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PERFORMANCE AUDIT REPORT

THE HASHEMITE KINGDOM OF JORDAN

ENERGY SECTOR ADJUSTMENT LOAN
(Loan 3651-JOR)

ECONOMIC REFORM AND DEVELOPMENT LOAN
(Loan 3947-JOR)

SECOND ECONOMIC REFORM AND DEVELOPMENT LOAN
(Loan 4115-JOR)

AND

THIRD ECONOMIC REFORM AND DEVELOPMENT LOAN
(Loan 4482-JOR)

March 23 2001

Operations Evaluation Department

Currency Equivalents

(Exchange Rate Effective July 2000)

Currency Unit = Jordanian Dinar
JD 1 = US$1.40
US$1 = JD .71

Fiscal Year

January 1 December 31

Abbreviations and Acronyms

CAS	Country Assistance Strategy
EIB	European Investment Bank
EU	European Union
ERDL	Economic Reform and Development Loan
ESAL	Energy Sector Adjustment Loan
FIAS	Foreign Investment Advisory Service
GDP	Gross Domestic Product
GNP	Gross National Product
ICOR	Incremental Capital Output Ratio
IDECO	Irbid District Electric Company
IFC	International Finance Corporation
IMF	International Monetary Fund
JEPCO	Jordan Electric Power Company
JIC	Jordan Investment Company
NEPCO	National Electric Power Company
NPC	National Petroleum Company
NRA	Natural Resource Authority
PAR	Performance Audit Report
USAID	United States Agency for International Development
WTO	World Trade Organization

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Office of the Director-General
Operations Evaluation

March 23, 2001

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Performance Audit Report on the Hashemite Kingdom of Jordan—Energy Sector Adjustment Loan (ESAL, Loan 3651); Economic Reform and Development Loan (ERDL I, Loan 3947); Second Economic Reform and Development Loan (ERDL II, Loan 4115); and Third Economic Reform and Development (ERDL III, Loan 4482)

Attached is the Performance Audit Report for Jordan: The Energy Sector Adjustment Loan for US$80 million and Economic Reform and Development Loans I-III for US$80 million, US$120 million and US$120 million respectively. ESAL, cofinanced by OECF of Japan with $80 million, became effective in December 1993 and closed in December 1997, after an eighteen month extension. ERDL I became effective in November 1995 and closed on schedule on December 31, 1996. ERDL II became effective in December 1996 and closed on schedule on December 31, 1997. ERDL III became effective in June 1999 and closed on schedule on June 30, 2000.

ESAL's key objective was to address the supply-side constraints to economic growth imposed by the energy sector, including its adverse impact on fiscal balance. A second objective was to restructure the energy sector financially and institutionally and establish an environment for sustainable sector growth and development. ESAL's objectives were clearly relevant and consonant with Jordan's development objectives and the Bank's country assistance strategy.

Substantial progress has been made in achieving these objectives, but some important aspects have not yet been fully implemented. Follow through on energy price adjustments to economic levels has been patchy, the sector's institutional restructuring is incomplete, the regulatory commission has not yet been established and a private power project has not yet been commissioned. OED's Evaluation Summary rated outcome as satisfactory, sustainability as likely, institutional development impact as substantial, and Bank and borrower performance as satisfactory. This audit rates outcome as moderately satisfactory, sustainability as unlikely, institutional development impact as modest and Bank and borrower performance as satisfactory.

ERDL I-III were successive one-tranche policy loans with the same objective: to remove the constraints on Jordan's long-term growth imposed by its small domestic market. Eliminating the remaining trade and investment barriers and adopting international trade and investment procedures and practices would enable an Association Agreement with the European Union and accession to the World Trade Organization. In addition, these loans sought to enhance the soundness and efficiency of the banking system and promote the development of capital markets and long-term savings institutions by modernizing the legislative and institutional framework for the financial sector. Finally, the loans sought to redefine the role of government and improve opportunities for the private sector through privatization and improved regulations. ERDL I-III objectives conformed to Jordan's development goals and the Bank's country assistance strategy.

A substantial package of trade, investment and financial sector reforms and privatization was implemented in a relatively short time period; loan conditions were fully met; and sustainability of the reforms is enhanced by government commitment and by Jordan's membership in WTO. OED's Evaluation Summaries (for ERDL I and II) rated outcome as satisfactory, sustainability as likely, institutional development impact as substantial and Bank and borrower performance as satisfactory. However, for a number of reasons, some of them beyond the government's control, economic growth has been slow and poverty has probably increased. This audit therefore rates outcome as only moderately satisfactory, while agreeing with the other ratings.

The main lessons from these projects are:

- Changes in the incentive regime are necessary but not sufficient conditions for efficient and rapid economic growth. Linking rapid growth to these policy changes in a short Country Assistance Strategy period gives rise to expectations that may not be fulfilled. As a consequence, policy makers in borrower countries, and the policy reforms themselves, become politically vulnerable.

- Sequencing reforms to emphasize potentially rising sectors such as exports at the beginning would bolster belief in the benefits of the incentive changes and soften the blow of rising unemployment when uncompetitive sectors begin to decline. It would also bolster private sector confidence to make investments that are internationally competitive.

- A resident mission and timely and substantial technical assistance are crucial for the successful implementation of complex reforms involving several government agencies, new institutions and laws.

Contents

Preface i
Ratings and Responsibilities iii

1. **Introduction** 1
   - Background 1
   - World Bank Group Relations with Jordan and Other Donors 2

2. **World Bank Assistance Strategy, Loan Objectives and Design** 3
   - World Bank Assistance Strategy 3
   - Loan Objectives and Design 4
     - Energy Sector Adjustment Loan 4
     - Economic Reform and Development Loans 4

3. **Implementation Experience** 5
     - Energy Sector Adjustment Loan 5
     - Economic Reform and Development Loans 7

4. **Outcome and Assessment** 8
     - Energy Sector Adjustment Loan 8
     - Economic Reform and Development Loans 11

5. **Lessons** 14

Table in Text
1.1 Selected Economic Indicators 2

Annexes
A. List of Interviewers 17
B. Comments Received from the Borrower 19
C. Basic Data Sheets 25

This report was prepared by Ashok Khanna (Consultant), with Alice Galenson as Task Manager. Silvana Valle provided administrative support.

Preface

This is a Performance Audit Report on the Energy Sector Adjustment Loan (ESAL) for US$80 million and the Economic Reform and Development Loans (ERDL) I-III for US$80 million, US$120 million and US$120 million respectively. OECF provided $80 million in cofinancing for ESAL. The report is based on the President's Reports for the projects, summaries of Board discussions, legal documents, project files, related economic and sector work, Implementation Completion Reports (ICRs, prepared by the Middle East and North Africa Region) for the Energy Sector Adjustment Loan and Economic Reform and Development Loans I-III.[1] In addition, discussions with Jordanian officials and the International Monetary Fund (IMF), other donors and World Bank Group staff were valuable inputs into the report.

An OED mission visited Jordan in June 2000 to discuss the effectiveness of Bank assistance with government officials, donors and other stakeholders. Their cooperation and assistance in preparing this report is gratefully acknowledged.

The draft Performance Audit Report was sent to the Borrower and the cofinancier. The Borrower's comments have been taken into account in the revised text, and are reproduced as Annex B to the report.

[1] The ICR for ERDL III has not yet been completed.

