post	9	15	24			Pilot Institution to be selected in Mar 05. Tranche from June - August 2005.	
C008	TA	240	2 nd & 3 rd Phases-Implementation \1-in 6 Inst.\2-in 8 Inst.- TA & workshops-International Firm	340,000	QCBS	Prior	11	21	34			\1-Implementation at 6 selected institutions from August 2005;\2-Implementation at 8 selected institutions Mar- Dec 2006	
C009	TA	240	2 nd & 3 rd Phases-Implementation \1-in 6 Inst.\2-in 8 Inst.-Institutional Assessment Tools and Methodology-Nat'l Firm	105,424	QCBS	Prior	20	30	43			\1-Implementation at 6 selected institutions from August 2005;\2-Implementation at 8 selected institutions Mar- Dec 2007	
C010	TR	310	Inception of Streamlining Process-Capacity Building in PSRD and Govt. Inst-Nat'l Firm.	95,673	CQS	Post	7	13	25				
C011	TA	310	\1-Inception of Streamlining Process;\2-Review and Rationalize Government Institutions,-International Firm	942,503	QCBS	Prior	12	22	35				

Table 2- Procurement plan for the selection of (consultant firm) consultants for the first 18 months (continued)

1 Ref. No.	2 Sub-Cat. /a	3 Sub-comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method /c	7 Review by Bank (Prior / Post)	8 Prep. Start Exp. Week /d	9 Proposals Submission Expected Week /d	10 Contract signature Expected Week /d	11 Comments
				/b							
C012	TR	310	Implementation of Streamlining Alternatives-Capacity Building in PSDA – Nat'l Firm (30 weeks)	538,712		QCBS	Prior	21	31	44	
C013	TA/TR	411-412	1-Change Process, HR Management (30 people);2-Develop HR Procedures and Training in New policies and procedures (360 person-day)-International Firm	113,441		QCBS	Prior	22	32	45	
C014	TA	413	Assessment of Pay Scales- International Firm	1,449,250		QCBS	Prior	17	27	40	
C015	TA/TR	414	1-Restructuring NIT; 2-Development of Training Modules for TMDP, and Training of Trainers – International Firm	336,315		QCBS	Prior	33	43	56	
C016	TR	415	HR Pilot in the Ministry of Justice- Workshop (1 workshop)	68,235		CQS	Post	10	16	25	
C017	TA	422	Implementation of internal re-organization and design of GFMS system-International Firm	1,200,000		QCBS	Prior	4	14	27	Estimated timeline-1year. Currently, a firm is reviewing internal Organization of MOF and related epts.. It will submit recommendations comprising TOR for a firm to implement the internal organization and design a GFMS system.
C018	TR	423	1- Training on Techniques of Budgeting Planning and Priority Setting (30 people);2-Capacity Building for Policy and PE Analysis-Design and delivering of a Training for PE Analysis-International Firm	224,966		QCBS	Prior	40	50	63	
C019	TR	423	Training on Public Expenditure Analysis- Nat'l Firm (750 trainees)	80,460		CQS	Post	58	64	73	
C020	TA/TR	423	Improving the Classification System-Implementation of GFS2001-International Firm (600 trainees)	106,133		QCBS	Prior	9	19	32	
C021	TA	425	Ministry of Justice Pilot-Financial Management-International Firm	283,333		QCBS	Prior	29	39	52	
C022	TA	425	Development of IT System – Nat'l Firm	113,725		QCBS	Prior	31	41	54	

