



Jordan

Supporting Stable Development in a Challenging Region

A Joint World Bank–Islamic Development
Bank Evaluation

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Foreword

This is the first time that the Operations Evaluation Department (OED) of the World Bank and the Operations Evaluation Office (OEO) of the Islamic Development Bank (IDB) have collaborated in evaluating their assistance program in any country. The two institutions carried out a joint assessment of Jordan's economic and social development since 1990 and the challenges facing the country. The assessment of each institution's assistance program was prepared in parallel, but coverage and method differ, and, therefore, the evaluation results are not always comparable.

This Country Assistance Evaluation (CAE) looks at the effectiveness of World Bank assistance during the 1990s from three perspectives: an analysis of the Bank's services and products, development effectiveness, and the contribution of the Bank and its development partners to development outcomes. The evaluation builds on background studies prepared by OED staff and draws on internal World Bank reports and interviews with government officials, Bank staff, donors, nongovernmental organizations (NGOs), and civil society. The background papers are available on request. A joint OED–OEO mission visited Jordan in October 2002. The visit was facilitated by arrangements made by staff of the Jordanian Ministry of Planning and the IDB. Annexes I and M contain a list of people met. Their cooperation and assistance is gratefully acknowledged.

The report is organized as follows:

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Prólogo

Esta es la primera vez que el Departamento de Evaluación de Operaciones (DEO) del Banco Mundial y la Oficina de Evaluación de Operaciones (OEO) del Banco Islámico de Desarrollo (BIsD) han colaborado en la evaluación de su programa de asistencia a un país. Ambas instituciones realizaron una evaluación conjunta del desarrollo económico y social de Jordania desde 1990 y de los desafíos que el país tiene ante sí. La evaluación del programa de asistencia de cada institución se llevó a cabo en forma paralela, aunque con cobertura y métodos diferentes, razón por la cual los resultados de las evaluaciones no siempre son comparables.

En la presente evaluación de la asistencia al país se examina la efectividad de la asistencia del Banco Mundial durante el decenio de 1990 desde tres perspectivas: un análisis de los servicios y productos del Banco, la efectividad en términos de desarrollo y la contribución del Banco y sus asociados en el desarrollo en relación con los efectos directos en el desarrollo. La evaluación, que se basa en los estudios de antecedentes preparados por el personal del DEO, tiene en cuenta también los informes internos del Banco Mundial y las entrevistas con funcionarios de gobierno, personal del Banco, donantes, organizaciones no gubernamentales (ONG) y la sociedad civil. Los interesados pueden solicitar los documentos de antecedentes respectivos. Una misión conjunta DEO–OEO viajó a Jordania en octubre de 2002. La visita fue facilitada gracias a las gestiones de funcionarios

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Avant-propos

C'est la première fois que le Département de l'évaluation des opérations (OED) de la Banque mondiale et le Bureau de l'évaluation des opérations (OEO) de la Banque islamique de développement (BIsD) collaborent pour évaluer leur programme d'aide dans un pays. Les deux institutions ont effectué une évaluation conjointe du développement économique et social de la Jordanie depuis 1990 et analysé les grands problèmes qui se posent au pays. L'évaluation du programme d'assistance de chacune des institutions a été conduite en parallèle, mais le champ couvert et la méthode diffèrent, de sorte que les résultats ne sont pas toujours comparables.

Cette évaluation de l'aide à la Jordanie a pour but de juger de l'efficacité de l'assistance de la Banque mondiale pendant les années 90 sous trois angles : l'analyse des services et des produits de la Banque, l'efficacité des actions de développement et la contribution de la Banque et de ses partenaires aux réalisations sur le plan du développement. Les auteurs de l'évaluation s'appuient sur les documents de référence préparés par les services de l'OED et tient compte des rapports internes de la Banque mondiale et de ses entretiens avec les autorités jordaniennes, les agents de la Banque, les bailleurs de fonds, les organisations non gouvernementales (ONG) et la société civile. Les documents de référence sont disponibles sur demande. Une mission conjointe OED–OEO s'est rendue en Jordanie en octobre 2002. Les disposi-

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Chapter 1 assesses Jordan's economic and social development. Chapter 2 identifies the main development priorities and constraints facing Jordan. These two chapters are common to the evaluation reports of both the World Bank and the IDB. The

subsequent chapters examine the effectiveness of World Bank assistance in addressing these challenges from the three perspectives mentioned above (Annex H summarizes OED's CAE methodology). Chapter 6 details the IDB's assistance to Jordan, and Chapter 7 follows with a sector analysis of that aid. The last chapter presents the conclusions and recommendations of both the World Bank and the IDB.