The Hashemite Kingdom of Jordan– Performance Ratings

	Energy Sector Adjustment Loan (ESAL) Loan 3651-JOR)		*Economic Reform and Development Loans (ERDLs) I-III Loans 3947, 4115, and 4482*	
	ES	*PAR*	*ES (ERDL I&II)*	*PAR*
Outcome	Satisfactory	Moderately satisfactory	Satisfactory	Moderately satisfactory
Sustainability	Likely	Unlikely	Likely	Likely
Institutional Dev. Impact	Substantial	Modest	Substantial	Substantial
Borrower Performance	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Bank Performance	Satisfactory	Satisfactory	Satisfactory	Satisfactory

Key Project Responsibilities

	Energy Sector Adjustment Loan (Loan 3651-JOR)		
	Task Manager	*Division Chief/Sector Leaders*	*Director*
Appraisal	Deane Jordan	Francois Ettori	Ram Kumar Chopra
Completion	Deane Jordan	Jean-Claude Villiard	Inder Sud
	Economic Reform and Development Loan (Loan 3947)		
	Task Manager	*Division Chief/Sector Manager*	*Director*
Appraisal	Chang-Po Yang	Adil Kanaan	Inder Sud
Completion	Christian Petersen	Adil Kanaan	Inder Sud
	Second Economic Reform and Development Loan (Loan 4115)		
	Task Manager	*Division Chief/Sector Manager*	*Director*
Appraisal	Christian Petersen	Adil Kanaan	Inder Sud
Completion	Christian Petersen	Adil Kanaan	Inder Sud
	Third Economic Reform and Development Loan (Loan 4482)		
	Task Manager	*Division Chief/Sector Manager*	*Director*
Appraisal	Christian Peterson	Daniela Gressani	Inder Sud
Completion	Francois Lacasse	Dipak Dasgupta	Inder Sud

1. Introduction

Background

1.1 *Social and political.* Jordan had a population of 4.9 million (growing at 2.8 percent per annum) and a per capita income of US$1,647 in 1999. Demographically, it is a complex country, the result of two waves of immigration, from Palestine (1948-1950) and the West Bank and Gaza (1967). Jordan's social indicators are better than the average of Middle East and North African Countries as well as other Middle-Income Countries. During the 1970s and most of the 1980s, poverty in Jordan was minimal, with only 3 percent of the population below the poverty line. In the early 1990s, the Gulf crisis closed markets and caused the return of 300,000 migrant workers. As a result, unemployment and poverty increased—the number of poor rose from 85,000 in 1987 to 543,000 in 1992. Poor economic performance since 1996 may have exacerbated poverty.

1.2 Jordan is a constitutional monarchy with executive authority vested in His Majesty the King and his Council of Ministers. The King appoints the Council (cabinet) that is led by the Prime Minister. The cabinet is responsible to the Chamber of Deputies. The bicameral National Assembly has legislative power: the 80 member Chamber of Deputies is elected to a four-year term and the 40 member Senate is appointed by the King. The current Parliament resulted from elections in 1997.

1.3 *Macroeconomic.* About 92 percent of Jordan's land is semi-arid. The remaining land is arable, but subject to the vagaries of water availability. Other natural resources are limited. After independence in 1946, with few natural resources, Jordan chose to invest in human development. Remittances from skilled workers in the Gulf and elsewhere became its largest source of foreign exchange. Exports to Arab countries are also important. The Cold War, Arab-Israeli conflict and the oil boom all contributed to high levels of grants and concessional loans to Jordan between 1973 and 1982. Economic growth averaged 10 percent per annum during this period. This growth was not self-sustaining, however, and ended in 1983 with falling oil prices. Subsequently, foreign grants, remittances and exports to the region declined. Average annual growth during 1983-89 was less than one percent per annum. To maintain the same consumption levels, Jordan ran sizable budget deficits and borrowed externally, leading to unsustainable internal and external deficits. By 1989, Jordan was unable to meet its external obligations, precipitating a crisis that led to an IMF supported stabilization program and a major Paris Club debt rescheduling. The adjustment was successful: the fiscal deficit and inflation fell and most prices, including interest and foreign exchange rates, become market determined. Economic recession, however, cut real per capita income to about half of its 1987 peak of US$2,100. With the advent of the Gulf Crisis in 1990, Jordan's aid and trade were disrupted and 300,000 workers returned from the Gulf area, making unemployment 14.4 percent in 1999 and 13.4 percent in 2000.

1.4 Although the stabilization program was successful, many structural constraints to growth remained. The government extended its program with the IMF and received Paris Club reschedulings in 1992 and 1994. This debt relief and new concessional aid, and a major inflow of savings from Gulf returnees, spurred growth to 16 percent in 1992 and about 6 percent per annum average during 1993-95. In addition, most macroeconomic indicators moved in a favorable direction. Moreover, the Peace Treaty signed with Israel in 1994 presented opportunities for trade and cooperation in several sectors. In this setting, the government continued to implement a reform strategy outlined in its "Economic and Social Development Plan 1993-1997." The strategy was aimed at private sector and export led growth founded on maintaining macroeconomic stability while liberalizing trade, deepening the financial system and reducing the government's role in the economy.

Table 1.1: Selected Economic Indicators

	1996	*1997*	*1998*	*1999*
Real GDP Growth at Factor Cost %	2.0	3.3	3.1	2.5
Consumer Price Index (Ann. Av.)	6.5	3.0	3.1	0.6
Total Investment (% GDP)	30.1	25.5	21.7	--
Gross Domestic Savings (% GDP)	5.1	3.4	2.3	--
Fiscal Balance (inc. grnt.) "	-3.0	-3.0	-6.3	-3.9
Curr. Accnt. Bal. (inc. grnt.) "	-3.2	0.4	0.3	5.0
Merchandise Exports (% growth)	3.8	1.0	-1.8	1.6
REER (% change; period average)	5.0	7.5	6.0	--

Sources: IMF 1999 Article IV Consultation for Jordan, April 1, 1999. Jordan: Country Assistance Strategy, November 12, 1999, World Bank Report No. 19890-JOR. Central Bank of Jordan, monthly Statistical Bulletin, December 2000.

1.5 Despite the structural reform program, economic growth averaged only about 2.8 percent per annum during 1996-99. The low growth is attributed to reduced construction activity, a sharp drop in exports to Iraq and high interest rates, maintained to defend the currency. Investment levels were maintained at 21-30 percent of GDP, however, implying more inefficient investment (higher ICOR). Only a small proportion of investment was financed by domestic savings, which remained at about 3.6 percent of GDP. The structural distribution of GDP between agriculture, industry and services did not change perceptibly during this period. Inflation remained moderate and the current account was in balance, but budget deficits remained high.

World Bank Group Relations with Jordan and Other Donors

1.6 The Bank's current portfolio (Country Assistance Strategy (CAS), November 1999) comprises 12 operations with a total commitment of US$359 million. About 40 percent of the commitments are for human development projects, one third for rehabilitation and building new infrastructure, and the remainder for export and financial sector development. Project implementation and development impact ratings are satisfactory and no project is at risk. IFC is active in the financial sector, tourism and infrastructure. FIAS has conducted an investor survey and advised on reorganizing the Jordan Investment Commission.

1.7 Many multilateral institutions and bilateral donors are active in Jordan. The Arab Fund for Economic and Social Development, Islamic Development Bank and European Union (EU)/European Investment Bank are the largest multilateral donors, in addition to the IMF and the Bank. The U.S., Japan and Germany are the major bilateral donors. Although no Consultative Group meeting has occurred since 1996, partnership among successive governments, individual donors and the Bank has been constructive and close. Strategic selectivity among donors has been free of "turf battles." The Bank participates actively in macroeconomic, finance, transport, tourism, cultural heritage, education, health and social protection. The United States Agency for International Development (USAID) is more heavily involved in private sector development, micro-finance and planning. The Germans work closely with the government on water issues, and the United Nations Development Programme focuses on institutions and social development. CAS 1999 has a matrix showing areas of collaboration in current and future activity in Jordan.

2. World Bank Assistance Strategy, Loan Objectives and Design

World Bank Assistance Strategy

2.1 Among the loans being audited, the Energy Sector Adjustment Loan was the earliest to be presented to the Board, in September 1993. At that time, the Bank's assistance strategy, outlined in the President's Report for ESAL, was to complement the IMF's macroeconomic stabilization program by tackling constraints to private sector and export led growth. The objective was to create an efficient enabling environment for private investment in industry, trade, services and infrastructure. The strategy targeted support for: (a) sustainable growth in the productive sectors and improvements in energy, water and transport infrastructure; (b) long term development goals of reducing poverty, slowing population growth and protecting the environment; and (c) mobilizing external financing on concessional terms.

2.2 A Country Assistance Strategy for Jordan was presented to the Board in September 1995, at about the same time as the first Economic Reform and Development Loan (ERDL). It remained in force for the two subsequent ERDLs. Its objective was to promote rapid and sustainable outward-oriented growth that was private sector based and environmentally friendly. The strategy to achieve this objective was similar to that of the earlier period: (a) introduce trade, financial, regulatory and public enterprise reforms and privatization measures necessary to establish an enabling environment for sustainable growth and reduce poverty and unemployment; (b) address critical infrastructure constraints, such as water, with an effort to induce private sector participation; and (c) address human resource constraints more efficiently in education, health care, and family planning and assist in protecting the poor during economic adjustment.