**Table 2- Procurement plan for the selection of (consultant firm) consultants for the first 18 months
(continued)**

1 Ref. No.	2 Sub- Cat.	3 Sub- comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method	7 Review by Bank (Prior / Post)	8 Prep. Start Exp- Week /d	9 Proposals Submission Expected Week /d	10 Contract signature Expected Week /d	11 Comments
				/b	/c						
C023	TR	425	Training and Workshops		29,819	CQS	Post	36	42	51	
C024	TA	425	2nd Pilot-Financial Management-Int'l Firm		140,577	QCBS	Prior	60	70	83	
C025	TA	510	International Firm - Project Management		495,833	SSS	Prior	1	1	7	On Board - Stream line 1 year
C026	TA	510	Audits - Regional/International Firm		11,333	LCS	Prior	18	34	42	
C027	TR	510	Training		7,455	CQS	Post	5	11	20	
C028	TA	520	Set up PM unit-Set capacity bldg plan-build a knowledgebase-develop trg material for NIT-Design PSRP&PSDA M&E systems-Int'l Firm		173,400	QCBS	Prior	2	12	25	
C029	TR	520	Training PMP Certification-Nat'l Firm (2 people)		6,129	CQS	Post	32	38	47	
C030	TR	520	M&E IPDET Training (2 people)		16,192	CQS	Post	2	3	5	
C031	TA	520	Data Gathering for evaluation studies- Nat'l Firm		57,716	CQS	Post	46	52	61	

NOTES:

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b/ IC= Individual Consultant; DC= Direct Contract; QCBS=Quality-and-Cost-Based Selection; CQS= Selection Based on Consultants' Qualifications; LCS= Least-Cost Selection; SSS= Single Source Selection.

c/ Cost estimate includes contingencies-Estimated amount for a firm and individual consultant long term is the amount for the life of the project. Estimates amount for an individual consultant short term is the amount for the yearly duration of the contract, even if it is anticipated that the same consultant shall be performing another year.

d/ In weeks after date of Loan effectiveness

Table 2- Procurement plan for the selection of (study visit) consultants for the first 18 months

1 Ref. No.	2 Sub-Cat. /a	3 Sub-comp.	4 Description of Assignment	5 Estimated Cost in USD		6 Selection Method /c	7 Review by Bank (Prior / Post)	8 Prep. Start Exp. Week /d	9 Proposals Submission Expected Week /d	10 Contract signature Expected Week /d	11 Comments
				/b							
D001	SV	110	Business Process-Training and Capacity Building (3 people)	16,549		CQS	Post	20	26	35	
D002	SV	230	Establishing SDIS Library-Benchmarking Visits (8 people)	27,208		CQS	Post	8	14	23	
D003	SV	421	Training on Fiscal Policy (3 people)	13,418		CQS	Post	34	40	49	
D004	SV	423	Study visits - Improving the quality of Budget Submission (5 people)	28,345		CQS	Post	43	49	58	
D005	SV	520	Study Tours - Regional and International (2 people)	15,322		CQS	Post	38	44	53	

NOTES:

a/ ST= Short Term Individual Consultant ; LT= Long Term Individual Consultant (Staff); TA= Technical Assistance (Firm); TR= Training (Firm); STD= Study (Firm); SV= Study Visit. Study Visits and arrangements for Workshops and renting facilities are stated in the procurement plan for reference. The selection of the sites are not procurement activities.

b/ IC= Individual Consultant; DC= Direct Contract; QCBS=Quality-and-Cost-Based Selection; CQS= Selection Based on Consultants' Qualifications; LCS= Least-Cost Selection; SSS= Single Source Selection.

c/ Cost estimate includes contingencies-Estimated amount for a firm and individual consultant long term is the amount for the life of the project. Estimates amount for an individual consultant short term is the amount for the yearly duration of the contract, even if it is anticipated that the same consultant shall be performing another year.

d/ In weeks after date of Loan effectiveness

Annex 9: Project Preparation and Supervision
JORDAN: Public Sector Reform Capacity Building Loan

	Planned	Actual
PCN review	November 11, 2004	November 11, 2004
Initial PID to PIC	January 10, 2005	January 10, 2005
Initial ISDS to PIC	January 10, 2005	January 10, 2005
Appraisal	January 22, 2005	February 1, 2005
Negotiations	January 31, 2005	February 16, 2005
Board/RVP approval	February 24, 2005	March 22, 2005
Planned date of effectiveness	May 15, 2005	
Planned date of mid-term review	December 31, 2006	
Planned closing date	December 31, 2008	

