ASIAN INFRASTRUCTURE INVESTMENT BANK

September 4, 2023

Sovereign-Backed Financing

Approval Project Document

P000746 - The Hashemite Kingdom of Jordan

Additional Financing for
Inclusive Transparent and Climate Responsive Investments Program

(For President Approval)

Currency Equivalents
(As of April 17, 2023, Central Bank of Jordan)

Currency Unit – Jordanian Dinar (JD)
INR1.00 = USD1.410
USD1.00 = 0.709 JD

Borrower's Fiscal year
January 1 - December 31

Abbreviations

AIIB	Asian Infrastructure Investment Bank
AF	Additional Financing
BAU	Business-as-usual
CBJ	Central Bank of Jordan
COVID	Coronavirus disease
DLI	Disbursement-linked indicator
DLR	Disbursement-linked result
ES	Environmental and Social
ESP	Environmental and Social Policy
ESSA	Environment and Social Systems Assessment
FSA	Fiduciary System Assessment
FM	Financial Management
GDP	Gross domestic product
GFMIS	Government Financial Management Information System
GHG	Greenhouse Gas
GOJ	Government of Jordan
GPD	Government Procurement Department
GRM	Grievance Redress Mechanism
GTD	General Tender Department
IMF	International Monetary Fund
ISTD	Income and Sales Tax Department
JIC	Jordan Investment Commission
JONEPS	Jordan Online E-procurement System
MDTF	Multi-Donor Trust Fund
MoEnv	Ministry of Environment
MOF	Ministry of Finance
MoIn	Ministry of Investment
MOITS	Ministry of Industry, Trade and Supply
MOPIC	Ministry of Planning and International Cooperation
MOTA	Ministry of Tourism and Antiquities
MRV	Monitoring Reporting Verification
NDC	Nationally determined contribution
ODIN	Open Data Inventory
PAP	Program Action Plan
PforR	Program-for-Results
PIM	Public Investment Management

PMO	Prime Minister’s office
PMU	Program Management Unit
PPM	Project-affected People’s Mechanism
PPP	Public-Private Partnership
RA	Results Area
USD M	US dollar million
WB	World Bank

CONTENTS

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1. Summary Sheet

Project No.	P000746
Project Name	Additional Financing (AF) for Inclusive, Transparent and Climate Responsive Investments Program
AIIB Member	Jordan
Borrower	Hashemite Kingdom of Jordan
Project Implementation Entity	Ministry of Planning and International Cooperation (MOPIC), Jordan
Sector / Subsector	CRF- Economic Resilience
Alignment with AIIB's thematic priorities	Green infrastructure; private sector capital mobilization
Project Objective	To further improve accountability to foster climate responsive investments and growth in Jordan by extending and scaling up post-COVID recovery activities under the original Program.
Project Description	The proposed AF is to scale up the impacts of the well-performing Inclusive, Transparent and Climate Responsive Investments Program (original Program) and align the Program with Jordan's Reform Matrix updated in 2022. Refinements and adjustments are proposed to reflect the recent policy developments and institutional reorganization in the past year and scale up and improve the initial result framework across results areas (RAs). In RA 1, which focuses on public investment, the proposed AF aims to improve the quality of public investment through green procurement and strategic prioritization. The goal is to strengthen the fiscal sustainability of capital spending and incentivize climate-responsive public investment, including through public-private partnerships. In RA 2, which focuses on private investment, the proposed AF aims to implement a stronger set of interventions. These include scaling up financing through the issuance of a green bond by the Ministry of Finance and the implementation of a National Green Taxonomy. The goal is to support investments that create job opportunities for women, enhance job and business opportunities for women in tourism, and operationalize the newly enacted legal framework for private investment. In RA 3, the proposed AF aims to encourage government responsiveness to citizen feedback through e-participation. The goals are to support the production and analysis of critical statistical information to inform policy making, including on gender issues, and to leverage carbon markets by mobilizing carbon credits.

	The proposed AF would significantly enhance the Program's impact on gender equality, climate responsiveness, and private capital mobilization.
Implementation Period	05/Jul/23 - 30/Jun/28
Expected Loan Closing Date	30/Jun/28
Proposed Amount of AIIB Financing (USD million)	200
Financing Plan	Total cost estimate: USD 842.8 million, of which IBRD USD 400 million, AIIB USD 200 million, and Government USD 242.8 million.
ES Category (or AIIB equivalent, if using another MDB's ES Policy)	WB Category Substantial Risk (similar to Category B if AIIB's ESP was applicable)
ES Category Comments	As required under the WB's PforR Policy, the original Program and AF exclude activities that are likely to have significant adverse ES impacts that are sensitive, irreversible, or unprecedented (similar to Category A if AIIB's ESP were applicable).
Risk (Low/Medium/High)	Medium
Conditions of Effectiveness	(i) The Co-Financing Agreement has been executed on behalf of the Co-financier and the Borrower, and all conditions precedent to its effectiveness (other than the effectiveness of this Loan Agreement) have been fulfilled; and (ii) The Co-Lenders' Agreement has been executed on behalf of the Bank and the Co-Financier, and all conditions precedent to its effectiveness (except for the effectiveness of this Loan Agreement) have been satisfied.
Key Covenants	(i) The Borrower shall, not later than three (3) months after the Effective Date, prepare an operational manual for the Program, in form and substance acceptable to the Bank. (ii) The Borrower shall ensure that the Program excludes any activities which, • In the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or • Involve the procurement of: (1) works, estimated to cost USD 115,000,000 equivalent or more per contract; (2) goods, estimated to cost USD 75,000,000 equivalent or

	more per contract; (3) non-consulting services, estimated to cost USD 75,000,000 equivalent or more per contract; or (4) consultants' services, estimated to cost USD 30,000,000 equivalent or more per contract. (iii) The Borrower shall (a) ensure that the Audit Bureau prepares and provides verification reports certifying the achievement of disbursement-linked results (DLRs); and (b) validate findings of the independent verification agents conducting verification of achievement of DLRs, if such hiring is determined as necessary by the Bank.
Conditions for Disbursement	Apart from an advance of maximum amount of fifty million Dollars ($50,000,000), no withdrawal shall be made for any DLRs, until and unless the Borrower has furnished evidence satisfactory to the Bank that said DLR has been achieved.
Advance payment (Loan %)	25%
Policy Waivers Requested	No
Policy Assurance	The Vice President, Policy and Strategy, confirms an overall assurance that the proposed Bank Financing complies with the applicable Bank operational policies.
Economic Capital (ECap) Consumption (USD million)	40.6

President	Liqun Jin
Vice President	Konstantin Limitovskiy
Acting Director General	Gregory Liu
Team Leader	Hongliang Yang, Principal Investment Operations Specialist
Team Members	Bernardita Saez, Senior Counsel Chitambala Sikazwe, Senior Procurement Specialist – Operations Mengmeng He, Finance Officer Nat Pinnoi, Infrastructure Sector Senior Economist Shodi Nazarov, Financial Management Specialist Yang Shuai, Senior Operations Management Officer Winnie Xuan Zhao, Legal Associate Siyang Wang, Project Assistant

2. Program Description

A. Program fit under the Covid-19 Recovery Facility

1. Jordan has been trying to recover from the COVID crisis amid huge external shocks which have negatively affected its economy and public finances in 2022 and beyond, since the original Program was approved by the World Bank (WB) and AIIB in 2021. The economy has grown steadily in 2021-2022 despite the external shocks, thanks to the easing of pandemic restrictions, the revival of travel and tourism and the increase in domestic demand and key services sectors. The real GDP growth was 2.7 percent in the first nine months of 2022, higher than the 2.2 percent growth rate in 2021. The main drivers of growth were the reopening of the economy after COVID, the rise in domestic consumption, and the recovery of tourism. The industrial sector also contributed to growth, especially manufacturing (which benefited from more exports of clothes, manufactured goods and machinery and transport equipment) and mining (which was boosted by the high global prices for potash, phosphate, and fertilizer). The IMF completed its Fifth Review of the Extended Fund Facility program for Jordan in December 2022 and praised its progress on reserves accumulation, domestic revenue mobilization, and structural reforms. However, it also noted some deviations from fiscal targets due to higher subsidies caused by high food and fuel prices and recommended further rationalization of capital expenditure. Consequently, capital spending did not increase as planned in the 2022 budget.

2. Despite the economic difficulties, the Government of Jordan (GOJ) is committed to its economic reform agenda and increasing investment. It has expanded and extended its Reform Matrix until 2024 with three new pillars on: (i) public sector efficiency and governance; (ii) agriculture; and (iii) tourism, in addition to the original nine pillars. The Reform Matrix also strengthens the climate response across sectors in line with the original Program that guided its revision. The GOJ adopted a ten-year economic modernization strategy in June 2022, the Economic Modernization Vision for 2033 (Vision), which aims to boost Jordan's growth rate and quality of life by increasing both public and private investment. The Vision's goals include doubling the annual growth rate to 5.6 percent, creating over one million jobs, doubling female labor force participation, increasing per capita income by three percent per year on average, enhancing economic competitiveness, and improving environmental sustainability. To achieve these goals, the Vision estimates that capital investments need to increase by JD 41.4 billion (i.e., USD 58.4 billion) between 2023 and 2033, mostly from private sources (e.g., foreign direct investments, domestic investments, and public-private partnerships (PPPs)). The Vision also calls for an increase in total investment by 7.8 percent of GDP, including a 75 percent increase in public investment.

3. Jordan has been advancing its climate agenda since 2021 by increasing its ambition to reduce greenhouse gas (GHG) emissions and by integrating green investment in its economic vision for the next decade. In October 2021, Jordan updated its Nationally Determined Contribution (NDC) under the Paris Agreement, raising its GHG emission reduction target from 14 percent to 31 percent under the business-as-usual (BAU) scenario by 2030. This target consists of a five percent unconditional reduction that will be financed by the government (at an estimated cost of USD 565 million) and a 26 percent conditional reduction that depends on the availability of and access to international support, for a total estimated cost of USD 7.5 billion. Jordan also adopted a National Adaptation Plan (NAP) in

2021, which aims to mainstream adaptation to climate change in development planning processes and enhance climate resilience and adaptive capacities across relevant sectors. Moreover, in November 2022, Jordan approved an updated Climate Change Policy for 2022-2050, which provides guidance to build a climate resilient society that aspires to reach carbon neutrality by 2050 in alignment with Jordan's Economic Modernization Vision and the United Nations Framework Convention on Climate Change[1].

4. The Program fits under AIIB's COVID-19 Crisis Recovery Facility (the Facility), in terms of (i) financing to support economic resilience, and (ii) financing to address liquidity constraints for clients in infrastructure and other productive sectors. In 2022 AIIB's Board of Directors agreed to continue offering flexible emergency support to Members during this extraordinary time by extending the Bank's financing support under the COVID-19 Crisis Recovery Facility until end-2023. The extended Facility will focus on: (i) Policy-Based Financing for enhanced pandemic response, preparedness and recovery, cofinanced with the World Bank or Asian Development Bank (ADB); and (ii) financing of essential COVID-19 emergency healthcare or urgent expenditure needs. The proposed Additional Financing (AF), co-financed with the WB, will further promote the recovery by scaling up support to the climate responsive public sector investments and private sector's ability and readiness to operate and sustain jobs. It will help GOJ meet its urgent expenditure needs caused by: (i) higher social subsidies due to high food and oil prices; (ii) shortfall in capital spending in GOJ's budget; and (iii) urgent needs for greater climate financing as required by the National Climate Change Policy 2022-2050.