Loan Objectives and Design

Energy Sector Adjustment Loan (ESAL)

2.3 ESAL's key objective was to address the supply-side constraints to economic growth imposed by the energy sector, including its adverse impact on the fiscal balance. A second objective was to restructure the energy sector financially and institutionally and establish an environment for sustainable sector growth and development. ESAL's design included: (a) rationalizing energy prices to ensure they cover economic costs and satisfy commercial targets; (b) restoring financial viability to power enterprises; (c) restructuring the power sector and corporatizing power and oil/gas enterprises; (d) establishing enabling conditions for private investment in power generation and distribution; (e) creating a transparent regulatory framework for the power sector; (f) strengthening institutional arrangements for sector policy formulation and planning; and (g) strengthening measures for environmental protection and energy conservation.

Economic Reform and Development Loans (ERDL I, II, and III)

2.4 ERDL I-III were successive one-tranche policy loans with the same objective: to address the constraints on Jordan's long-term growth imposed by its small domestic market. This limitation would be removed through close integration with international markets and establishing investment friendly regulations. Eliminating the remaining trade and investment barriers and adopting international trade and investment procedures and practices could enable an Association Agreement with the EU and accession to the World Trade Organization (WTO).

2.5 ERDL I supported trade and investment policy reforms designed to: (a) remove the quota-based preferential treatment of goods originating in or going to specific countries, or convert it into a full-fledged free trade agreement that satisfies WTO rules; (b) remove import licensing requirements; (c) reduce and restructure tariffs, including the elimination of various import fees and surcharges; (d) remove tariff exemptions; (e) establish a credible path to achieving full long-term trade liberalization; (f) equalize domestic taxes on imports and domestically produced goods; (g) establish a business enabling environment and strengthen investment objectives; (h) streamline and rationalize customs administration; and (i) improve the operations of export development schemes.

2.6 ERDL II & III supported a set of trade, privatization, financial sector and regulatory reforms. They sought to reduce further the anti-export bias; streamline customs procedures for exports and convert the Aqaba area into a freeport; facilitate trade by reducing the administrative obstacles through tariff reductions, eliminating exemptions and modernizing the Customs Law and administration; and foster integration with world markets. The loans also sought to enhance the soundness and efficiency of the banking system and promote the development of capital markets and long-term savings institutions by modernizing the legislative and institutional framework for the financial sector. Finally, the loans sought to improve opportunities for the private sector through regulatory changes that would improve incentives for domestic and foreign investors in a competitive environment, and through privatization that would allow the government to concentrate on its core functions. They included the abolition of the Ministry of Supply and the removal of food subsidies and price controls.

3. Implementation Experience

Energy Sector Adjustment Loan

3.1 ESAL became effective on schedule in December 1993. The first tranche of US$40 million was disbursed on effectiveness. The second tranche of US$20 million was disbursed in May 1996, two years behind schedule. The third tranche of US$20 million was disbursed in December 1997, two and half years behind schedule. The loan's closing date was extended from June 30, 1996 to December 31, 1997. The government complied with all loan covenants.

3.2 *Energy pricing and financial viability of companies.* ESAL required that by third tranche release, Jordan's power tariffs be adjusted sufficiently to ensure full coverage of long-run marginal cost of producing power and enable the three power companies to achieve debt service coverage ratio of 1.5 and a self financing ratio of 35 percent, calculated by an agreed formula. Electricity tariffs were adjusted in 1993 and 1996 to levels that restored financial viability to power companies, although one company continued to receive government support by agreement. These tariffs exceeded long-run marginal cost at the time of the ICR, in June 1998. Although electricity tariffs have not been adjusted in the past four years, they are currently close to their long-run marginal cost of production (about 85 percent) and the power companies are meeting their financial objectives, although one company continues to rely on a government subsidy. The tariff structure needs improvement to better target life-line rates to the poor.

3.3 *Power sector restructuring.* A General Electricity Law (1996) and a General Electricity Law (1999) reorganized the energy sector. The Ministry of Mining and Mineral Resources was reorganized to retain only policy and sector planning functions. Sector operations were devolved to autonomous operating companies and regulations to a new Regulatory Commission charged with setting prices and awarding and supervising licenses. Private investment in power generation and distribution was permitted.

3.4 The government owned Jordan Electricity Authority, owner of Jordan's power generation plants, transmission grid and some distribution assets was incorporated as the National Electric Power Company (NEPCO). NEPCO's share ownership in Jordan Electric Power Company (JEPCO) and Irbid District Electric Company (IDECO), the other two already incorporated utilities, was transferred to Jordan Investment Corporation (JIC). JIC has substantially divested its holdings in JEPCO but not in IDECO, which remains about 85 percent owned by various government agencies. The government decided to separate NEPCO into three separate companies to generate, transmit and distribute power respectively. These companies have been registered under company law, but the technical separation of assets is incomplete. An international consulting firm is currently designing a separation strategy. The generation and distribution companies are slated for privatization when the separation is completed.

3.5 The law provides for a financially and politically independent Regulatory Commission that reports directly to the Prime Minister. Appointments to the Commission are to be based on professional qualifications and members are protected from removal without just cause during their fixed terms. The proposal for the Commission's formation remains with the cabinet and the Commission has still not been formed. Proposals for an independent power project have been received and a private company has been chosen to implement an independent power project.

3.6 *Oil and gas sector.* The price of fuel oil was changed in 1993 and 1996, but not since then. Through 1998, international oil prices were low and no price adjustment was needed, but oil prices began to rise in 1999 and have continued to increase. The government has not, however, adjusted domestic fuel oil prices because it has a long-term contract for the purchase of oil at an advantageous price. Prices of individual petroleum products have been adjusted periodically and currently comfortably cover their economic price as agreed under ESAL. The prices of kerosene diesel fuel remains subsidized, but the taxation on gasoline covers the subsidy. The price of natural gas for electricity was to cover 85 percent of the fuel-oil equivalent price. As the price of fuel-oil remains unchanged for the past four years, so does the price of natural gas. Currently, the price of gas to consumers does, however, exceed its economic value.

3.7 On the institutional side, the Natural Resource Authority (NRA) that regulated and operated gas exploration, drilling and mining was reorganized. The National Petroleum Company (NPC) was incorporated to take over the gas exploration and production assets of the NRA and operate them on a commercial basis. NPC's drilling operations were further hived off to a separately incorporated company in 1998. A new mining investment company was established using NRA resources. Organization changes were made to improve the efficiency of NRA's residual activities.

3.8 *Energy conservation and environmental protection.* An electricity tariff rate design study was completed to formulate measures to improve demand management and efficiency of resource use. Full use of the study's recommendations are awaiting the formation of the Regulatory Commission. Meanwhile, regular energy use surveys are conducted in the household and industrial sectors to enhance energy conservation within the current tariff structure. The Council of Ministers approved a new research center for new and renewable energy, energy conservation and energy data collection and analysis. It was established a year ago and is functioning well. The government enacted an Environmental Protection Law in 1995 that established an environmental protection department. A task force was established to formulate environmental guidelines, standards and procedures for environmental impact assessment. In addition, a study on environmental guidelines for energy sector operations was completed, but the guidelines have yet to be implemented.

Economic Reform and Development Loans (ERDL I, II and III)

3.9 The three ERDLs formed a continuum in trade, finance and investment policy reform conditionality. For that reason, they will be discussed together. ERDL I (US$80 million) became effective in November 1995 and closed on schedule on December 31, 1996. ERDL II (US$120 million) became effective in December 1996 and closed on schedule on December 31, 1997. ERDL III (US$120 million) became effective in June 1999 and closed on schedule on June 30, 2000. These loans were disbursed upon loan effectiveness, when the government had met loan conditionality and all loan covenants were complied with.

3.10 *Trade policy and administration reforms.* The objective of these reforms was to eliminate non-tariff trade barriers, bring the import tariff structure and rates into compliance with WTO requirements, remove most tariff exemptions, establish an internationally competitive regime for exports, improve customs administration and equalize the tax treatment of imports and domestically produced goods.

3.11 During ERDL I, import licensing requirements, except for health, safety, security and religious items, were removed, consistent with international practice. Also, under that loan, tariff exemptions were removed, except for export and investment development schemes. Finally, the tax treatment of imported and domestically produced goods was equalized. During ERDLs I-III, Jordan's tariff structure was compressed, simplified, rationalized and lowered to comply with WTO requirements. Jordan became a member of WTO early in 2000.