Key institutions responsible for preparation of the project:

IBRD

Bank staff and consultants who worked on the project included:

Name	Title	Unit
Robert Beschel	Lead Public Sector Specialist	MNSEED
Robert Bou Jaoude	Sr. Financial Management Specialist	MNACA
Giulio de Tommaso	Sr. Public Sector Specialist	MNSEED
Lina Fares	Procurement Specialist	MNACS
Diana Masri	Financial Management Specialist	MNACS
Richard Messick	Sr. Public Sector Specialist	PRMPS
Imad Saleh	Sr. Procurement Specialist	MNACA
Thao Le Nguyen	Sr. Disbursement Officer	LOAG1
Alexandra Sperling	Sr. Program Assistant	MNSEED
Lucie Tran	Operations Analyst	AFTS4
Paolo Zacchia	Sr. Economist	MNSEED

Bank funds expended to date on project preparation:

1. Bank resources: US\$ 65,000
2. Trust funds: 0
3. Total: US\$ 56,000

Estimated Approval and Supervision costs:

1. Remaining costs to approval: US\$ 50,000
2. Estimated annual supervision cost: US\$ 75,000

Annex 10: Documents in the Project File
JORDAN: Public Sector Reform Support Loan

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

Annex 11: Statement of Loans and Credits
JORDAN: Public Sector Reform Support Loan

Project ID	FY	Purpose	Original Amount in US\$ Millions					Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF	Orig.			Frm. Rev'd	
P081505	2004	JO-AMMAN DEVELOPMENT CORRIDOR	38.00	0.00	0.00	0.00	0.00	38.00	0.00	0.00	
P075829	2003	JO-Education Reform for Knowledge Econ.I	120.00	0.00	0.00	0.00	0.00	113.68	17.28	0.00	
P069847	2003	JO-Conservation of Medicinal/Herbal Pl	0.00	0.00	0.00	5.00	0.00	4.51	0.31	0.00	
P076961	2002	Hort. Exports Promotion & Tech. Transfer	5.00	0.00	0.00	0.00	0.00	4.30	2.73	0.00	
P069326	2000	JO-HIGHER EDUCATION DEVELOPMENT	34.70	0.00	0.00	0.00	0.00	17.96	15.76	0.00	
P039749	1999	HEALTH SECTOR REFORM	35.00	0.00	0.00	0.00	0.00	6.95	6.95	3.82	
P048521	1999	JO-AMMAN WATER & SANITATION	055.00	0.00	0.00	0.00	0.00	6.83	6.83	0.00	
P035997	1998	JO-SECOND TOURISM DEV.	32.00	0.00	0.00	0.00	0.00	9.05	9.05	4.18	
Total:			319.70	0.00	0.00	5.00	0.00	201.28	58.91	8.00	

JORDAN
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
1998	AIHC	0.00	3.60	0.00	0.00	0.00	3.60	0.00	0.00
1990/95/03	Al-Hikma	15.05	0.00	0.00	0.00	15.05	0.00	0.00	0.00
1997	BTC	2.22	0.00	0.00	0.00	2.22	0.00	0.00	0.00
2001	Boscan Jordan	7.20	0.00	0.00	0.00	7.20	0.00	0.00	0.00
1997	El-Zay	1.43	0.00	0.00	0.00	1.43	0.00	0.00	0.00
2001	Jordan Gateway	3.00	0.00	0.00	0.00	3.00	0.00	0.00	0.00
1999	MAICO	0.00	1.00	0.00	0.00	0.00	0.75	0.00	0.00
2003	MEC	19.00	0.00	0.00	0.00	19.00	0.00	0.00	0.00
2000	MEIB	0.00	0.00	2.15	0.00	0.00	0.00	2.15	0.00
2002	MEREN	4.40	0.60	0.00	0.00	4.40	0.60	0.00	0.00
2002	SIC	4.90	0.00	0.00	0.00	4.90	0.00	0.00	0.00
1996	Zara	13.76	2.97	0.00	0.00	13.76	2.97	0.00	0.00
Total portfolio:		70.96	8.17	2.15	0.00	70.96	7.92	2.15	0.00