B. Performance of the Original Program

5. The original Program of USD 250 million, co-financed with the World Bank, was approved by AIIB's Board of Directors on August 26, 2021, and became effective on November 15, 2021. The objective of the original Program is to improve accountability to foster climate responsive investments and growth during and after the COVID-19 pandemic. It consists of three results areas (RAs): (i) improving the accountability and fiscal space for public investment, including towards national climate goals; (ii) improving business enabling environment and the capacity of key institutions to attract private investment and climate finance, including for tourism sector; and (iii) generating evidence and data for policy making, implementation, and stakeholder dialogue.

6. The original Program has achieved strong results in the first year of implementation, with notable progress on Program objective-level indicators, most disbursement-linked results (DLRs) for 2021 and 2022 met and disbursements ahead of schedule[2]. Notably, with the support of the original Program, the share of capital expenditure in total budget spending rose from 8.9% in 2019 to around 10.5% in 2021. Also, Jordan has advanced its resource mobilization to meet its NDC commitments and established the regulatory framework and digital infrastructure (e.g., the system for monitoring-reporting-verification (MRV)) for climate-responsive public and private investments – a key step towards the operationalization of the Climate Finance Governance System supported by the Program. Moreover, GOJ has mandated and started to cost the budget contribution for the Jordan National Women Strategy

[1] United National Development Programme (UNDP), 2022. [National Climate Change Policy of the Hashemite Kingdom of Jordan 2022-2050. (undp.org)](https://www.undp.org).
[2] A table of achieved DLRs is in annex.

for 2020-25, a significant step towards the Intermediate Result Indicator on gender responsive budgeting.

7. Loan disbursement under the original Program has been satisfactory. AIIB co-financing of USD 250 million are disbursed on a proportional share to the WB's financing of USD 500 million for achieved results in RA 1 and RA 2. Aligned with achieved results, the cumulative disbursement of AIIB's loan has reached USD 123.23 million, about 49.3 percent of the loan amount, ahead of schedule. In parallel, WB's loan became effective on August 24, 2021, and disbursed USD 231.75 million, about 46.45 percent of its loan amount. The original Program is on track to achieve critical targeted results on public investment, the governance of climate finance and statistical performance.[3]

8. Despite its strong performance, the original Program has been impacted by challenges experienced in 2022, such as high food and fuel prices. The challenges led GOJ to reallocate fiscal resources to social protection and subsidies at the cost of capital spending. Also, timebound DLRs on investment incentives and promotion should be revised to align with the enacted legal provisions of the 2022 Investment Environment law and 2023 subsidiary legislation, including with regard to targeted investment incentives to promote participation of Jordanian women in the workforce. In October 2022, GOJ approached AIIB requesting for USD 200 million from the Bank to scale up the operation and the restructuring of the operation in light of the recent policy shifts and institutional reorganization in the past year. Similarly, GOJ also requested for USD 400 million from the WB, the lead co-financier of the original Program.

9. The AF aims to enhance the development effectiveness and fiscal sustainability of public investment, to scale up support to climate responsive public and private investment, including by mobilizing green financing and climate finance, to create job and business opportunities for women, and to further improve government effectiveness and social accountability through participatory policy making based on data. It will support targeted investment incentives to create women business opportunities by operationalizing the new Investment Environment Law enacted at the end of 2022 and its subsidiary legislation in February 2023 and promote business and job opportunities for women in tourism in the implementation of the Tourism Gender and Inclusion Plan, which was an output of the original Program.

C. Description of the proposed AF

10. **Objective.** The objective of the AF is to further improve accountability to foster climate responsive investments and growth in Jordan by extending and scaling up post-COVID recovery activities under the original Program.

11. The AF only includes changes to refine the original Program. First, the Program is updated to refer to the newly issued Economic Modernization Vision 2033, the overarching economic strategy for the next ten years in Jordan. Second, to incorporate the results achieved thus far during the implementation of the original Program, relevant disbursement-linked

[3] According to WB, good results have been achieved in RA 3 as well.

indicators (DLIs) are revised or scaled up across the results framework. Within the three RAs supported by the original Program, the following changes will be made:

- In RA1, refinements aim to strengthen support for increasing public investment, as called for by the Economic Modernization Vision 2033, with a greater focus on public private partnerships and climate responsive investment.

- In RA2, updates aim to adjust to policy shifts in investment promotion and incentives and those related to business registration and licensing, and to scale up support for investment in tourism and for green private sector investment in alignment with the GOJ's climate agenda.

- In RA3, revisions aim to (i) support further the GOJ's ambitions regarding improvements to service delivery; (ii) accompany the transition of the Department of Statistics into a National Data Center targeted by the Economic Modernization Vision 2033; (iii) operationalize the e-participation policy for public consultation in decision making processes; and (iv) the climate finance governance system.

12. **Relation to AIIB Priorities**. The proposed AF is aligned with the Bank's thematic priorities in terms of green infrastructure and private sector capital mobilization. The refined RAs will strengthen support for increasing public and private investments, fostering job creation and climate responsive investment. This also aligns with the GOJ's strategy and will lead to a significant increase in public and private investment in green and climate change initiatives, making the economy more resilient.

13. **Paris Agreement Alignment**. The proposed AF is aligned with the Paris Agreement, as it (i) actively contributes to decarbonization and climate resilient pathways of Jordan; (ii) addresses barriers to adopt low-carbon measures and enhances resilience capacity to foster economic development; and (iii) does not contribute to increase GHG emissions as well as exacerbate physical climate change risks in the country. It is expected that the refined RAs will help Jordan achieve its increased GHG emission reduction target from 14 percent to 31 percent as stated in the updated NDC under the Paris Agreement.

14. **Value Addition to the Program**. AIIB's value addition would be in its additional contribution to scale up financing for the GOJ's Economic Modernization Vision 2033, which is expected to create more than 1.0 million jobs, enhance the living standards, and promote public and private investments in climate responsive activities. This will generate long term important impacts on the economic development in the country. Also, the proposed AF would significantly enhance the original Program's impact on gender equality, climate responsiveness, and private capital mobilization. AIIB's financing in the Program and AF will promote Jordan's post-COVID recovery by enhancing the climate responsive public sector investments and private sector's ability and readiness to operate and sustain jobs.

15. **Value Addition to AIIB**. Innovative lending instruments, such as results-based financing and policy-based loan, are relatively new to AIIB. Partnership with the WB will provide AIIB a good learning opportunity on how to assess a results-based financing in a changing environment, including, but not limited to, how to handle client's request for AF when significant progress has been made in the original Program. Co-financing with the WB also

helps AIIB strengthen communication with the GOJ, improving client service and business development.

D. Key Changes to the Original Program

16. **Extension of closing date**. It is proposed that the Program's closing date be extended from June 30, 2026, to June 30, 2028, and that the AF be allocated to scaling up initial DLIs and strengthening results indicators in alignment with the updated government economic reform agenda. This will enable the original Program to enhance its performance in mitigating climate change, utilizing data to support participatory policy making, mobilizing more private capital in support of the government's Economic Modernization Vision for 2033. Furthermore, it will facilitate greater women workforce participation and business opportunities, fiscal sustainability, gender-responsive public investment and policy making, government accountability to citizen feedbacks, and green financing.

17. **Changes to Program Scope.** The scope of the original Program was aligned with the 2018 Reform Matrix and its expenditure framework. Since the 2018 Reform Matrix has been updated in 2022 as part of COVID recovery, the scope of the Program should correspondingly be revised to reflect the updates. In so doing, the sequencing of targeted economic reforms has been refined and three new pillars, such as governance, agriculture and tourism, have been added. Designed as a rolling reform plan, the updated Reform Matrix is anchored to the GOJ's medium-term economic strategy through the Economic Modernization Vision for 2033, which provides detailed cost estimates for the government's economic reform agenda. The revised result framework remains consistent with the initial one. RAs are unchanged and scaled up, while updated and added results and targets all fall within its scope.

Figure 1: Program boundaries under AF and restructuring

Original Program (FY21-26)		Program under AF (FY21-28)	
Initial Government program		**Updated Government program**	
2018 Reform Matrix (2019-2022) and government's program of expenditure (FY21-26)	**Original Program (FY21-26)**	**Updated 2022 Reform matrix (2022-24)**	**Program under AF (FY21-28)**
	RA 1 Public investment management (PIM) Increased fiscal space for capital spending Climate responsive public investment	**Relevant reform pillars are unchanged**[4]**:** 1: Fiscal policy 2: Public sector efficiency and governance. 3: Enabling business environment 4: Investment and trade promotion 8: Transportation sector 9: Energy sector 10: Water sector 12: Tourism sector	**RA 1** **- *PIM***: inclusion of DLR on green procurement, strategic planning and gender sensitive project appraisal - ***Increased fiscal space for capital spending:*** inclusion of DLRs on domestic revenue mobilization and PPP-related fiscal risk management - ***Climate responsive public investment***: increased pricing
	RA 2 Investment promotion and incentives Business licensing Tourism development Green financing	**The updated Reform matrix is buttressed by the Economic Modernization Vision**	**RA 2** **- *Investment promotion and incentives***: focus on gender-related incentives - ***Business licensing:*** focus on licensing reform process - **Tourism development:** added focus on women participation to the workforce in tourism sector - **Green financing**: added support to issuance of green bond and adoption of National Green Taxonomy
	RA 3 Enhancement to service standards Data and evidence-based policy making Climate governance	**Program of expenditure extended to FY28**	**RA 3** **- *Enhancement to service standards***: added support to government responsiveness to citizen feedback - ***Data and evidence-based policymaking***: added support to data analysis, including on gender, and e-consultation of stakeholders - ***Climate governance***: added support to leveraging of carbon markets

Source: WB.

18. **Changes to Expenditure Framework (EF).** The EF will be extended for two years to match the extended timeline of the Program. Only budgeted programs relevant for the purpose of the Program are selected. Under all selected budget programs, the same economic categories of expenditure as for the original Program are included. Regarding capital expenditure included in the EF, the same selection methodology has been used as for the original Program: (i) it only includes the same two sub-categories of capital expenditure

[4] Other pillars included in the updated Reform Matrix are: 5 - Access to finance and capital market, 6 - Labor market, 7 - Social safety nets, and 11 - Agriculture sector.