3.12 Customs administration and valuation procedures were modernized to conform to international practice during ERDL I-III. A Customs Law and Safeguard Law consistent with WTO principles were enacted and implemented. An ASYCUDA system has been installed in some customs locations and is expected to be used in all locations in two years. "Green Channel" facilities have been extended to about 165 companies that are ISO 9000 certified. A computerized duty drawback and temporary admissions system is available to direct and indirect exporters. Finally, a Special Economic Zone was established in Aqaba by February1, 2001 to attract investment for exports.

3.13 *Investment regulation reforms.* The objective of these reforms was to encourage and facilitate domestic and foreign investment while ensuring adequate competition. The Investment Law of 1995 rationalized incentives for investment and removed restrictions and road-blocks to encourage foreign investment. Procedural guidelines were completed to implement the law. In addition, the Investment Law and Companies Law have been approved. A Competition Law, compatible with European Union Law, has been presented to Parliament, but no action has been taken to develop implementation capacity. Finally, the Income Tax Law was amended to rationalize and lower tax corporate tax rates and the General Sales Tax Law was rationalized to encourage investment, especially for export production.

3.14 *Banking and financial sector reforms.* These reforms aimed to facilitate and strengthen financial intermediation by Jordan's financial system—banks, non-bank financial institutions, contractual savings institutions and the securities markets. A Banking Law consistent with best international practice and a Deposit Insurance Law were passed by Parliament and put into action. Prudential regulation and supervision of banks was strengthened by increasing the capital adequacy ratio to 12 percent, and rating banks according to the CAMEL framework. A computerized check clearing system has been operational since 1998.

3.15 A Securities Law was enacted, underpinning the rules and regulations for operating securities markets in Jordan. The Jordan Securities Commission was created and a private sector stock exchange and central depository are in operation. The Commission has issued international standard by-laws and regulations and is effectively supervising the securities markets. A computerized trading, clearing, settlement was fully introduced in June 2000 and an electronic depository system is being installed.

3.16 Mutual Fund regulations were issued in May 1999. The Securities Commission approved the first Jordanian investment fund in May 2000. The Trust Law is currently under consideration by a high-level committee. Several laws to facilitate the development of non-bank financial institutions and contractual savings institutions are in process. The law enabling leasing, factoring and venture capital investment is under discussion in the concerned government agencies. The registry for moveable property has not yet been established. The law for the insurance industry is being developed and insurance companies have not yet been audited according to international standards. Amendments to the Social Security Corporation Law have been drafted, but not yet submitted to Parliament.

3.17 *Privatization.* These reforms sought to allow the government to focus on its core activities and facilitate private-sector-led growth with increased competition. Under ERDL II & III, a privatization agency was established under the Prime Minister's office to coordinate divestiture transactions, manage teams of technical experts and advisors and execute transactions. An IDF grant contributed to institution building at the agency. A comprehensive privatization strategy was approved. After some initial delays, progress has been made in selling government shares in enterprises, contracting private management and permitting new private entry in several sectors, including cement, tourism, airlines, railways, public transport, electricity, telecommunications and other commercial enterprises. Out of the 40 companies originally targeted for privatization, 34 have been privatized. Importantly, 6 of 8 major transactions have been completed, and the remaining two are well underway. In addition, 28 small shareholdings, held by a government holding company, have been divested.

4. Outcome and Assessment

Energy Sector Adjustment Loan

4.1 ESALs objectives were consistent with Jordan's development strategy and sector priorities at the time of project approval and evaluation. These objectives also conformed to the Bank's country assistance strategy and broad goals of creating an enabling environment for private investment in infrastructure while protecting the environment. ESAL was a relevant project for Jordan.

4.2 Energy prices were rationalized and currently more-or-less cover economic costs, despite not being adjusted since 1996 to take account of the recent rise in oil prices. Electricity tariffs have not been adjusted for several reasons. First, the legal authority to change electricity tariffs is vested in the Regulatory Commission, which has not yet been constituted. Thus, no legal authority exists to change prices. Second, sector agencies and companies do not want to raise prices for fear of social and political ramifications, particularly because Jordan's GNP declined in per capita terms between 1996 and 1999. Third, several energy prices (electricity tariffs, natural gas for electricity generation) are pegged to the oil price. For Jordan, that price has not changed, as it enjoys a long-term supply contract with Iraq at an advantageous price.

4.3 Power enterprises' financial viability has mostly been restored. JEPCO meets ESAL targets as does IDECO, although with a government subsidy as agreed under ESAL. NEPCO as a whole meets ESAL targets, but whether the three companies into which it has devolved meet the targets is uncertain.

4.4 Delays have occurred in implementing some institutional reforms. The Ministry of Mining and Mineral Resources has become a sector policy and planning agency and sector operations have been devolved to autonomous operating companies, although that process is not complete. While the legal separation of NEPCO into three companies has been completed, the technical separation has not. Moreover, two of the NEPCO companies (generation and distribution) and IDECO are still government owned. New private investment in power generation and distribution has not yet occurred. While the General Electricity Law (1996) and the General Electricity Law (1999) provide for an independent Regulatory Commission, it has not yet been formed. In the natural gas sector, exploration, drilling and production operations have been incorporated, but not yet privatized. The NRA has been reorganized to improve its efficiency.

4.5 Energy conservation measures have been implemented within the current tariff structure. Further improvements are expected after the Regulatory Commission is formed and establishes a new tariff structure. An environmental protection department has been established in the Ministry of Municipal and Rural Affairs and the Environment, and guidelines for standards and procedures have been issued, including for energy operations.

4.6 While ESAL has set in motion a substantial restructuring of the energy sector, some of its main objectives have still not been achieved, about four years after its original closing date. Delays have occurred because the project's institutional reform agenda was imprecisely defined. The General Electricity Law had to be amended because the regulatory aspects of the law required enhancement. Moreover, government ownership of the reform program was not secure when the project commenced, because it was hurriedly prepared to expedite balance of payments support to the government. Subsequently, government ownership of the reforms varied with the cabinet's composition, as several reshuffles occurred between 1993 and 2000. While all government discussants were convinced of the need for private ownership or operation of the sector under regulation, some expressed concern that the current structure may not be the lowest-cost solution for a small country. Jordan has only 300,000 consumers requiring about 1,500 megawatts of electricity. The proposed structure for electricity generation, including the new private sector project, will not be cheaper than importing it from Egypt. Buying electricity from Egypt would be cheaper temporarily, but may not be in the long run. Moreover, the supply may not be reliable in the shifting politics of the area. Also, research shows that several competing generating companies for Jordan's capacity level is not an impediment to providing the lowest cost electricity.

4.7 For the relatively small amount of funds committed by the Bank on ESAL (US$80 million Bank loan plus US$80 million cofinancing from the Overseas Economic Cooperation Fund and about US$2 million in Bank staff and consulting resources), a major reform program of a capital intensive sector is underway.

4.8 While all of ESAL's objectives were clearly relevant, and progress has been made in achieving them efficiently, important objectives have not yet been achieved. **Thus, the outcome is rated moderately satisfactory.** OED's Evaluation Summary rated the outcome as satisfactory. The Performance Audit Report (PAR) rating differs because many of ESAL's proposed reforms remain incomplete, partly because the government is not fully committed to the program.

4.9 Given the incompleteness of the reforms, the continued rise in energy prices, and the weak political commitment, which has blocked the formation of the Regulatory Commission and the selection of an independent power producer, **ESAL's sustainability is rated unlikely**. The Evaluation Summary rated sustainability as likely.

4.10 During project preparation and appraisal Bank staff and consultants spent about 135 staff weeks working with the government on the ESAL agenda, providing detailed working and technical papers covering most aspects of the reforms. They also spent about 120 staff weeks during supervision to assist in implementation including on specifics of institutional reforms that had earlier not been fully defined. In addition, a Japanese PHRD grant of US$1 million financed consultants that provided reports on the electricity tariff structure, institutional reorganization of the sector and legal and institutional structure for regulating the sector. Most of the recommendations from these reports and papers have either been implemented or are in the process of implementation. Many measures have, however, been stalled for several years such as the formation of the Regulatory Commission, privatization of the government owned electricity generation and distribution companies and commissioning a new privately owned power generation company. **Thus, ESAL's institutional development impact remains modest.** OED's Evaluation Summary rated institutional development impact as substantial, but many reforms have remained stalled since that review.