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
Total pending commitment:		0.00	0.00	0.00	0.00

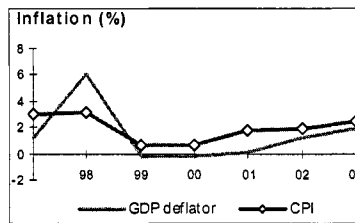
Annex 12: Country at a Glance

JORDAN: Public Sector Reform Support Loan

Jordan

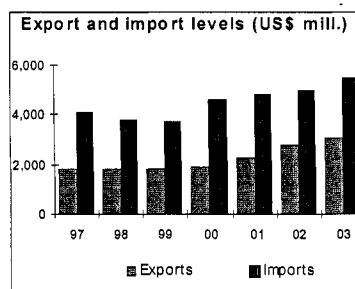
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices				
<i>(% change)</i>				
Consumer prices	5.1	3.3	18	2.5
Implicit GDP deflator	5.4	2.8	12	19
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	43.5	34.9	30.2	33.9
Current budget balance	18.6	6.1	2.4	2.1
Overall surplus/deficit	7.0	-0.1	-5.0	-4.9



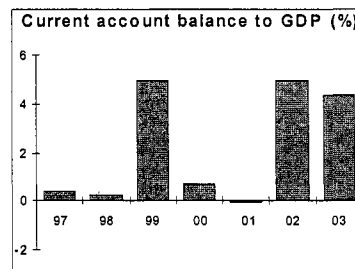
TRADE

	1983	1993	2002	2003
<i>(US\$ millions)</i>				
Total exports (fob)	580	1248	2,773	3,085
Food	100	202	199	141
Phosphates	142	141	136	143
Manufactures	182	509	1,502	1,660
Total imports (cif)	3,039	3,541	5,000	5,480
Food	497	628	691	745
Fuel and energy	571	442	762	815
Capital goods	855	812	1,256	1,328
Export price index (1995=100)	80	83	92	88
Import price index (1995=100)	105	92	111	117
Terms of trade (1995=100)	76	90	83	76



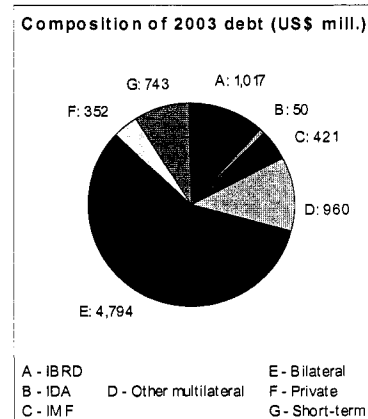
BALANCE of PAYMENTS

	1983	1993	2002	2003
<i>(US\$ millions)</i>				
Exports of goods and services	1,757	2,822	4,282	4,393
Imports of goods and services	3,914	4,494	6,166	6,908
Resource balance	-2,156	-1,672	-1,903	-2,515
Net income	46	-310	-79	99
Net current transfers	1,721	1,337	2,450	2,845
Current account balance	-389	-644	468	429
Financing items (net)	33	1,512	441	131
Changes in net reserves	76	-868	-909	-561
Memo:				
Reserves including gold (US\$ millions)	1,024	1,737	3,474	3,940
Conversion rate (DEC, local/US\$)	0.4	0.7	0.7	0.7



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	3,021	7,644	8,108	8,337
IBRD	83	592	1,020	1,017
IDA	84	73	52	50
Total debt service	364	611	589	1,158
IBRD	6	101	94	96
IDA	1	2	3	3
Composition of net resource flows				
Official grants	626	73	384	..
Official creditors	209	52	64	-226
Private creditors	267	-111	-35	-479
Foreign direct investment	35	-34	56	..
Portfolio equity	0	0	-52	..
World Bank program				
Commitments	66	135	125	120
Disbursements	30	69	166	35
Principal repayments	1	59	58	67



Annex 13: Maps
JORDAN: Public Sector Reform Support Loan