(including non-financial assets; and goods and services); and (ii) it discounts any ineligible expenditure under the WB PforR policy[5]. Accordingly, the total amount of the EF increases from USD 1,213.5 million (including USD 582.5 million of capital expenditure) for the original Program to USD 2,056.3 million (including USD 757.5 million of capital expenditure) for the revised Program after AF from FY21 to FY28 (Table 1). It remains fully consistent with IMF fiscal projections as updated during its fifth Review of the extended arrangement under the extended fund facility.[6]

19. After AF, the Program financing is updated as follows.

Table 1: Program Financing (in USD M)

Financing Source	Original Program	AF Program	Total under revised Program
BORROWER/RECIPIENT	463.5	242.8	706.3
IBRD/IDA	500	400	900
AIIB	250	200	450
TOTAL	**1213.5**	**842.8**	**2056.3**

20. **Changes to the Program's results framework**. Although the Program's objective remains unchanged, the Program's objective-level indicators are updated to reflect the scale-up and changes of the Program. The targets of three out of four indicators (on capital spending, climate response, and open data) are increased considering progress achieved under the original Program and the extended timeline, while the indicator on business environment is dropped and a new indicator on gender budgeting is added:

- The target pertaining to the rebalancing of the spending mix towards capital spending is increased in alignment with updated fiscal projections.
- To measure progress on statistical performance, the Open Data Inventory (ODIN) is replaced by the Statistics Performance Index (SPI), which includes the ODIN as a component, as it is more comprehensive than the ODIN and measures the capacity and maturity of the whole National Statistic System (NSS).
- The methodology of the objective-level indicator on climate is strengthened to encompass progress towards Jordan's NDC and Paris Agreement goals under both conditional and unconditional commitments. Regarding unconditional commitments, it also captures progress on climate responsive budgeting. Regarding conditional commitments, it targets the issuance of a sovereign green bond and reporting of more private and non-government financing towards NDC goals.
- A new objective-level indicator is added on public and private gender responsive investment since under AF the Program disburses against gender sensitive appraisal of public funded capital projects and gender incentive to private investors.
- The initial objective-level indicator on streamlining and digitizing business registration and licensing, reducing the compliance time and costs for businesses, is dropped due to the

[5] It refers to financing activities "judged to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people" including "high value contracts".
[6] IMF, 2022, Fifth Review under the extended arrangement under the extended fund facility and modification of performance criteria.

change in policy priorities and replaced by the indicator of green financing and climate responsive private investment towards the NDC and Paris Agreement on climate.

21. Intermediate Result Indicators are updated to remain consistent with corresponding DLIs. Changes to DLIs aim at strengthening and scaling them up across RAs, including from a gender perspective, and at reflecting policy shifts and institutional reorganization in RA 2 on private investment. In RA 1 on public investment, they aim at strengthening fiscal risk management and fiscal sustainability of public investment, at improving further the quality of public investment through green procurement and strategic prioritization, and at increasing the fiscal space for public investment through domestic revenue mobilization and at scaling up support to climate responsive capital spending and PPPs. In RA 2 on private investment, changes aim at adjusting to policy shifts and institutional reorganization on investment promotion and incentives and at scaling up support to green financing and tourism development and they build on lessons learned from Program implementation regarding the streamlining of business licensing. In RA 3 on governance, changes aim at scaling up support to improvements to investment and infrastructure services, to data and evidence-based policy making, and to leveraging further climate finance.

Table 2: Changes to the DLI matrix

Initial DLI matrix	Revisions under AF
RA 1 on public investment	
DLI 1 - Improving the preparation and implementation of public investment	• Portfolio review deadline extended • New DLR on green procurement • Disbursement against gender sensitive project appraisal • New DLR on prioritization of strategic investments in budget execution
DLI 2 - Increasing the fiscal space for public investment	• New DLR on domestic revenue mobilization • New DLR on strengthening PPP-related fiscal risk management • New DLR on the rebalancing of the spending mix towards capital spending
DLI 3 - Mainstreaming climate responsive public investments towards Jordan’s NDC 2030 Goals	• Scaled up support to NDC achievement and refocusing on its outcome in terms of emission reductions and adaptation
RA 2 on private investment	
DLI 4 - Strengthening JIC’s institutional focus on investment promotion and related investor services to attract quality investment	• The Ministry of Investment replaces JIC as the implementing agency • New DLR on gender-related investment incentive • Revised DLR on facilitation of private investment
DLI 5 - Implementing new policies for investment incentives based on objective criteria, including value for money, to attract quality investment and achieve national investment objectives	• Renamed: *Enhancing mobilization of green finance to generate climate-responsive investment to* focus on green investment • New DLR on issuance of a sovereign green bond • New DLR on National Green Taxonomy • DLR on non-fiscal incentives dropped
DLI 6 - Strengthening the strategic direction and enhancing the regulatory environment of the tourism sector to	• Scaled up through repricing and refocusing on development and implementation of site improvement plans

Initial DLI matrix	Revisions under AF
foster high-quality private and public investment	• New DLR on implementation of gender sensitive measures in tourism
DLI 7 - Implementing Investor Journey program to streamline and digitize business registration and licensing, reducing the compliance time and costs for businesses	• Renamed: *Streamlining business licensing to reduce the compliance time and costs for businesses* • DLR on business registration dropped (due to policy shift) • DLR on licensing revised to better support licensing reform cycle
DLI 8 - Identifying climate responsive private and non-government financing towards Jordan's NDC 2030 goals	• DLR on increase in private and non-government financing revised to frame reporting on climate responsive projects in private sector
RA 3 on governance	
DLI 9 - Improving access, quality, continuity of business and infrastructure services in response to social demand	• New DLR on government responsiveness to citizen feedback
DLI 10 - Increasing accessibility and usability of statistical and administrative data	• Renamed: *Increasing accessibility and usability of statistical and administrative data for data-based policy making* • New DLR on production and analysis of data, including gender relevant, to inform the Economic Modernization Vision and the SDGs.
DLI 11 - Implementing and strengthening good regulatory practices for evidence-based and predictable rulemaking	• Incentivizing stakeholder e-consultation for regulatory impact assessment
DLI 12 - Establishing and operationalizing a climate finance governance system for achieving Jordan's NDC 2030 goals	• Strengthening of DLR on leveraging of carbon markets

Note: AIIB financing is only involved in RA1 and RA2. According to WB, good results have been achieved in RA 3 as well.

22. RA 1 focuses on improving the accountability and fiscal space for public investment, including towards national climate goals. The DLIs are strengthened to support the following:

- DLI 1 – improving the preparation and implementation of public investment. Three new dimensions are included by the Program under DLI 1: gender sensitivity of project appraisal, green procurement, and strategic planning.

- DLI 2 – increasing the fiscal space for public capital spending. Three new dimensions are supported in addition to those supported by the original Program to the increase of capital expenditure: (i) domestic revenue mobilization, (ii) the strengthening of PPP-related fiscal risk management; and (iii) the rebalancing of the budget spending mix towards capital spending.

- DLI 3 - mainstreaming climate responsive public investment. The incentivization of climate responsive capital spending, including through climate responsive PPPs, is significantly scaled up through its repricing in higher proportion of costs incurred and by refocusing on their outcome in terms of emission reductions and adaptation.

23. RA 2 is to improve business enabling environment, supporting tourism sector development, and enhancing climate finance mobilization and private investment. The following revisions are made to the DLIs.

- DLI 4 is updated to align to recent updates to the investment legal and policy framework and institutional reorganization. The Ministry of Investment replaces JIC as the implementing agency. Also, it reflects the implementation of the recently enacted 2022 Investment Environment Law and 2023 Investment Bylaw, including on incentives to private investment fostering women employment.

- DLI 5 is revised to enhance mobilization of green finance to generate climate-responsive investment to focus on green investment. New DLRs on issuance of a sovereign green bond and National Green Taxonomy are added, which supports the strengthening of the climate finance ecosystem.

- DLI 6 is scaled up to support tourism site improvements and incentivizes the implementation of the gender responsive measures in the tourism sector to foster women participation to the workforce.

- DLI 7 is updated to streamline business licensing to reduce the compliance time and costs for businesses. DLR on licensing is revised to better support licensing reform cycle.

- DLI 8 is to identify climate responsive private and non-government financing towards Jordan's NDC goals. DLR on increase in private and non-government financing is revised to frame reporting on climate responsive projects in private sector.

24. RA 3 focuses on generating evidence and data for policy making implementation and stakeholder dialogue. The DLIs are strengthened to incentivize (i) government responsiveness to citizen feedback including through e-consultation, (ii) data analytics to inform policy making, and (iii) the operationalization of carbon markets. Aligned with the original Program, AIIB financing will not be involved in RA 3 (Table 3).

Table 3: Allocation of AIIB additional financing across the DLI Matrix (in USD M)

DLI	Amount of Original Program	Allocation of AF	Total allocation under AF and restructuring
RA 1 on public investment	**158.29**	**139.42**	**297.71**
DLI #1: Improving the preparation and implementation of public investment	21.31	24.12	45.43
DLI #2: Increasing the fiscal space for public investment	99.98	59.85	159.83

DLI	Amount of Original Program	Allocation of AF	Total allocation under AF and restructuring
DLI #3: Mainstreaming climate responsive public investments towards Jordan's NDC 2030 Goals	37.00	55.45	92.45
RA 2 on private investment	**91.09**	**60.08**	**151.17**
DLI #4: Strengthening JIC's institutional focus on investment promotion and related investor services	13.60	9.47	23.07
DLI #5: Implementing new policies for investment incentives/Enhancing mobilization of green finance to generate climate-responsive investment to focus on green investment	8.30	39.45	47.75
DLI #6: Strengthening the strategic direction and enhancing the regulatory environment of the tourism sector	26.30	8.90	35.20
DLI #7: Implementing Investor Journey program to streamline and digitize business registration and licensing	17.77	0.00	17.77
DLI #8: Identifying climate responsive private and non-government financing towards Jordan's NDC 2030 goals	25.12	2.26	27.38
Front end fee	0.63	0.50	1.13
Total	**250.0**	**200.0**	**450.0**

25. **Addition of gender sensitive DLIs**. Under the refined Program, four DLIs will disburse against gender related results, which were not the case of the original Program.

- In RA 1 on public investment, the refined Program will disburse against gender sensitive project appraisal (under DLI 1).
- In RA 2 on private investment, it will disburse against gender sensitive tourism development and gender sensitive investment incentives (under DLI 4 and 6).
- In RA 3 on governance, it will disburse against gender relevant statistical data generation and analysis (under DLI 10).

26. **Changes to implementation arrangements.** The Program implementation largely remain unchanged. The Ministry of Planning and International Cooperation (MOPIC) continues to be the coordinator and same implementing agencies are still involved as for the original Program, except the Ministry of Investment (established in 2022 in replacement of Jordan Investment Commission (JIC)) becomes the implementing agency for DLI 4. Institutional arrangements will be strengthened to ensure more effective interagency coordination, and Program monitoring, reporting and verification at the apex of government.

27. The Program Management Unit (PMU) will be led by a fully dedicated Program manager, along with the assignment of fiduciary and safeguards responsibility to qualified staff. Staff retention by MOPIC for the duration of the Program operation is included in the Program Action Plan (PAP). To further strengthen the capacity of PMU, MOPIC will engage a consulting

firm within three months of loan effectiveness to provide Program management support. [7] Also, a task force, consisting of senior officials from relevant ministries (such as MOF, MOPIC, Ministry of Public Works and Transports, and other line ministries, Audit Bureau, etc.), will be established to monitor the execution of capital expenditure and help optimize its strategic prioritization as well as cost effectiveness. The task force will report monthly to GOJ through the Minister of Finance on the execution status, identify bottlenecks and opportunities to expedite capital spending.

28. The PAP has been updated to incorporate the results achieved thus far under the original Program and to ensure that the implementing agencies can fulfill their responsibilities in achieving targeted results. The updated PAP aims to address the issue of insufficient institutional capacity for program implementation, particularly in relation to environmental and social safeguards.