4.11 ESAL objectives were consistent with the Bank's assistance strategy for Jordan. During project identification, Bank staff had a constructive dialogue with the government and energy sector agencies based on the joint Bank-Jordanian Energy Sector Study

(1989). ESAL was timely and had the support of most policy makers and agencies involved when it was identified. The project was well identified, as it promised to make a substantial contribution to Jordan's priority development goals in energy and environment. During project preparation, the Bank provided technical inputs for sector issues such as energy pricing, the sector's financial condition and institutional restructuring. During appraisal, Bank staff provided detailed working papers covering most aspects of ESAL proposals. Unfortunately, the urgent need to deliver balance of payments support to Jordan left the detailed diagnostics for institutional restructuring incomplete. Had this work been completed, the project's readiness for implementation and the government's commitment would have been enhanced. Bank staff identified the potential risks and sources of delay at appraisal, but needed to tailor the timing of tranche releases to balance of payments requirements. Nevertheless, and despite a number of lengthy implementation delays, the Bank's and borrower's contribution to project quality at entry were satisfactory, but only modestly.

4.12 The Bank's supervision missions supported the government in implementing technical and financial aspects of ESAL and in bringing difficulties to the government's and bank's senior management's attention. They also sought to build on the recommendations of the Japanese grant financed studies in consultation with Jordanian authorities to achieve workable solutions that addressed government concerns. The Bank's supervision performance is rated satisfactory. The government has not, however, completed the institutional restructuring of the energy companies, and the Regulatory Commission has not yet been formed. The independent power project has not been commissioned. As important aspects of ESAL remain incomplete almost four years after the project's expected closing, and two and half years after the final closing, it appears that the government has not fully subscribed to all ESAL reforms. Nevertheless, because all loan covenants were fulfilled, the borrower's implementation performance is rated satisfactory, although only modestly so.

4.13 Overall, satisfactory project quality at entry and satisfactory project supervision appraisal and implementation suggest that **Bank performance was satisfactory.** The borrower's performance was satisfactory in preparation and compliance, but modest in implementation. **Overall, the borrower's performance is rated satisfactory.** OED's Evaluation Summary rated Bank and borrower performance as satisfactory.

Economic Reform and Development Loans (EDRL I, II and III)

4.14 ERDL I-III objectives—to address the constraints to Jordan's long-term economic growth and establish an enabling environment for outward-oriented, private sector led development—were consistent with Jordan's development strategy at the time of project approval and evaluation. The objectives also conform to the Bank's assistance strategy for Jordan and broad goal of fostering private sector growth to reduce poverty.

4.15 The most important components of ERDL I-III included trade policy and administration reforms, investment regulation changes, banking reforms and privatization. Jordan's incentive regime no longer has an anti-export bias, the investment regime is friendly to domestic and foreign investors, the private sector is regularly consulted by the government prior to implementing policy and legal changes and the pace of privatization has picked up. Nevertheless, macroeconomic indicators have not improved significantly and economic growth has been slow. The overall fiscal deficit (including grants) has increased from 3.0 percent of GDP in 1996 to 6.3 percent in 1998 and 3.9 percent in 1999. The inflation rate has been contained mostly at under 5 percent per annum, however, partly because the real effective exchange rate has appreciated every year during 1996-98 by at least 5 percent. Moreover, merchandise export growth has also been flat between 1996 and 1998 for several reasons discussed below. Jordan's economy has grown by an average of 2.8 percent per annum between 1996, when ERDL I began, and 1999. This moderate rate of growth has resulted in no growth of per capita income for the past three years. Thus, poverty may have increased rather than declined.

4.16 Many reasons have been advanced for Jordan's slow growth. First, the construction sector, a major impetus for growth in the early 1990s, was overbuilt and has slowed to a decline in recent years. Second, fiscal slippage and the need to stem capital outflows to the West Bank, have resulted in real lending rates of about 10 percent to avoid currency devaluation and maintain reserves. Third, exports to Iraq, Jordan's foremost export destination, fell by about 50 percent because of the UN sanctions. The "peace dividend" has not materialized and exports to the West Bank and Gaza and Israel have not picked up. In addition, the Jordanian Dinar's appreciation between 1996-1998 adversely affected exports. Fourth, the private sector is still adjusting to the new incentive regime. Because it remains unsure that reforms have been completed, investors continue to assess new investment prospects cautiously. In any case, private management in Jordan does not yet have the capability for internationally competitive investments that the new regime requires, resulting in a slow investment response. Fifth, the slow pace of privatization has adversely affected direct foreign investment. Finally, the poor regional security environment has adversely affected important sectors such as tourism and foreign investment. While all these reasons for slow growth are plausible, their major impact would be to lower investment. Investment in Jordan has declined from a very high level of 31 percent of GDP in 1996, but remained at a still high level of 26 percent in 1998. Thus, instead of investment efficiency (ICOR) improving in response to the changed incentive regime, it appears to have declined. No discussant from the government or private sector was able to explain this anomalous development other than to offer the possibility that the investment data are incorrect. Jordanian data have recently been revised with the assistance of the IMF, however. These changes brought down GDP growth rates from 5 percent per annum to about 1.5 percent per annum and investment rates from about 33 percent per annum to about 29 percent per annum for 1996 and 1997.

4.17 While most discussants from the government and the private sector still support the ERDL reforms, they are understandably anxious about the slow growth and its political and social consequences. They feel the approach of changing the incentive regime and hoping investment and growth will come has not served them well. They would have preferred a deeper analysis of sources of potential growth for Jordan and advice on how to develop these prospects. Such an analysis might have permitted reforms to be sequenced to encourage growth in sectors with good potential before choking sectors with poor potential. In this manner, the economy's growth and private sector confidence could have been maintained through the transition to a new incentive regime. Some Bank staff agreed that an earlier emphasis on export development would have facilitated Jordan's economic transition. Others felt that the Bank's policy sequencing was valid, indicated by growth in non-traditional activities, but that external circumstances have impeded sustained high rates of economic growth in Jordan.

4.18 Thus, while a substantial package of trade, investment and financial sector reforms and privatization has been implemented, even beyond loan conditionality, a combination of factors, many of them exogenous, has prevented a more positive outcome. Economic growth has been slow and poverty may have increased during the reform period. OED's Evaluation Summaries for ERDL I and II rated these projects as satisfactory.[1] That rating has been downgraded, partly because it was based on growth data that have since been revised downwards, but also because the decline in per capita GDP has persisted for the two subsequent years. **The outcome for all three projects is rated moderately satisfactory.**

4.19 Although there is anxiety about the outcome of ERDL I-III reforms, government officials remain committed to the reform program. Indeed, their concern is that the analytical foundations underpinning the reforms did not adequately emphasize sectors that could generate growth. As Jordan has joined WTO, trade and investment policy reforms are unlikely to be reversed. Financial sector reforms have also taken root and the privatization program is well underway. **Thus, ERDL I-III reforms are likely to be sustained.** OED's Evaluation Summaries for ERDL I & II also rated sustainability as likely.

4.20 ERDL I-III components involved significant changes in Jordan's policy, regulatory and legal environment. New organizations were established and are now operating successfully, such as the Securities Commission and the Executive Privatization Commission. Other organizations were restructured, such as the customs administration and bank supervision. These major institutional changes were accomplished with the help of seven Bank missions each for ERDL I & II comprising teams of Bank staff and consultants. In addition, substantial technical assistance was provided by Trust Funds from IDF and PHRD and USAID. Although some legislation is still pending, almost all the envisaged reforms have been fully implemented. **Thus, ERDL I-III's institutional developmental impact is substantial.** OED's Evaluation Summaries for ERDL I & II also rated the institutional development impact as substantial.

4.21 ERDL I-III objectives were fully consistent with the Bank's assistance strategy for Jordan. Indeed, these loans were the pillars of the strategy to promote rapid and sustainable outward-oriented growth led by the private sector. The ERDLs were timely as they continued a reform program that was in process under the government's "Economic and Social Development Plan 1993-1997." They were based on substantial analytical work completed by the Bank and had the support of policy makers and government agencies involved in the loan. The loans promised to make a substantial

[1] The ICR for ERDL III has not yet been completed.

contribution to generating rapid growth and reducing poverty in Jordan. Thus, the ERDLs were well identified.