- A new action prescribes PMU to retain a program management officer, an M&E expert, and Environmental and Social specialists for the extended duration of the Program.
- An additional action requires the PMU to submit bi-annual reports to the Council of Ministers on the operation's performance, using the format established under the original Program.
- The recommendations for the Ministry of Environment to enhance their monitoring and inspection capabilities (as outlined in DLRs 1.5, 4.3, all DLRs under DLIs 2 and 3, and all DLRs under DLI 8) have been updated to specify that this will be achieved by increasing the number of inspection visits by 20% from the 2019 baseline throughout the duration of the Program. Additionally, it will be ensured that activities with higher risks are monitored more frequently.

29. Disbursement arrangements remains unchanged.

30. Fiduciary and/or environmental and social arrangements have been updated and are detailed in the Fiduciary System Assessment (FSA) and Environmental and Social Systems Assessment (ESSA).

31. **DLI verification protocols updated.** The DLI verification protocols have been updated and finalized to reflect changes to the DLIs, including the addition of new DLRs. The Audit Bureau, which served as the Independent Verification Agent (IVA) and performed well under the original operation, will continue to serve as the IVA for the updated operation under additional financing and restructuring. In addition to verifying the achievement of DLRs, the Audit Bureau will also assist in evaluating the Program's performance in relation to its objective-level indicators and its impact on the implementation of the government's overarching economic strategy, the Economic Modernization Vision for 2033.

[7] The consulting firm will be financed by the Strengthening Reform Management in Jordan Recipient-Executed Trust Fund (RETF) project under Jordan Growth Multi-Donor Trust Fund.

3. Program Assessment

A. Technical

32. The updated Program is now based on the 2022 Reform Matrix and complies with the 2033 Economic Modernization Vision. This strengthens its connection to the government's expenditure program since the Vision's implementation is costed and partly reflected in the government's budget. The Program focuses on public and private investment, service delivery, data-driven policy making, and climate response. It also supports the scaling up of public and private investment policies, including green and climate-responsive ones. The Vision requires a net increase of JD 41.4 billion (USD 58.4 billion) in capital investments between 2023 and 2033, mostly from private investments. The GOJ also increased its GHG emission reduction targets from 14 percent to 31 percent under the Business-as-usual scenario by 2030.

33. The initial Results framework is still adequate and only needs to be scaled up and adjusted for policy shifts regarding private investments. The Program's objective remains unchanged while objective-level indicators are mostly scaled up and adjusted to reflect the strengthening of related DLIs. The DLI matrix remains consistent with the initial one but focuses more on private capital mobilization, climate investment, and gender. Revisions to DLIs are based on lessons learned from implementation and aim to scale up initially targeted results by broadening the scope of support provided by the Program. Additional DLRs address dimensions not initially captured by the original Program, such as improving cost-effectiveness and fiscal sustainability of public investment, managing PPP-related fiscal risks, promoting green finance and gender-sensitive private investment, leveraging carbon markets, strengthening data-driven policy making, and incentivizing government responsiveness to citizen feedback.

34. The implementation arrangements have been effective and opportunities for further improvement are being utilized. Provisions have been made to improve interagency coordination, monitoring, and oversight at the government's apex and to build the capacity of implementing agencies. The need for adequate fiscal resources for implementing agencies remains and will be addressed by mobilizing parallel technical assistance from the Jordan Multi-Donor Trust Fund (MDTF) and other donors. There is strong convergence of donor support across the three Program RAs.

B. Economic Analysis

35. Jordan's economy is diverse and helps reduce economic volatility. However, in the decade before the pandemic, sluggish economic growth and higher unemployment were due to the slow pace of structural and economic reforms. Between 2010 and 2019, the economy grew by an average of 2.4 percent annually, while unemployment increased from 12.5 percent to 19 percent. The original Program and the four-year IMF Extended Fund Facility's reforms helped mitigate the pandemic's adverse effects. In 2020, the economy contracted by 1.6 percent, a milder recession than other regional economies due to the government's fiscal measures. The recovery was swift, with growth in 2021 and higher than expected growth of 2.7 percent in 2022.

36. GOJ's fiscal performance has improved due to sustained legislative and administrative

reforms aimed at reducing tax evasion and replacing untargeted subsidies with cash transfers to vulnerable segments of society. Implementing the action plan to address National Electric Power Company (NEPCO)'s deficits and water scarcity issues caused by losses at Water Authority Jordan will further improve fiscal performance and create room for capital investments.

37. The structural reforms supported by the Program are aligned with Jordan's target under its Economic Modernization Vision 2033, which is to accelerate annual GDP growth to 5.6 percent and help achieve sustainable and inclusive growth in the medium term. To achieve this, consistent progress on structural reforms is required to support female labor force participation, enhance youth employment, and labor market flexibility through reskilling and upskilling, promote competition, reduce private sector business costs, and enhance governance and transparency.

C. Fiduciary and Governance

38. The proposed AF will continue to use the same fiduciary systems as the original Program. The original FSA, conducted in 2021, was updated for this AF. The updated FSA assessment's findings concluded that the overall fiduciary and governance framework provides reasonable assurance that the Program funds will be used for the intended purposes of the proposed AF, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.

39. The Program's fiduciary risk continues to be rated as "Medium". Key risks that could potentially impact the Program include: (i) lack of financial sustainability and funding predictability due to possible budget cuts from the GOJ's fiscal constraints; (ii) a large number of implementing agencies under the Program that may result in delayed submission of annual audit reports and timely submission of related budget preparation and execution reports; (iii) commitments and arrears management needing restrengthening; (iv) implementation challenges due to technical specification quality (supplies and construction) affecting the bidding process and contract implementation, resulting in excessive cost and timeline variations and deliverable quality; (v) cumbersome procurement processing and clearances; (vi) weak contract management and administration capacity; (vii) lack of an integrated contract cycle from needs assessment to inventory; (viii) non-systematic coordination and integration of works and goods procurement when implemented centrally by the General Tender Department (GTD) and the Government Procurement Department (GPD/MOF); and (ix) coordination on Program results challenged by complex implementation through different agencies.

40. The risk mitigation measures identified for the original Program are in effect and will be used for the AF. These measures include: (i) MOPIC overseeing the overall Program implementation through the PMU, including financial management (FM)-related aspects; (ii) MOPIC/Reform Secretariat ensuring all reports are collected and submitted to the World Bank and AIIB; (iii) MOPIC ensuring adequate procurement and financial staffing is in place; (iv) using the Government Financial Management Information System for commitment control and submitting semiannual reports on commitments and arrears to the World Bank and AIIB; (v) the Jordan Audit Bureau submitting consolidated annual audited financial statements of all agencies, excluding independent institutions that will submit their annual audited financial

statements using their own hired private sector auditor; (vi) maintaining procurement plans based on different agencies' Annual Work Plans and submitting them through Jordan Online E-procurement System (JONEPS); (vii) MOPIC ensuring full coordination and monitoring of overall procurement plans; (viii) implementing agencies ensuring proper drafting of bidding documents by appointing qualified technical specialized staff; (ix) integrating procurement processing and contract management in the same cycle; (x) training on procurement processing and contract management; (xi) institutionalizing mutual systematic reporting and coordination when central procurement agencies are involved in procurement (GTD and GPD); (xii) coordinating and integrating the Program by a central agency (e.g., MOPIC), especially for RAs that include multiple agencies; and (xiii) uploading and publishing complaints records through the platform where JONEPS is deployed.

41. **Procurement.** The WB's PforR Policy allows the Borrower to use national procurement policies and procedures if assessed as appropriate. The public procurement system has undergone major reforms since the original assessment. As per required procurement actions, (i) a revised new procurement bylaw No. 8/2022 became effective on January 29, 2022; (ii) the bylaw provides for the formation of a Unit for Procurement Policies and Complaints in the Directorate of support of ministerial committees at the Prime Ministry, which has been operationalized; (iii) thresholds for processing procurement by central procuring agencies were increased (Article 62 and 71 of Procurement Bylaw No. 28 for 2022); (iv) a capacity building strategy and sustainable training programs were developed; (v) agencies may use the e-procurement system (i.e., JONEPS) for bidding; and (vi) JONEPS enhancement is progressing. However, at the time of the original Program, data collection demonstrating procurement efficiency was expected to be implemented through JONEPS. Delays in JONEPS deployment are being mitigated by creating a task team from the main agencies to correct the deployment path. Limited procurement activities with low contract values are envisaged under the program AF, so no exclusion will be observed since all individual contracts under the AF are estimated to be below the thresholds of USD 75,000,000 equivalent for goods and non-consulting services and USD 30,000,000 equivalent for consulting services.

42. Procurement processing remains centralized at GTD for procurement of works and related consultancies and at GPD for supplies and consultancy services. Both agencies have extensive procurement experience but are not responsible for contract management. MOPIC will ensure coordination mechanisms. Procurement plans are expected to be reconciled through JONEPS. Under the Program, contract management will be handled by different beneficiary ministries and agencies. The track record of contract management is generally unsatisfactory. While the By-Law tries to regulate variation orders, contract quality and timeliness remain challenged by poor design and bidding document quality. As per the procurement by-law, Jordanian courts shall be referred to for settling disputes during contract execution. Other dispute resolution methods, starting with amicable settlement and escalating to arbitration, are promoted. Contract parties may resort to a third party for dispute settlement using conciliation and mediation by appointing dispute-experts or dispute review boards and related appointment procedures for such conciliators. The arbitration contract clause shall stipulate the institutional setting for the arbitration, the procedural rules governing the arbitration's conduct, and the arbitration's location. In general, contract management capacity needs to be enhanced, especially with respect to works contracts.

43. **FM.** The same fiduciary arrangements will be used for the AF, and the Program expenditure framework includes the same government agencies as the original Program. The FM systems of the ongoing Program have been performing satisfactorily, including budget preparation and execution, internal controls and internal audit, accounting, financial reporting, and external auditing. Based on results of the updated financial management assessment conducted by the WB, the FM risk is Medium.

44. All Program participating government agencies' budgets continue to be published on the website of General Budget Department (GDB), MOF, with their strategic objectives and key performance indicators. In 2022, the MOF introduced a major enhancement in relation to the budget law, which is combining the central government and independent public institutions' budget laws into one. All line ministries continue to use the Government Financial Management Information System (GFMIS) for budget preparation and execution. The GFMIS has been fully rolled out to nearly all budget units (ministries, departments, and regional financial centers) encompassed in the Budget Law. The GOJ has launched GFMIS phase-two aiming to connect Independent Public Units by 2022. The Program control management will be strengthened using GFMIS contracts management and semiannual reporting on commitments, and information on arrears will be submitted to the WB. All Government Units are required in accordance with the Surplus Laws (2007 and 2015) to keep their bank balances in the Treasury Single Account (TSA). The Public Treasury Directorate (PTD) of the MOF is responsible for managing the TSA through which all Ministries channel all their expenditures and revenues. The Central Bank of Jordan (CBJ) maintains all Treasury accounts, to which the MOF has real-time access. For all line ministries, the CBJ maintains expenditure and revenue sub-accounts, the balances on which are swept daily so that each sub-account has a balance of zero at the end of the day. A daily report by the CBJ allows the Treasury to know the source of all financial transactions. The GOJ adopts the cash basis of accounting and a chart of accounts that is compatible with the Government Finance Statistics Manual 2001. In relation to strengthening accountability of use of public funds, the Jordan Audit Bureau has fully withdrawn from conducting ex-ante auditing in all line ministries starting 2019 in compliance with INTOSAI standards. This has provided the Bureau with operational independence from the auditee as well as allowing the Bureau to focus on financial and performance audits.