4.22 Some reform measures and the timing of implementation did not always have full government support or were not priorities for Jordan. For example, the timing for tariff reform and privatization were measures that later experienced implementation delays. For tariff reforms, the Ministry of Finance had to balance IMF revenue conditionality against lowering import tariffs. For privatization, political consensus evolved over a few years before the process accelerated. Several non-core reforms were included, such as laws for non-bank financial institutions and contractual savings institutions. Drafting and passing these laws put pressure on Parliamentary resources during implementation. Finally, Bank staff underestimated the risk that private investment would not respond quickly to the new incentive regime in Jordan's and the region's current circumstances Despite these weaknesses, the projects' quality at entry was satisfactory.

4.23 Virtually all the reform measures in ERDL I -III have been implemented, and the follow-through after ERDL III has been substantial. The main trade and financial sector reforms and the privatization process have continued. Several laws, including the banking and anti-trust laws, have not been fully processed. Well-staffed Bank supervision missions and substantial technical assistance supported government agencies in implementing these complex loans. The borrower implemented, and the Bank supervised, these loans satisfactorily. **Overall, Bank and borrower performance is rated satisfactory.** OED's Evaluation Summaries for ERDL I & II also rated Bank and borrower performance as satisfactory.

5. Lessons

The main lessons from ESAL and ERDL I-III are:

- Changes in the incentive regime are necessary but not sufficient conditions for efficient and rapid economic growth. Linking rapid growth to these policy changes in a short Country Assistance Strategy period gives rise to expectations that may not be fulfilled. As a consequence, policy makers in borrower countries, and the policy reforms themselves, become politically vulnerable. That vulnerability could result in the government being voted out of office at the next elections.

- Sequencing reforms to emphasize sectors with growth potential, such as exports, at the beginning would bolster belief in the benefits of the incentive changes and soften the blow of job loss when uncompetitive sectors begin to decline. It would also bolster private sector confidence and encourage investments that are internationally competitive.

- A resident mission and timely and substantial technical assistance are crucial for the successful implementation of complex reforms involving several government agencies, new institutions and laws.

The subsidiary lessons from ESAL and ERDL I-III are:

- Government ownership of reforms and political consensus for some sensitive reforms such as privatization are crucial for project success. It is advisable to assist in developing political consensus rather than pushing for early implementation.

- In complex and wide-ranging policy programs that require substantial legal and institutional change, confining conditionality to core activities would increase the prospects for successful implementation.

- Institutional change, especially when full consensus has not been reached, tends to take a long time, usually longer than expected by Bank staff. These delays should be factored into project design.

- Series of single tranche operations that are disbursed after agreed reforms are implemented offer flexibility for reform programs with uncertain time lines.

List of Interviews

Jordan

Mr. M. Zahran, Project Coordinator for ESAL, Ministry of Planning
Mr. M. Shoha, Department of Research, Ministry of Planning
Mr. H. Baban, Legal and Technical Advisor, Directorate of Insurance
Mr. M. Azzam, Managing Director, NEPCO
Mr. A. Bashir, Secretary General, Ministry of Energy and Mineral Resources
Dr. N. Al-Hajaj, Director, Multilateral Department, Ministry of Planning
Dr. R. El-Bdour, Economic Advisor, Department of Research, Ministry of Planning
Mr. F. Barakat, Development Manager, Jordan Trade Association
Ms. S. Bamieh, Director, MMIS, Management Consultants
Dr. A. Mustafa, Deputy Governor, Central Bank of Jordan
Dr. M.S. Abu-Hammour, Secretary General, Ministry of Finance
Mr. N. Barqawi, Executive Privatization Unit
Dr. A. Khataibeh, Jordan Investment Corporation
Dr. R. Kossous, ex-Director of Research, Ministry of Planning
Dr. A. M. El-Saadi, Director of Research, Amman Chamber of Industry
Mr. A. Y. Husseini, Secretary General, Federation of Jordan Chambers of Commerce
Mr. M. Bushnaq, General Manager and Director, JEPCO
Ms. M. Leveque, European Union
Mr. R. Grohs, Regional Economic Advisor, USAID
Mr. Horani, Managing Director, National Petroleum Company and ex-Minister of Energy and Mineral Resources
Dr. K. Al-Wazani, Director, Customs Department
Mrs. Badran, Jordan Investment Board
Mr. M. Arafeh, ex-Director General, JEA
Dr. B. Saket, Chairman, Securities Commission
Dr. S. Emesh, Secretary General, Ministry of Industry and Trade

World Bank Group and IMF

Mr. D. Hardy, IMF
Mr. C. Petersen, Task Manager, ERDL I-III
Mr. S. O'Brien-Kumi, ESAL
Ms. F. Najm, Country Officer, Jordan
Mr. J. Roy, Lead Economist, Jordan
Mr. D. Jordan, Task Manager, ESAL
Mr. K. Mueller, IFC, Jordan
Mr. F. Sader, FIAS, Jordan

بسم الله الرحمن الرحيم

THE HASHEMITE KINGDOM OF JORDAN
MINISTRY OF PLANNING
AMMAN

المملكة الأردنية الهاشمية
وزارة التخطيط
عمان

Ref.No. 5/9/1/1598
Date 1/3/2001

الرقم ...
التاريخ ...
الموافق ...

Ms. Alice Galenson
Acting Manager Country Evaluation and Regional Relations
Operations Evaluation Department
The World Bank
Washington, DC.

Dear Ms. Galenson,

I refer to your letter dated December 1, 2000 with which you enclosed the draft Performance Audit Report for the First, Second and Third Economic Reform and Development Loans (ERDL I, II, III), and the Performance Audit Report for the Energy Sector Loan. Hereunder, please find our general comments on the said reports.

Par. 1.1:

- Per capita income should be USD 1,647 instead of USD 1,524.
- Change: "This mixture has created … difficult" to "The forced immigration created an excessive burden on the state and its resources."

Par. 1.3:

- Change: "About 95 percent … desert" to "About 92 percent of Jordan's land is semi-arid."
- Integrate the fact that Jordan also depends on exports to Arab countries for foreign currency.
- Change: "To maintain consumption levels, …" to "To maintain the same consumption levels, …."
- Change: " .., pushing unemployment up to …." to " making unemployment 14.4 percent in 1999 and 13.4 in 2000.

هاتف : ٤٦٤٤٣٨١/٨٥-٤٦٤٤٤٦٦/٧٠ (٩٦٢-٦) - فاكس : ٤٦٤٩٣٤١-٤٦٤٢٢٤٧ - برقياً NPC جو، تلكس ٢١٣١٩ NPC جو - ص.ب ٥٥٥ عمان ١١١١٨ الأردن
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قرار رقم ٥٠/٩٩

بسم الله الرحمن الرحيم

THE HASHEMITE KINGDOM
OF JORDAN
MINISTRY OF PLANNING
AMMAN

المملكة الأردنية الهاشمية
وزارة التخطيط
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Ref.No. ....

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الموافق ....

Table 1.1: Change figures in accordance with the following table:

	1996	1997	1998	1999
Real GDP Growth at the Basic Price %	2.0	3.3	3.1	2.5
Consumer Price Index (Ann.Av.)	6.5	3.0	3.1	0.6
Total Investment (%GDP)	30.1	25.5	21.7	N.A.
Gross Domestic Savings (%GDP)*	5.1	3.4	2.3	N.A.
Fiscal Balance (inc.grnt.)	-3.0	-3.0	-6.3	-3.9
Curr.Accnt.Bal. (inc.grnt.)	-3.2	0.4	0.3	5.0
Merchandise Exports (% growth)	3.8	1.0	-1.8	1.6

Sources: Central Bank of Jordan, Monthly statistical Bulletin, December 2000.

Par. 1.5:

- Change 1.3 percent to 2.8 percent.
- Economic data showed unemployment to maintain the same levels if not decreased.
- Investment levels maintained 21 – 30 percent of GDP.
- Investment which was financed by domestic savings was about 3.6 percent of GDP.
- Change: "but budget deficits … 1998" to " …and increased in 1998. It decreased in 1999 to 3.9 of GDP."

Par. 1.6:

- Change: "Jordan's investment promotion agency" to "Jordan Investment Commission."

Par. 1.7:

- Change: "The Bank takes … protection" to "The Banks participates actively in macroeconomic. … protection."
- Make a reference to the EU and Japan's (two major donors to Jordan) contribution and role in Jordan's developmental efforts.