45. The MOF will issue the GOJ's annual financial statements in accordance with cash accounting of the International Public Sector Accounting Standards and Jordan Audit Bureau will audit the GOJ's annual consolidated financial reports. MOPIC will be entrusted with submitting the annual consolidated audited financial statements of the Program within 9 months from the end of each calendar year. The first audit reports of the original Program covering the period from inception until December 31, 2021, were submitted on time. The auditor issued clean opinions on the financial statements of the implementing agencies and the managements letters did not report any significant weaknesses in internal controls.

46. **Disbursements.** Disbursements will be made based on verified results, as measured by DLIs. For each achieved disbursement-linked result, a specific verification protocol has been established, and will be further detailed in the Program Operational Manual (POM). The verification will be carried out by the Jordanian Audit Bureau. Verification reports will be submitted within two months following the achievement of results. Once the verification report has been completed, MOPIC will submit the documentation accompanied by the verification

report to the WB. The WB will review and notify the GOJ to confirm (fully or partially) the achievement of results and the amount to be paid from each co-financier accordingly. Based on the notification, the GOJ will submit the related withdrawal applications through Client Connection and preferably through electronic submission. The WB allows the Borrower to withdraw an advance not to exceed 25 percent of the loan amount, which can be used for documentation of DLIs achieved during the Program implementation. AIIB will follow the similar practice at the Borrower's request.

47. **Governance and anti-corruption**. For this Program, both the WB's Anti-Corruption Guidelines and AIIB's Policy on Prohibited Practices (2016) (PPP) apply. WB will take the lead in any inquiry or investigation of allegations or indications of Prohibited Practices and AIIB retains the right to conduct assurance and integrity activities.

48. The Jordanian Anticorruption Commission has an established comprehensive mechanism for receiving, investigating, and reporting on all allegations received from the public. Procurement notices and contract awards are required to be published using traditional and/or electronic means. Public procurement complaint mechanism is further detailed in implementation instructions.

D. Environmental and Social

49. The AF will be co-financed with the WB as the lead co-financier, and its environmental and social (ES) risks and impacts have been assessed in accordance with the WB's Policy on Program-for-Results Financing (PforR Policy). To provide for a harmonized approach to addressing the ES risks and impacts of the Program, and as permitted under AIIB's Environmental and Social Policy (ESP), the WB's PforR Policy has been applied to the original Program and will also be applicable to this AF operation in lieu of AIIB's ESP.

50. The WB has categorized the ES risks of the original Program as Substantial (which is similar to Category B if AIIB's ESP were applicable) and the ES risk ratings of the original Program and the AF are expected to be maintained as Substantial. As required under the World Bank's PforR Policy, the Program excludes activities that are likely to have significant adverse ES impacts that are sensitive, irreversible, or unprecedented (similar to Category A if AIIB's ESP were applicable).

51. An Environment and Social Systems Assessment (ESSA), which involves assessing the country's systems for managing ES risks and impacts of the PforR, has been conducted by the WB in accordance with its PforR Policy for the original Program, and remains pertinent to the AF. The ESSA summarizes the environmental and social effects (impacts, risks and benefits) associated with proposed activities required to achieve the Program's Objective and the DLIs for each results area and assesses the borrower's environmental and social management systems for managing the identified E&S effects, including both reviewing practices and the performance track record. It also contains an assessment of the extent to which the borrower's environmental and social management systems are consistent with the World Bank's core environmental and social principles spelled out in its policy and associated guidance materials; and a set of recommendations and actions to address capacity for and performance on policy issues and specific operational aspects relevant to managing the original Program. All the recommendations stated in the ESSA of the original Program are still

valid and being carried forward and reemphasized for their importance for the AF.

52. During AF preparation, an Addendum to the ESSA of the original Program has been completed and disclosed on the World Bank's website in English[8], and AIIB's website has included a link to the updated ES documentation on the WB's website. The Addendum is prepared to reflect policy shifts and institutional reorganization and to provide background analysis on the proposed revisions and adjustments of DLIs and DLRs. The ESSA Addendum reflects the following: 1) an assessment of the ongoing relevance of the original ESSA, including any changes to the activities, risks or benefits under the original program; 2) any new risks or benefits associated with new activities under AF; 3) changes to borrower's environmental and social systems; 4) evaluation of the borrower's environmental and social performance and track record to date in delivering the original Program; and 5) recommendations for actions to be taken by the borrower; 6) The Program's objective will remain unchanged; 7) The Program boundaries will remain consistent with the initial ones but be updated to reflect the extended timeframe of the operation. The ESSA Addendum also comprises an update on the assessment of the legal policy framework and the institutional setup and responsibilities to reflect the replacement of the Jordan Investment Commission (JIC) by the Ministry of Investment as an implementing agency (limited updates to the environmental and social assessment as no additional implementing agencies will be included), and the enactment of a new Investment Environment Law.

53. As required under the World Bank's PforR Policy, the Program excludes activities that are likely to have significant adverse ES impacts that are sensitive, irreversible, or unprecedented (similar to Category A if AIIB's ESP were applicable). The ES risks of the original Program are considered to be adequately mitigated, through DLIs and associated verification protocols and committed actions in the PAP. However, The ES performance rating of the original Program was changed from Satisfactory to Moderately Satisfactory at December 2022 due to the following reasons: PPP unit's E&S Capacity: i) ES staff were not maintained during the implementation of the original Program; ii) GRM: The existing GRM (At Your Service system) is being reformed and revamped; iii)ES reporting: No ES reporting was received on the original Program, nonetheless some ES PAP actions and verifications were completed under the original Program. Those identified gaps will be closely monitored, mitigated, and closed during the implementation of original Program as well as the proposed AF. AIIB will work with WB to require the Borrower to take necessary measures to address those identified issues in a timely manner and close monitor the progress.

54. The ESSA is complemented by a PAP at the operational level. As stated in paragraph 29, the PAP[9] has been updated to take stock of its achievement under the original Program and focus on ensuring that implementing agencies are capacitated enough to meet targeted results falling under their respective responsibility.

55. The AF will have a number of positive environmental and social effects in the areas of government accountability, information sharing and accessibility, citizen engagement, improvement of livelihoods, resilience to climate change and reduction of GHG emissions.

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[8] Final Addendum to ESSA – Jordan Inclusive, Transparent and Climate Responsive Investments Program for Results - P180285 (English), accessed on April 5, 2023, World Bank Website.
[9] Annex 4: Modified Program Action Plan.

The AF will directly support an increase in climate responsive infrastructure investments. These investments could be in various sectors, supported with either public or private financing. Their environmental and social impacts and risks will be assessed and mitigated in line with relevant laws of Jordan and the core principles of World Bank's PforR Policy. The increase in infrastructure investment in all sectors will bring significant socioeconomic benefits, but might be accompanied with a range of direct and indirect adverse ES impacts, such as pollution, land acquisition or involuntary relocation, labor risks, etc. Measures to improve the national environmental and social management systems and processes have accordingly been incorporated into the original Program and will continue to be carried out in the AF.

56. The ES risks and benefits of the Program restructuring and scale up have been consulted through the ESSA of the original Program. The ESSA of the original Program has been widely consulted with external stakeholders including government representatives from various implementing agencies, CSOs, and private sector associations. Additionally, during the implementation of the Program the Public Investment Management (PIM) Unit/MoPIC adopted an appraisal methodology to apply to all large PIP/PPP (over 10 million JOD) projects and published an updated project concept note template with detailed guidance on public consultation, citizen engagement, and environmental and social assessment. Furthermore, the Program supported the preparation and finalization of the Strategic Environmental and Social Assessment (SESA) that was conducted for the new National Tourism Strategy. The SESA was disclosed and consulted publicly.

57. Due to the time constraint, the ESSA Addendum was not shared with the client for consultation on time. However, during the preparation of the AF, extensive consultations with different government representatives from various implementing agencies took place. The Program will continue to conduct consultations on the ESSA Addendum with external stakeholders such as beneficiaries, the civil society development partners, vulnerable groups, etc. The need to conduct meaningful consultation with different stakeholders has also been added to the PAP to ensure proper consultations at the operational level.

58. The GOJ's centralized grievance redress platform serves as the operational Grievance Redress Mechanism (GRM) of the Program. To further enhance existing GRM capacity, an independent technical assessment of the centralized GRM was completed in July 2022. The GRM of the Program will also be re-assessed under AF and restructuring since it was deemed inadequate and is being revamped by the GoJ, related recommendations for strengthening the GRM have been included and are to be followed in the GRM upgrade. The Bank will closely monitor the progress of GRM update together with the World Bank and make sure the information of upgraded GRM will be timely disclosed by the client in an appropriate manner.

59. **Gender Approach**. The original Program aimed at strengthening gender budgeting through an Intermediate Result Indicator (IRI) on Gender Responsive Public Investment Management. Under the AF, this IRI is upgraded into a Program objective-level indicator on Gender responsive public and private investment. It is proposed that a range of DLIs will disburse against gender related results, including, tentatively on gender sensitive project appraisal, gender sensitive tourism development and investment incentives, and gender relevant statistical data generation and analysis. The AF would significantly improve the Program's impacts on gender, climate, and private capital mobilization.

60. The AF and Program will disburse against gender related results across Result areas, specifically under the two RAs financed by AIIB:

- in RA 1, the Program disburses against gender sensitive appraisal of capital projects (DLI 1);
- in RA 2, the original Program has promoted women participation to the workforce through the adoption of gender sensitive policies linked to the new National Tourism Strategy and Gender and Inclusion Plan, which contains a gender and inclusiveness work package aiming to improve skills development and employment opportunities; and under AF, the Program now supports the implementation of the Plan to increase economic opportunities for women. Specifically, under the revised DLI 6 on strengthening the strategic direction and enhancing the regulatory environment of the tourism sector to foster high-quality private and public investment, a DLR to facilitate female employment opportunities in tourism; and under the revised DLI 4 on investment incentives, a DLR is also added to support incentives to private investors creating jobs for women.

61. As noted above, the WB's PforR Policy will apply to this Program instead of AIIB's ESP. The WB's Corporate Grievance Redress Service (GRS) and its Independent Accountability Mechanism, the Inspection Panel, which review the World Bank's compliance with its policies and procedures, will handle complaints relating to the World Bank's compliance with its environment and social framework (ESF) with respect to the program. In accordance with AIIB's Policy on the Project affected People's Mechanism (PPM), submissions made to the PPM regarding such complaints under this program will not be eligible for consideration by the PPM. Information on the WB's corporate GRS is available at Grievance Redress Service (worldbank.org), and information on the WB's Inspection Panel is available at Home | Inspection Panel.

62. **Implementation Monitoring.** The Ministry of Planning and International Cooperation (MOPIC) will be the main implementing entity for the proposed Program, and the Reform Secretariat, established in 2019 based on an administrative decision of MOPIC (No. 34/2019), will be the coordinating and support unit. The Reform Secretariat has been staffed with 16 members, and has successfully tracked, monitored, and actively supported the implementation of the Reform Matrix with more than half of the initially planned reforms deemed achieved by February 2021.[10] It has also consulted extensively for the updating of the Reform Matrix in alignment with government's strategic priorities including the response to the COVID-19 crisis.