هاتف ٤٦٤٤٣٨١/٨٥-٤٦٤٤٤٦٦/٧٠ (٩٦٢-٦) - فاكس ٤٦٤٩٣٤١-٤٦٤٢٢٤٧ - برقياً NPC جو، تلكس ٢١٣١٩ NPC جو - ص.ب ٥٥٥ عمان ١١١١٨ الأردن
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قرار رقم ٥٠/٩٩

بسم الله الرحمن الرحيم

THE HASHEMITE KINGDOM OF JORDAN

MINISTRY OF PLANNING

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Par. 2.6:

- Make a reference to the abolishment of the Ministry of Supply (MoS) and the removal of subsidies on food and price controls.

Par. 3.3:

- Change: A General Electricity … sector" to " A General Electricity Law (1996) and a General Electricity Law (1999) reorganized the energy sector."

Par. 3.4:

- Change: "Jordan Electric Authority" to "Jordan Electricity Authority."
- Delete (in line 6): "a government holding company."

Par. 3.5:

- Change: " A decision on a winning … shortly" to "A private company has been chosen to implement an independent power project."

Par. 3.12:

- Change: "January 1, 2001" to "February 1, 2001."

Par. 3.13:

- Investment Law and Companies Law have been approved.

Par. 3.14:

- Deposit Insurance Law and Banking Law have been passed and put into action.
- Check clearing system is operational since 1998.

Par. 4.4:

- Remove (in line 8): "Amended." to read "General Electricity Law (1999)."

هاتف : ٤٦٤٤٣٨١/٨٥-٤٦٤٤٤٦٦/٧٠ (٦-٩٦٢) - فاكس : ٤٦٤٩٣٤١-٤٦٤٢٢٤٧ - برقياً NPC جو، تلكس ٢١٣١٩ NPC جو - ص.ب ٥٥٥ عمان ١١١١٨ الأردن
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قرار رقم ٥٠/٩٩

Annex B

بسم الله الرحمن الرحيم

THE HASHEMITE KINGDOM OF JORDAN
MINISTRY OF PLANNING
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Par. 4.5:

- Correct (in line 4) name of the ministry to: Ministry of Municipal And Rural Affairs and the Environment.

Par. 4.15:

- Add data for 1999 and 2000 fiscal deficits.
- Change: " Jordan's economy ... past three years" to "Jordan's ... by an average of 2.8 percent per annum .... This moderate rate of growth ... years."
- Check the accuracy of "IMF projections suggest ... after ERDL I."

Par. 4-16:

- Check the accuracy of "In addition, the Jordanian Dinar's appreciation between 1996-1998 has adversely affected exports." There were other major reasons that are worth mentioning, such as the regional environment, the industrial structure and competition... etc.

Par. 4.20:

- Change: "Executive Privatization Unit" to "Executive Privatization Commission."

Par. 4-22:

- Delete this paragraph due to inaccuracies.

هاتف : ٤٦٤٤٣٨١/٨٥-٤٦٤٤٤٦٦/٧٠ (٦-٩٦٢) - فاكس : ٤٦٤٩٣٤١-٤٦٤٢٢٤٧ - برقياً NPC جو، تلكس ٢١٣١٩ NPC جو - ص.ب ٥٥٥ عمان ١١١١٨ الأردن
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قرار رقم ٥٠/٩٩

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التاريخ ....

الموافق ....

Par. 5 – Lessons:

Third paragraph: Remove: "For example, the privatization … agency."

My staff will be ready to answer any questions that you may have.

Thank you.

Sincerely yours,

A. Bani Hani

Jawad Hadid
Minister of Planning

هاتف : ٤٦٤٤٣٨١/٨٥-٤٦٤٤٤٦٦/٧٠ (٩٦٢-٦) - فاكس : ٤٦٤٩٣٤١-٤٦٤٢٢٤٧ - برقياً NPC جو، تلكس ٢١٣١٩ NPC جو - ص ب ٥٥٥ عمان ١١١١٨ الأردن
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قرار رقم ٩٩/٢٠

Basic Data Sheet

ECONOMIC REFORM AND DEVELOPMENT (LOAN 3947-JOR)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	172	172	100
Loan amount (IBRD)	80	80	100
Parallel financing			
- Government of Japan	80	80	100
- Government of Italy	12	12	100

Cumulative Estimated and Actual Disbursements *(amount in US$ million)*

	FY96
Appraisal estimate	80
Actual	80
Actual as % of appraisal	100
Date of latest disbursement: as of November 22, 1995	

Project Dates

	Original	*Actual*
Identification	10/94	10/94
Preparation	01/95	01/95
Appraisal	06/95	06/95
Negotiations	09/95	09/11-14/95
Letter of development policy	09/95	09/25/95
Board approval	10/95	10/24/95
Signing	10/95	10/29/95
Effectiveness	11/95	11/22/95
Completion	12/95	12/22/95
Closing date	12/96	12/31/96

Staff Inputs (staff weeks)

	Actual	*US$*
Preparation to appraisal	112.6	445,600
Appraisal	29.3	54,800
Negotiations through Board approval	6.6	20,600
Supervision	11.9	36,000
Completion	4.0	19,600
TOTAL	164.4	576,600

Mission Data

	Date (month/year)	No. of persons	Days in field	Specializations represented	Performance rating
Through appraisal					--
Identification	October 94	5	80	A	
Preparation	January 95	5	50	A	
Pre-appraisal	March/April 95	6	72	A	
Appraisal through Board approval	July 95	4	76	A	--
Supervision[1]					
First				S-1	Satisfactory
Second				S-2	Satisfactory
Third				S-3	Highly satisfactory
Completion/ICR	January 97	1	5	TM	--

Specialized staff skills represented:
A = Task manager, macroeconomics, trade, financial sector
S-1= Task manager, macroeconomics, trade, financial sector, privatization
S-2= Task manager, macroeconomics, trade, financial sector, privatization, regulations
S-3= Task manager, macroeconomics, trade, financial sector privatization
TM= Task manager
[1] Combined with ERDL II missions to achieve cost effectiveness.

Other Project Data

Borrower/Executing Agency: **The Hashemite Kingdom of Jordan**

RELATED OPERATIONS

Preceding Operations	Purpose	Year of Approval	Status
Trade Adjustment (L3142-0)	Structural transformation of the economy by stimulating export-oriented growth.	1990	Closed
Emergency Recovery (L3306-0)	Meet immediate needs for essential social services and infrastructure as a result of the Gulf crisis.	1991	Closed
Energy Sector Adjustment Loan (L3651-0)	Restructure the energy sector	1994	Closed
ASAL(L3817-0)	Promote transition to a sustainable use of resources (water) and enable private sector to invest, produce and trade.	1995	Closed
Following Operations			
Export Development (L3993-0)	Assist Government's Export Development Program aiming at building Jordan's export competitiveness and increasing export revenues.	1996	Closed
ERDL II (L4115-0)	Support broad-based policy and Institutional reforms with respect to the financial sector, privatization, trade and the regulatory framework.	1997	Closed

Basic Data Sheet

SECOND ECONOMIC REFORM AND DEVELOPMENT (LOAN 4115-JOR)

Key Project Data *(amounts in US$ millions)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	127.74	127.74	100
Loan amount	120.00	120.00	100
Parallel financing			
- Government of Netherlands	7.74	7.74	100

Cumulative Estimated and Actual Disbursements *(amount in US$ millions)*

	FY97
Appraisal estimate	120
Actual	120
Actual as % of appraisal	100
Date of final disbursement: December 19, 1997	

Project Dates

	Original	*Actual*
Identification	11/95	11/95
Preparation	04/96	04/96
Appraisal	07/96	07/96
Negotiations	09/25/96	10/96
Letter of development policy	09/96	11/96
Board approval	11/19/96	12/11/96
Signing	11/96	12/12/96
Effectiveness	12/96	12/15/96
Completion	12/97	12/31/97
Closing date	12/97	12/31/97

Staff Inputs (staff weeks)

	Actual	*US$*
Preparation to appraisal	77.3	482,800
Appraisal	14.3	46,600
Negotiations through Board approval	14.5	46,000
Supervision	17.9	96,200
Completion	3.4	16,300
TOTAL	127.4	687,900

Mission Data

	Date (month/year)	No. of persons	Days in field	Specializations represented	Performance rating
Through appraisal					--
Identification	11/95	3	45	S-1	
Preparation	04/96	20	170	S-2	
Pre-appraisal	06/96	20	150	S-2	
Appraisal through Board approval	07/96	12	70	S-1	--
Supervision					
First	01/97	2	14	S-2	Satisfactory
Second	06/97	4	24	S-2	Satisfactory
Third	12/97	2	8	S-2	Highly Satisfactory
Completion/ICR	04/98	1	4	TM	--