63. The Reform Secretariat has rich experience in coordinating the implementation of the WB funded operations and will be responsible for: (i) the overall management, coordination, reporting, monitoring, and evaluation of Program implementation; (ii) hiring and interfacing with independent verification agencies, as needed; (iii) carrying out assessments of ministries' and agencies' implementation of Program activities; (iv) carrying out the technical audits; and (v) facilitating financial audits for the Program, all in accordance with the provisions of the Loan

[10] Reform Secretariat, 2021, Introduction to updated Reform Matrix (Progress report to the Jordan MDTF steering committee on the implementation of the 5-year reform matrix).

Agreement and the Program Operational Manual (POM). When necessary, the Reform Secretariat will hire a few senior technical experts to provide technical support for its work.

E. Climate Change

64. Jordan has become increasingly vulnerable to climate change, and its impact is worsening. Climate change will exacerbate Jordan's development challenges and create pressing adaptation needs across sectors. In 2019, Jordan ranked 75 out of 182 countries in the Notre Dame Global Adaptation Initiative index for climate vulnerability, sliding from 63 in 2015.[11] Since the 1960s, annual maximum temperatures have increased by 0.3 to 1.8 °C and minimum temperatures have risen by 0.4 to 2.8 °C across all climate regions. Annual precipitation has declined by 5 to 20 percent, depending on the region. Climate modeling predicts further decreases in total precipitation, increasing variability in rainfall location, timing and quantity, warmer average temperatures of up to 2.9 °C by 2050, increased drought occurrence, length and severity, and more frequent extreme events. Prolonged and more intense heatwaves and reduced water availability and quality will affect population health. Higher temperatures are expected to reduce outdoor worker productivity (e.g., construction and agriculture), lowering earnings for many workers and companies and compounding existing growth and job challenges. Prolonged dry seasons will particularly affect low-income rural communities in poverty pockets such as the western and southern parts of the Badia desert. Climate change will also affect Jordan's competitiveness, generating new risks and opportunities for the private sector[12]. The expected consequences of climate change warrant a dedicated focus on adaptation and mitigation and a need to increase the economy's and society's resilience.

F. Risks and Mitigation Measures

Table 5: Summary of Risks and Mitigating Measures

Risk Description	**Assessment Ratings (High, Medium, Low)**	**Mitigation Measures**
Fiduciary risk	Medium	MOPIC will oversee the overall implementation of the Program including FM related aspects. MOPIC will ensure adequate financial staffing is in place. MOPIC will ensure that all required reports are collected and submitted to the WB and AIIB timely.
Environmental and Social risk	Medium	As required under the WB's PforR Policy, activities that are likely to have significant adverse ES impacts that are sensitive, irreversible, or unprecedented (similar to Category A if AIIB's

[11] The Index ranks countries using a score that calculates their vulnerability to climate change, other global challenges, and their readiness to improve resilience. Jordan received a vulnerability score of 0.375 on par with peer countries driven by high sub-scores on freshwater withdrawal, urban concentration, and energy import dependency.

[12] Jordan Climate Change and Development Report (CCDR), November 2022.

Risk Description	Assessment Ratings (High, Medium, Low)	Mitigation Measures
		ESP were applicable) are excluded. Also, activities with higher risks will be subject to more frequent implementation monitoring.
Macroeconomic risk	Medium	Related DLI was revised to improve fiscal sustainability for capital spending by reducing the gap between domestic revenue and recurrent expenditure.
Institutional capacity for implementation	Medium	Several risk mitigation measures have been taken, including: (i) MOPIC's capacity for inter-agency coordination and monitoring and MOF's capacity for capital spending management shall be strengthened. (ii) the Ministry of Investment should strengthen its capacity for the effective implementation of the new investment promotion strategy. (iii) the Ministry of Environment needs to be further capacitated for the management of the climate agenda of the government. (iv) in the Prime Minister's office (PMO) the units in charge of the oversight of service standard improvements as well as for Regulatory Impact Assessments (RIA) need to be both capacitated and their role and mandate should be confirmed under the new structure of the PMO.
Overall	Medium	

65. The risks experienced during the original operation have confirmed the validity of the initial risk ratings. Three risks rated as Substantial have materialized and require additional risk mitigation measures under Program AF and restructuring.

- The war in Ukraine caused an external macroeconomic shock that directly affected the fiscal space for capital spending and the disbursements under DLI 2. As a result, DLI 2 was revised to improve fiscal sustainability for capital spending by reducing the gap between domestic revenue and recurrent expenditure.

- Risks related to institutional capacity for implementation and sustainability have emerged, requiring stronger implementation arrangements under AF and restructuring. To mitigate these weaknesses, several areas need improvement: (a) MOPIC's inter-agency coordination, monitoring, and environmental and social safeguards; (b) MOF's management of capital spending, PPP-related FCCLs, and green bond issuance; (c) the Ministry of Investment's implementation of the new investment promotion strategy; (d)

MOTA's resources for tourism site improvements; (e) the Ministry of Environment's management of the government's climate agenda; and (f) the PMO's oversight of service standard improvements and Regulatory Impact Assessments. Additionally, institutional capacity must be strengthened to generate a sound pipeline of capital projects (including PPPs) for the Economic Modernization Vision.

- The government GRM platform (used by the original Program as the Program GRM) should be strengthened to improve the GOJ's response rate and timeliness to citizen feedback.

66. Additional risk mitigation measures have been introduced to improve institutional effectiveness, increase government responsiveness to citizen feedback, and protect the operation from fiscal headwinds.

- To mitigate the risk related to Institutional Capacity for Implementation and Sustainability, three new conditions of effectiveness are proposed under Program AF and restructuring. Technical assistance from the Jordan MDTF will be further mobilized to support the updated result matrix of the operation. The PMU, which manages the MDTF, will ensure that technical assistance is targeted to achieve the updated Program's DLRs. MOPIC is expected to improve stakeholder coordination across the Program's RAs.

- To reduce the vulnerability of capital spending to macroeconomic risks, the Program's support for increasing the fiscal space for public investment (under DLI 2) is strengthened by allocating a significant portion of the DLI proceeds to three new objectives: (i) mobilizing domestic revenue to bridge the financing gap for capital expenditure; (ii) managing PPP-related fiscal risks to help the government raise more resources for PPP projects; and (iii) rebalancing the budget spending mix towards capital spending.

- To further mitigate social risks, a new DLR has been introduced to encourage government responsiveness to citizen feedback filed on its online GRM. A gender sensitivity premium has also been added to three DLRs.

*OFFICIAL USE ONLY

Annex 1: Results Monitoring Framework

Program Objective:	To further improve accountability to foster climate responsive investments and growth in Jordan by extending and scaling up post-COVID recovery activities under the original Program.											
Indicator Name	**Unit**	**Base-line** Data Year	**Cumulative Target Values**							**End Target**	**Freq.**	**Resp.**
			YR1	YR2	YR3	YR4	YR5	YR6	YR7			
Program Objective Indicators:												
1.Increasing the share of capital expenditure in total budget spending	%	8.90		11.0		12.0		13.0		13.0	yearly	MOF
2.Enhancing Green and Climate Responsive Investments Towards Jordan's NDC and Paris Agreement goals		MRV system piloted. Jordan performance on Climate Responsive Public Investment Management is rated D under its 2022 Climate Responsive Public Financial Management Performance Assessment Framework. No green sovereign bond issued. No private sector and non-GOJ expenditure recorded in the MRV system.	Climate Finance Governance System established and operationalized. Jordan rating under the Climate Responsive Public Investment Management indicator upgraded from D to C.							Jordan rating under the Climate Responsive Public Investment Management indicator improved to B. Sovereign green bond in Jordan is issued. At least USD 1.25billion cumulative progress recorded in MRV of private and non-GOJ climate finance.	At mid-term and end-term	MoEnv MOF

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Program Objective:	To further improve accountability to foster climate responsive investments and growth in Jordan by extending and scaling up post-COVID recovery activities under the original Program.											
Indicator Name	**Unit**	**Base-line** Data Year	**Cumulative Target Values**							**End Target**	**Freq.**	**Resp.**
			YR1	YR2	YR3	YR4	YR5	YR6	YR7			
3. Gender responsive investment		Rating D under the Supplementary Framework for Accessing Gender responsive Public Financial Management. No gender-related investment incentives provided in accordance with the Investment Environment Law and related bylaw.			Rating C on gender responsive public investment management of the Supplementary Framework for Accessing Gender responsive Public Financial Management.					Rating B on gender responsive public investment management of the Supplementary Framework for Accessing Gender responsive Public Financial Management. At least 1000 female jobs created by investment projects that received gender related investment incentives according to the Investment Law and related by laws.	biennial	MOF MoIN

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Program Objective:	To further improve accountability to foster climate responsive investments and growth in Jordan by extending and scaling up post-COVID recovery activities under the original Program.										
Indicator Name	**Unit**	**Base-line** Data Year	**Cumulative Target Values**							**End Target**	**Freq.**	**Resp.**
			YR1	YR2	YR3	YR4	YR5	YR6	YR7			
Intermediate Results Indicators:												
1.Improving the quality of public investment		No systematic appraisal of large budgeted captial projects.								Full appraisal of large investment projects, above JOD 10M, prior to their budgeting.	yearly	MOPIC (PIM)
2.Gender responsive public investment management		Rating D under the Supplementary Framework for Accessing Gender responsive Public Financial Management.								Rating B under the Supplementary Framework for Accessing Gender Responsive Public Financial Management	End term	MOPIC (PIM)
3.Mainstreaming climate responsive capital expenditure in public investments towards Jordan's NDC goals	%	0% verifiable achievement of govt. CAPEX commitment towards NDC goals								25% verifiable achievement of govt. CAPEX commitment towards NDC goals.	yearly	MoEnv & MOPIC

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Program Objective:	To further improve accountability to foster climate responsive investments and growth in Jordan by extending and scaling up post-COVID recovery activities under the original Program.											
Indicator Name	**Unit**	**Base-line** Data Year	**Cumulative Target Values**							**End Target**	**Freq.**	**Resp.**
			YR1	YR2	YR3	YR4	YR5	YR6	YR7			
4.Strengthening the Ministry of Investment's institutional focus on investment promotion and related investor services to attract quality investment.		A need to sharpen the focus of investment promotion and investor-servicing mandate and strengthen the systems used for implementation.			Ministry of Investment adopts and publishes the new Investment Promotion Strategy for CY23-26, including investment-specific KPIs.		Number of new investment projects that received investment facilitation services.			Increased investment facilitated, and more jobs created, including as supported by gender-specific investment incentives.	yearly	MOIN
5.Enhancing mobilization of green finance to generate climate-responsive investment		To address the existing climate financing gap, Jordan needs to further expand green finance markets and unlock additional sources for climate-responsive finance.				MOF establishes a working group for green bond preparation and issurance, and incorporates green bond into the debt management strategy.		MOF adopts the sovereign green financing framework and receives independent external review.		Increased climate finance mobilization through the issurance of sovereign green bond; and enhanced capacity in green finance of MOF, MoEnv, and other stakeholders.	yearly	MOF MoEnv.

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Program Objective:	To further improve accountability to foster climate responsive investments and growth in Jordan by extending and scaling up post-COVID recovery activities under the original Program.											
Indicator Name	**Unit**	**Base-line** Data Year	**Cumulative Target Values**							**End Target**	**Freq.**	**Resp.**
			YR1	YR2	YR3	YR4	YR5	YR6	YR7			
6.Strengthening the strategic direction and enhancing the regulatory environment of the tourism sector to foster high-quality private and public investment		Tourism potential held back by fragmented approach to sector development, regulatory constraints affecting private sector, underperforming public assets, which are being exacerbated by COVID-19	Ministry of Tourism and Antiquities adopts and publishes a National Tourism Strategy, and Gender and Inclusion Project Plan, both developed in consultation with sector associations.			Two bylaws revised to streamline and improve the tourism private sector enabling environemnt.		Number of tourists tracked through the management information system. Number of new spaces allocated in tourism sites to be occupied by cooperatives with 50% or more female participation.		The tourism sector strategic direction strengthened and regulatory environment enhanced; improvements in tourism sites leading to more tourists and higher tourist satisfaction; enhanced opportunities for training and employment for women in the sector (800 beneficiaries expected).	yearly	MOTA
7.Streamlining business licensing to reduce the compliance time and costs for businesses		Licensing regime entails significant costs, which creates barriers to formalization and to market entry, and undermines private investment.			3 sectoral licenses streamlined in FY3, and 4 in FY4 (indicative)			5 sectoral licenses streamlined in FY6 and 4 in FY7 (indicative)		Compliance costs for businesses reduced significantly by streamlining 20 sectoral. licenses	yearly	MOITS

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Program Objective:	To further improve accountability to foster climate responsive investments and growth in Jordan by extending and scaling up post-COVID recovery activities under the original Program.											
Indicator Name	**Unit**	**Base-line** Data Year	**Cumulative Target Values**							**End Target**	**Freq.**	**Resp.**
			YR1	YR2	YR3	YR4	YR5	YR6	YR7			
8.dentifying private and non-government financing towards Jordan's NDC 2030 goals		0% verifiable progress in mobilizing private sector climate investment towards the NDC goals								25% verifiable progress reported towards private and non-government financing mobilized towards NDC goals.	Yearly	MoEnv.

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Annex 2: Detailed Project Description

A. Program Context

1. Despite facing challenges from the COVID-19 crisis and external shocks, Jordan's economy has shown solid recovery. This recovery has been supported by the reopening of the economy, a rebound in travel and tourism, and a recovery in domestic demand and key services sectors. In the first nine months of 2022, Jordan's growth rate reached 2.7 percent, exceeding expectations. However, the labor market has only seen modest improvements, with unemployment rates declining gradually and high rates of youth unemployment (nearly 50 percent) and low female labor participation (14 percent) persisting. Prior to the COVID-19 crisis, the economy was growing at a low rate of around 2.0 percent due to the impacts of the Syrian crisis and domestic inefficiencies and high costs.

2. The Government of Jordan (GOJ) remains committed to its economic reform agenda. The goal is to promote investment-led growth and job creation. In 2018, the GOJ launched its Five-Year Reform Matrix to stimulate growth, investment, and exports, reduce business costs, and counter labor market segmentation. The Matrix was updated in 2021 as part of COVID-19 recovery efforts and again in October 2022 to extend its end date to 2028 and broaden its scope by adding three new pillars: public sector efficiency and governance, agriculture, and tourism. The Matrix also strengthens climate action and gender across sectors. It is designed as a rolling policy document that will be regularly updated and extended in the coming years to promote reform action and results.

3. In June 2022, the GOJ adopted the Economic Modernization Vision 2033, a ten-year economic reform strategy aimed at doubling Jordan's growth rate and improving the quality of life. The Vision calls for a significant increase in both public and private investment and supports the achievement of reform action under the Reform Matrix. It focuses on investment, data and evidence-based policy making, service delivery, and climate response. The Vision aims to accelerate the annual growth rate to 5.6 percent, create over 1 million jobs for men and women, double female labor force participation, increase per capita income by 3 percent per year on average, improve economic competitiveness, and strengthen environmental sustainability. To achieve these objectives, an estimated net increase of JD 41.4 bn (USD 58.4 bn) in capital investments is needed between 2023 and 2033, with 73 percent coming from private investments.

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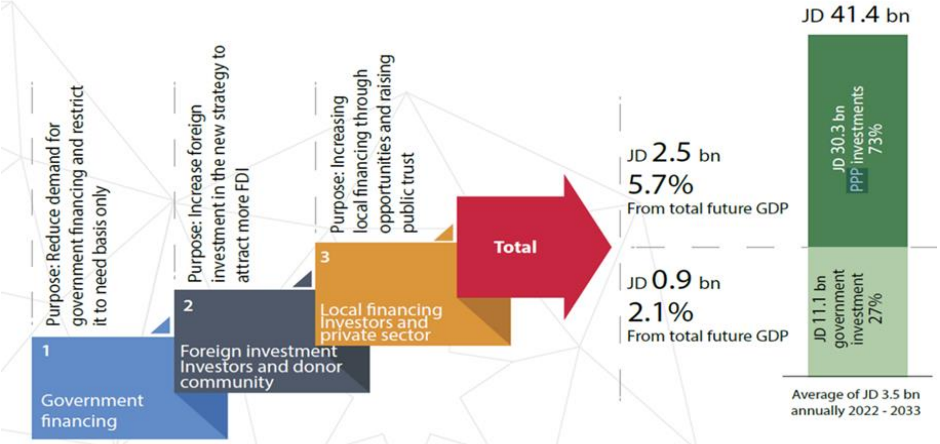
Figure A2.1: Estimated Need for Investment in Support of the Economic Modernization Vision



(Source: GOJ, 2022, Economic Modernization Vision.)

4. Jordan is highly vulnerable to climate change and extreme weather conditions, so the country is integrating climate concerns as a key pillar of its economic reform agenda and investment plans. Since 2021, the GOJ has strengthened its climate agenda by scaling up its commitments to the NDCs, significantly increasing emission reduction targets, and prioritizing green public and private investment in the updated Reform Matrix and Economic Modernization Vision 2033. In October 2021, Jordan updated its NDC commitments, raising its Greenhouse Gas emission reduction target from 14 percent to 31 percent of the BAU scenario by 2030. This includes an unconditional commitment to a 5 percent reduction financed by the government and a 26 percent reduction conditional on funding support. In 2021, the GOJ approved a National Adaptation Plan to mainstream adaptation to climate change in development planning processes. In November 2022, it approved an updated Climate Change Policy for 2022-2050. The Vision promotes environmental sustainability as one of its main pillars and aims to develop Jordan as a regional hub for green entrepreneurship and innovation and attract investments to sustainable projects.

5. Extended support for data and evidence-based policy making and the gender agenda will help improve the government's effectiveness in achieving its economic reform objectives. On gender equality, the Economic Modernization Vision 2033 aims to improve Jordan's scores on the Global Gender Gap Index and the Women, Business and Law index[13]. The operation contributes to this agenda by supporting gender-sensitive public investment and job-creating private investment for women through a gender-specific investment incentive scheme and the implementation of the Tourism Gender and Inclusion Project Plan. It also supports gender-informed policy making by promoting gender-relevant statistical data production and analysis and gender-sensitive policy reforms through regulatory impact assessments. The Vision calls for comprehensive and regularly updated data to facilitate evidence-based decision and policy-making and informed citizen-centric decision-making. Under additional financing and restructuring, the Program further supports this agenda by enhancing initial support for statistical performance, including in preparation for the planned establishment of a

[13] The Vision document highlights the poor ranking of Jordan under both indexes: at the 131st position among 156. countries under the 2021 Global Gender Gap index and 177th position among 190 countries under the 2022 Women, Business and the Law index.

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National Data Centre to replace the Department of Statistics. This center will be responsible for data availability, access, and decision-making support, and a National Information System will empower citizens and businesses.

B. Performance of Original Program

6. The soundness of the original Program has been successfully tested since its date of effectiveness in November 2021. Significant progress has been made against Program's objective-level indicators and DLIs detailed in the main text. Three Program Objective-level indicators are on track to be met, with two ahead of schedule. Nine DLRs were achieved in 2021 and more critical ones are expected to be achieved in 2022 and 2023, including on climate. The disbursement rate is ahead of schedule, expected to reach over 50% after the disbursement of a second installment by spring 2023.

C. Proposed AF

7. While the Program objective remains relevant, there is a need to adjust the PforR to reflect policy shifts and institutional reorganization since its approval and scale up the impact of the well-performing original Program. The rationale for additional financing and restructuring of the original Program is to improve the development effectiveness and fiscal sustainability of public investment, scale up support for climate-responsive public and private investment, promote job and business opportunities for women, and strengthen government effectiveness through participatory and evidence-based policy making based on data.

8. The Program's objective is to further improve accountability to foster climate responsive investments and growth in Jordan by extending and scaling up activities under the original Program. Refinements and adjustments are proposed to reflect the recent policy developments and institutional reorganization in the past year and scale up and improve the initial result framework across RAs.

- In RA 1, which focuses on public investment, the proposed additional financing and restructuring aims to improve the quality of public investment through green procurement and strategic prioritization. The goal is to strengthen the fiscal sustainability of capital spending and incentivize climate-responsive public investment, including through PPPs.

- In RA 2, which focuses on private investment, the proposed additional financing and restructuring aims to implement a stronger set of interventions. These include scaling up financing through the issuance of a green bond by the Ministry of Finance and the implementation of a National Green Taxonomy. The goal is to support investments that create job opportunities for women, enhance job and business opportunities for women in tourism, and operationalize the newly enacted legal framework for private investment.

- In RA 3, the proposed additional financing and restructuring aims to encourage government responsiveness to citizen feedback through e-participation. The goal is to support the production and analysis of critical statistical information to

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inform policy making, including on gender issues, and to leverage carbon markets by mobilizing carbon credits.

9. The proposed additional financing and restructuring would significantly enhance the program's impact on gender equality, climate responsiveness, and private capital mobilization.

D. Update to Program Expenditure Framework

10. The expenditure framework (EF) is updated as follows: 1) it is extended by two years, 2) refers to 2023 budget data and projections (from 2023 to 2028), 3) aligns to a slightly revised institutional set up, 4) and refines its delineation by narrowing it down to relevant budget programs. Instead of applying to the budget of implementing agencies a notional ratio, the updated EF captures only within their budget fiscal resources allocated to relevant budget programs, i.e. the ones whose stated objectives and performance indicators meet the objectives of the Program.

11. Within budget programs, only the following budget codes are included in the expenditure framework:

- In recurrent expenditure: 2111 (salaries, wages and bonuses), 2121 (social security contributions), 2211 (use of goods and services, 2511 (Transfers to public institutions), 2821 (other recurrent expenditure); and
- In capital expenditure: 2822 (other capital expenditure); 3111 (non-financial assets); 3112 (goods and services)

Table A2.1: Updated Program of expenditure for FY21 to FY28[14]

Agency/budget chapter	Categories of expenditure	Budget codes (first 4 digits are program codes, last 4 digits are codes of budget lines)	Budgeted Amount in 2023 (in JD)	Program of expenditure H2 21 to H1 28 (in JD)	Program of expenditure H2 21 to H1 28 (in USD)
MOF/1501	Current Expenditure	1501 - 2111, 2121, 2211, 2511 and 2821	18,597,000	127,973,097	180,498,021
	Capital Expenditure	1501 - 2211, 3111 and 3112	8,190,000	51,415,872	72,518,860
MOF - General Budget Department/1502	Current Expenditure	1502 - 2111, 2121, 2211, 2511 and 2821	3,527,000	22,089,197	31,155,426
	Capital Expenditure	1502 - 2211, 3111 and 3112	315,000	1,548,152	2,183,571
MOF-Customs/1503	Current Expenditure	1503 - 2111, 2121, 2211, 2511 and 2821	32,953,000	228,337,527	322,055,750
	Capital Expenditure	1503 - 2211, 3111 and 3112	31,230,000	192,353,520	271,302,567
MOF – ISTD/1506	Current Expenditure	1506 - 2111, 2121, 2211, 2511 and 2821	31,710,970	225,609,433	318,207,945
	Capital Expenditure	1506 - 2211 and 3112	4,605,000	32,682,665	46,096,848
Total for RA 1			**131,127,970**	**882,009,460**	**1,244,018,985**

[14] The first four digits are related to the functional classification; the last four digits to the economic classification of expenditure (See addendum to technical assessment).