Specialized staff skills represented:
A = Task manager, macroeconomics, trade, financial sector
S-1= Task manager, industrial economist, privatization, macroeconomics, trade, financial sector
S-2= Task manager (macro), privatization, regulations, trade, financial sector
S-3= Task manager, industrial economist, privatization, legal regulations, trade, transport
TM= Task manager

Other Project Data

Borrower/Executing Agency: **The Hashemite Kingdom of Jordan**

RELATED OPERATIONS			
Preceding Operations	*Purpose*	*Year of Approval*	*Status*
Trade Adjustment (L3142-0)	Structural transformation of the economy by stimulating export-oriented growth.	1990	Closed
Emergency Recovery (L3306-0)	Meet immediate needs for essential social services and infrastructure as a result of the Gulf crisis.	1991	Closed
Energy Sector Adjustment Loan (L3651-0)	Restructure the energy sector	1993	Closed
ASAL(L3817-0)	Promote transition to a sustainable use of resources (water) and enable private sector to invest, produce and trade.	1994	Closed
ERDL I (L3947-JOR)	Support trade and investment policy	1995	Closed
Export Development (L3993-0)	Assist Government's Export Development Program aiming at building Jordan's export competitiveness and increasing export revenues.	1996	Closed
Following Operations			
ERDL III (45676-JO)	Support broad-based policy and institutional reforms with respect to the financial sector, privatization, trade and the regulatory framework.	1999	Closed

Basic Data Sheet

THIRD ECONOMIC REFORM AND DEVELOPMENT (LOAN 4482-JOR)

Key Project Data *(amounts in US$ millions)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	120	120	100
Loan amount	120	120	100

Cumulative Estimated and Actual Disbursements *(amount in US$ millions)*

	FY00
Appraisal estimate	120
Actual	120
Actual as % of appraisal	100
Date of final disbursement: June 15, 1999	

Project Dates

	Actual
Identification	n.a.
Preparation	n.a
Appraisal	04/30/98
Negotiations	n.a.
Board approval	06/01/1999
Signing	06/04/1999
Effectiveness	06/08/1999
Closing date	06/01/2000

Staff Inputs (staff weeks)

	Actual	*US$ (000)*
Identification/Preparation	46.4	415.0
Appraisal/Negotiation	21.5	170.3
Supervision	1.5	10.6
ICR	6.0	25.0
TOTAL	75.4	620.9

Mission Data

	No. of persons	Specializations	Performance rating	
			Implementation progress	Development objective
Identification/ Preparation	4	Economists		
	2	FMS		
	3	Consultants		
	1	Co-financing Officer		
Appraisal/ Negotiation	3	Economists		
	2	LEG		
Supervision	3	Economists	S	S
	1	Country Officer	S	S
ICR	1	Consultant		

Basic Data Sheet

ENERGY SECTOR ADJUSTMENT LOAN (LOAN 3651-JOR)

Key Project Data *(amounts in US$ millions)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	161	161	100
Loan amount	80	80	100
Cofinancing			
- OECF of Japan	80	80	80
Other			
- Japanese Policy and Human Resources Dev.	1	1	1

Cumulative Estimated and Actual Disbursements *(amount in US$ millions)*

	FY94	*FY95*	*FY96*	*FY97*	*FY98*
Appraisal estimate	40	60	80	-	-
Actual	40	-	60	-	80
Actual as % of appraisal	50	50	75	75	100
Date of final disbursement: December 11, 1997					

Project Dates

	Original	*Actual*
Identification	-	05/90
Preparation	-	02/92 06/92 09/92
Appraisal	-	03/31/93
Negotiations	-	07/25/93
Board approval	-	10/07/93
Signing	-	11/24/93
Effectiveness	12/01/93	12/16/93
Disbursement of first tranche	12/16/93	12/16/93
Disbursement of second tranche	05/94	05/14/96
Disbursement of third tranche	05/95	12/09/97
Closing date	06/30/96	12/31/97

Staff Inputs (staff weeks)

	Actual	*US$*
Preparation to appraisal	94.7	292.8
Appraisal	40.9	127.0
Negotiations through Board approval	20.4	64.9
Supervision	118.7	393.4
Completion	5.9	29.4
TOTAL	280.6	907.5

Mission Data

	Date (month/year)	*No. of Persons*	*Days in field*	*Specializations represented*	*Performance rating*
Identification/ Preparation	06/90	7	n.a.	Mission Leader, Financial/Energy Institutions Sp., Power Engineer (2), Financial Cons., Petroleum Engineer, Procurement Sp., Energy Sector Cons.	--
	02/92	5	n.a.	Mission Leader, Financial/Energy Institutions Sp., Power Engineer, Financial Cons., Petroleum Engineer	
	09/92	5	n.a.	Mission Leader, Financial/Energy Institutions Sp., Financial Cons., Petroleum Engineer, Energy Sector Cons.	
Appraisal	04/93	10	n.a.	Division Chief, Task Manager, Project Advisor, Financial/Energy Institutions Sp., Petroleum Sp., Power Engineer, Project Econ., Financial Cons., Environmental Sp.	--
Negotiations	08/93	3	10	Task Manager, Energy Sector Cons., Legal Counsel	--
Supervision	04/94	2	12	Task Manager, Energy Sector Cons.	S
	10/94	2	12	Task Manager, Energy Sector Cons.	
	11/94	5	15	Task Manager, Financial/Energy Institutions Sp., Petroleum Sp., Financial Cons., Energy Sector Cons.	S
	05/95	1	4	Task Manager	
	11/95	1	2	Task Manager	
	02/96	4	15	Task Manager, Energy Sector Sp., Energy Cons., Financial Cons.	S
	11/96	1	3	Task Manager	
	06/97	4	14	Task Manager, Energy Sector Sp., Regulatory Cons., Financial Cons.	S
	10/97	4	6 (at WB head-quarters)	Task Manager, Legal Counsel, Regulatory Sp. (2), Country Officer	
Completion	06/98	1	7	Task Manger	

Other Project Data

Borrower/Executing Agency: **The Hashemite Kingdom of Jordan**

Related Operations	*Purpose*	*Year of Approval*	*Status*
Energy Sector Study (Report 7984-JO)	To help refine the Government's strategy in light of server financial imbalances imposed by the economic downturn experience in 1988/89 and the growing financial and institutional distortions in the sector.	1990	The dialogue on the study led to the identification of the ESAL.
Industry and Trade Policy Adjustment Loan (ITPAL)	To assist the Government in responding to the acute economic difficulties by deepening its macroeconomic adjustment efforts, and by reforming the trade and industrial policies to lay the basis for sustainable long-term growth.	1989	The government implemented ITPAL successfully.
Sixth Power Project (Loan 2710-JO)	To decrease Jordan's dependence on petroleum products, increase the reliability of electricity supply, and improve system efficiency.	1986	The project achieved its principal objective of improving power system efficiency and reliability in power.
Energy Development Project (Loan 2371-JO)	To initiate or continue some major investments to improve overall energy efficiency, attract cofinancing, and ensure that critical studies for the energy sector would become available.	1983	The project achieved its principal objectives.
Aqaba Steam - Power V (Loan 2162-JO)	To help Jordan meet future electricity demand at least cost, improve the quality of supply, support rural electrification, and promote institutional improvements.	1982	The project achieved its principal objectives, particularly the strengthening of institutional capacities.
Power IV (Loan 1986-JO)	To help Jordan meet future electricity demand at least cost, improve the quality of supply, support rural electrification, and promote institutional improvements.	1981	The project achieved its principal objectives, particularly the strengthening of institutional capacities.
Power III (Loan 1688-JO)	To interconnect several regions for creation of economic and reliable electric power system, to supply industrial complexes from the main public power system, and to continue institution-building efforts.	1979	Overall, the objectives of the project were achieved.
Power II (Credit 0570-JO)	To improve and expand installation and generating capacity, provide reliable power, meet growing demand, and enhance institutional development	1975	Overall, the objectives of the project were achieved.
Hussein Power Generation (Credit 0386-JO)	To improve and expand installation and generating capacity, provide reliable power, meet growing demand, and enhance institutional development	1973	Overall, the objectives of the project were achieved.

MAP SECTION