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Agency/budget chapter	Categories of expenditure	Budget codes (first 4 digits are program codes, last 4 digits are codes of budget lines)	Budgeted Amount in 2023 (in JD)	Program of expenditure H2 21 to H1 28 (in JD)	Program of expenditure H2 21 to H1 28 (in USD)
MOTA/1801	Current Expenditure	1801 – 2111, 2121, 2211, 2511 and 2821	5,069,000	40,209,986	56,713,661
	Capital Expenditure	1801 – 2211, 3111 and 3112	12,014,000	83,598,309	117,910,168
MOTA – Antiquities/1802	Current Expenditure	1802 – 2111, 2121, 2211, 2511 and 2821	6,583,000	45,975,100	64,844,993
	Capital Expenditure	1802 – 2211, 3111 and 3112	5,087,000	27,945,065	39,414,760
MOITS/1601	Current Expenditure	1601 – 2111, 2121, 2211, 2511 and 2821	7,428,000	51,590,475	72,765,127
	Capital Expenditure	1601 – 2211, 3111 and 3112	1,290,000	14,074,515	19,851,220
MOITS – Companies Control/1602	Current Expenditure	1602 – 2111, 2121, 2211, 2511 and 2821	1,066,000	7,351,171	10,368,365
	Capital Expenditure	1602 – 2211 and 3112	700,000	4,525,000	6,382,228
JIC/Ministry of Investment/1606	Current Expenditure	1603 – 2111, 2121, 2211 and 2821	3,753,000	24,224,000	34,166,432
	Capital Expenditure	1603 – 2211 and 3112	5,585,000	35,720,500	50,381,523
Total for RA 2			**48,575,000**	**335,214,119**	**472,798,475**
PMO/0301	Current Expenditure	0301 - 2111, 2121, 2211 and 2821	6,345,000	44,044,080	62,121,410
PMO – Legislation and Opinion Bureau /0302	Current Expenditure	0302 - 2111, 2121, 2211 and 2511	743,000	5,148,467	7,261,590
MOPIC/1701	Current Expenditure	1701 - 2111, 2121 and 2211	3,475,000	23,791,485	33,556,396
	Capital Expenditure	1701 - 2111, 2211 and 2822	8,878,000	59,919,915	84,513,279
MOPIC – Department of Statistics /1702	Current Expenditure	1702 -2511	6,774,000	47,590,533	67,123,460
	Capital Expenditure	1702 - 2111, 2211 and 2822	1,405,000	10,642,412	15,010,454
Ministry of Environment/2401	Current Expenditure	2401 - 2111, 2121, 2211 and 2821	3,946,000	26,932,606	37,986,750
	Capital Expenditure	2402 - 2211 and 3111	2,726,000	22,660,075	31,960,614
Total for RA 3			**34,292,000**	**240,729,571**	**339,533,951**
		Grand Total	**213,994,970**	**1,457,953,150**	**2,056,351,410**
		Current Expenditure	131,969,970	920,867,153	1,298,825,322
		Capital Expenditure	*82,025,000*	*537,085,997*	*757,526,088*

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Table A2.2: Sample of budget programs included into the Program of expenditure (under MOF)

Implementing agency		Program	Target of the Program	Performance indicators	Rationale for inclusion in EF
MOF	General	2201 Administration and Support Services Program	This program is intended to provide administrative and logistic support and services to the Ministry's headquarters and affiliated directorates in the governorates, cover the salaries, wages and compensations and use goods, services and purchases from fixed assets and scholarships and training courses.	Percentage of employees' satisfaction	Provides financial and administrative support for MOF units; builds staff capacity; finances studies and statistics, and issuance of MOF circulars, reports and instructions, internal controls and issuance of final account.
		2205 Public Expenditures Program	This program aims to disburse the expenditures issued as per decisions of the Council of Ministers and Prime Ministry letters from the public expenditures item or any other public expenditures related to ministries and government departments.	MOF Budget as a percentage of total spending	Finances MOF operating costs
		2265 Supporting Economic Affairs Program	This program aims to provide financial support to government entities concerned with the economic issue.		Includes the financing of PPPs
		2275 Financial Management Development Program	This program aims to build an integrated and computerized government administrative and financial system to link all ministries, government departments and financial centers with the Ministry of Finance.		Supports the management of and reporting on capital budget execution.
		2280 Governorates	This program aims to promote the local economy of the		Finances deconcentrated public investment

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Implementing agency		Program	Target of the Program	Performance indicators	Rationale for inclusion in EF
		Development Program	governorates, restore balance to the areas of least growth, prepare the investment attractive environment and create job opportunities in order to improve citizens' standard of living.		at governorate level
	ISTD	2705 Tax Assessment and Audit of Large and Medium Taxpayers Program	This program aims to concentrate efforts and direct capacities toward serving an important segment of tax society which constitutes (75%) of tax base	Percentage of large and medium taxpayers' contribution to total Department's revenues	
		2710 Tax Assessment and Audit of Individual, Staff and Workers Program	This program aims to facilitate the tax procedures for all individual taxpayers and employees.	Percentage of customer satisfaction	

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Annex 3: Sovereign Credit Fact Sheet

1. **Background**. Jordan is an upper-middle income country, with a population of around 10 million and income per capita of around USD 4,400 in 2021. Jordan's economy is diverse for its size, which helps reduce economic volatility. In the decade prior to the pandemic, the slow pace of structural and economic reforms has been the reason for sluggish economic growth and higher unemployment. The economy grew, on average, by 2.4 percent annually, between 2010 and 2019 and during the same period, unemployment increased from 12.5 percent in 2010 to 19 percent in 2019.

2. The lower than potential economic growth since the global financial crisis (GFC) is also partly because of the exogenous factors. Since the GFC, there has been weaker foreign direct investment, higher energy prices especially between 2010 to 2015, reduced demand from regional export markets due to the challenging security situation in the middle east and resulting pressures on public infrastructure, services and labor market arising from large influx of refugees from neighboring countries.

Key Economic Indicators [1/]	2020	2021	2022	2023*	2024*	2025*
GDP growth [2/]	-1.6	2.2	2.5	2.6	2.7	3.0
Inflation [2/]	0.4	1.3	4.2	3.8	2.9	2.5
Budget overall balance	-8.5	-7.8	-6.9	-6.8	-6.1	-4.4
Public debt	87.0	90.9	89.4	87.9	85.6	83.2
Gross public financing needs	20.6	11.	20.4	16.1	13.5	13.8
Current account balance	-5.7	-8.2	-8.8	-6.0	-5.2	-3.7
Total External debt	78.9	81.5	80.6	81.5	79.6	76.9
Gross external financing needs	13.4	13.1	14.6	11.6	8.7	8.7
Gross international reserves (USD billion)	17.0	17.9	17.3	16.6	..	..
Exchange rate (JOD/USD) [3/]	0.7	0.7	0.7	0.7	..	..

Source: IMF country report 23/49; 23/240, June 2023; WEO Dec 2022.
Notes: [1/] In percent of GDP, except where noted; figures for 2021-23 are estimates and projections; [2/] percent change, year-on-year, average; [3/] Jordan has fixed exchange rate with USD.

3. **Recent Development**. Jordan experienced its first contraction in three decades during the pandemic (negative 1.6 percent growth), a recession milder than in many regional peers thanks to a diverse economy and fiscal measures by the government to mitigate the adverse impact. The economy returned to growth in 2021 and achieved higher than expected growth of 2.5 percent in 2022, supported by strong recovery in industrial and services sectors and rebound in tourism. Despite the economic recovery, the unemployment rate is still extremely high at above 22 percent, in particular youth unemployment rate at nearly 50 percent.

4. The economy is insulated from the direct impact of the geopolitical tension. However, indirect impact is significant due to higher energy and commodity prices, as energy and cereals account for around 10 and 5 percent of total imports, respectively. High energy and commodity prices have led to sharp increase in current account deficit in 2022, higher than the earlier estimates. Despite the recent increase in current account deficit, the central bank maintains healthy deposit of foreign reserves, sufficient to cover 7-months of imports.

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5. The inflation has ticked upwards recently but is still low as compared to peer economies as well as the U.S. since the currency is pegged to US dollar. This pegging to US dollar does provide macroeconomic stability in challenging external environment but might also limit the options available to the government to facilitate economic growth in the rising U.S. interest rate environment. The banking sector remains healthy despite prolonged challenging operating conditions resulting from subdued growth rates and regional instability. Non-performing loans declined in 2022 and profitability of the banking sector has started to recover but is still below the pre-pandemic levels.

6. Structural reforms under the four-year IMF program of 2020 help the economy to maintain macroeconomic stability and raise longer-term growth potential. IMF Executive Board has recently concluded the fifth review under the program. The program remains generally on track as of December 2022.

7. **Outlook and Risks**. Risks to growth are due to historically high unemployment,[15] prolonged scarring of the labor market from the pandemic, slow rollout of structural reforms and tightening of global financial conditions. Further increase in interest rates by Federal reserve could weaken the global growth and weaken the economic recovery in Jordan. Risks to debt sustainability are elevated, stemming from longer than expected effects of pandemic, slower implementation of reforms, weaker fiscal consolidation effort, bigger than expected losses from broader public sector and regional geopolitical events.

8. The cumulative losses at National Electric Power Company (NEPCO) and Water Authority Jordan (WAJ) are more than 1.3 percent of GDP in 2022 and contribute a major share to fiscal deficit. The government is actively working with the development partners to bring this deficit down and to reform these sectors. However, challenging external environment leading to elevated energy prices and climate change, evident by recent drought, entail difficulties in reforming electricity and water sector, respectively.

9. As per IMF's projections, Jordan's public debt is assessed as sustainable with continued strong policy implementation, assuming that the authorities decisively implement their fiscal consolidation plans and the structural reforms agenda to increase longer-term growth. During the pandemic, Jordan's gross public debt increased from 78 to about 91 percent of the GDP. Public debt is expected to gradually decline over time to below 80 percent of the GDP by 2026. The structure of public debt remains favorable as foreign currency denominated debt is about half of total public debt and the average maturity of domestic debt, excluding treasury bills, has doubled to six years since 2018.

10. Jordan's sovereign credit rating (BB-, B1 and B+ by Fitch, Moody's and S&P, respectively) have been maintained recently. S&P has kept the outlook stable during the pandemic whereas Fitch revised the outlook from negative to stable in December 2021 and Moody's from stable to positive in November 2022.

[15] Even before the pandemic, the unemployment rate in Jordan was about 19 percent.