The assistance of peer reviewers in providing detailed comments on an earlier draft is gratefully acknowledged. Those, as well as other comments received during OED's management review meeting, have been taken into account in the evaluation. Comments from the Regional staff have also been reflected in the report. The Jordanian Minister of Planning's responses to an earlier draft prepared by OED (Annex K) and to CAE background papers have been incorporated, where appropriate, in the main text of the report, or in notes attributed to the Minister. The comments made by the Minister on the draft report prepared by OED have been duly incorporated in the final IDB report.

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del Ministerio de Planificación de Jordania y del BISD. En los Anexos I y M figura una lista de las personas entrevistadas. Se reconocen con aprecio la cooperación y la asistencia que brindaron.

El informe se organiza del siguiente modo. En el Capítulo 1 se evalúa el desarrollo económico y social de Jordania. En el Capítulo 2 se identifican las principales prioridades y condicionamientos de desarrollo que tiene ante sí Jordania. Ambos capítulos son comunes a los informes de evaluación del Banco Mundial y del BISD. En los capítulos subsiguientes se examina la efectividad de la asistencia del Banco Mundial para abordar estos desafíos desde las tres perspectivas antes mencionadas (en el Anexo H se resume la metodología de las evaluaciones de asistencia a los países aplicada por el DEO). En el Capítulo 6 se detalla la asistencia del BISD a Jordania y en el Capítulo 7 se hace un análisis sectorial de esa asistencia. En el último capítulo se exponen las conclusiones y recomendaciones tanto del Banco Mundial como del BISD.

Se agradecen las observaciones detalladas de los expertos evaluadores de una versión preliminar del informe. Durante la evaluación se tuvieron en cuenta esas observaciones, así como los comentarios recibidos durante la reunión de examen por los directivos del DEO. También se han reflejado en el informe las observaciones del personal de la Oficina Regional. Las respuestas del Ministro de Planificación de Jordania en relación con una versión preliminar del informe preparado por el DEO (Anexo K) y con los documentos de antecedentes de la evaluación de asistencia al país se han incorporado, según el caso, en el texto principal del informe o en notas atribuidas al

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tions prises par le ministère jordanien du Plan et les services de la BISD ont facilité le travail de la mission. Les annexes I et M donnent la liste des personnes rencontrées. Leur coopération et l'aide qu'elles ont apportée ont été extrêmement appréciées.

Ce rapport est réparti en huit chapitres : le premier évalue le développement économique et social de la Jordanie, et le deuxième identifie les principales priorités de développement du pays et les contraintes auxquelles il se heurte. Ces deux chapitres se retrouvent dans les rapports d'évaluation respectifs de la Banque mondiale et de la BISD. Les chapitres 3 et 5 examinent l'efficacité de la Banque mondiale dans l'action engagée pour s'attaquer à ces problèmes sous les trois angles susmentionnés (l'annexe H donne une description succincte de la méthodologie utilisée par l'OED pour son évaluation). Le chapitre 6 détaille l'assistance apportée par la BISD à la Jordanie, et le chapitre 7 présente une analyse sectorielle de cette aide. Les conclusions et recommandations de la Banque mondiale et de la BISD font l'objet du dernier chapitre.

Les observations détaillées formulées par les pairs à la suite de l'examen d'une version antérieure de ce rapport ont été extrêmement appréciées. Il a été tenu compte, dans l'évaluation, de ces observations ainsi que des autres commentaires reçus lors de la réunion d'examen de la direction de l'OED. Le rapport a également tenu compte des observations émanant des services de la Région. Les réponses données par le ministre jordanien du Plan concernant un avant-projet du rapport établi par l'OED (annexe K) et les documents de référence préparés pour cette évaluation ont été incorporées lorsqu'il y avait lieu dans le corps du rapport ou dans des

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Ministro. Los comentarios formulados por el Ministro sobre la versión preliminar del informe preparado por el DEO se han incorporado debidamente en el informe final del BISD.



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notes attribuées au ministre. Les observations formulées par celui-ci au sujet du projet de rapport établi par l'OED ont été dûment incorporées dans le rapport de la BISD.

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Executive Summary

This Country Assistance Evaluation was prepared in collaboration with the Islamic Development Bank. Jordan's socioeconomic development in the 1990s and the challenges facing the country were assessed jointly; each institution's assistance program was evaluated in parallel.

Jordan, a small lower-middle-income country, figures prominently in the geopolitics of the Middle East. Its open economy is based on few natural resources: only 6 percent of Jordan's land is arable and water availability ranks among the world's lowest, but mineral resources are significant (mainly potash and phosphate). This weak economic base is supplemented by large, though volatile, remittances from the one-third of the labor force that works in the Gulf countries. Half of Jordan's exports and a quarter of its imports are with its neighbors. This ties its fortunes firmly to those of the region, which has been beset by prolonged turmoil that has had a direct impact on Jordan's economy. The economy barely grew at the rate of its population growth rate during the 1990s, resulting in stagnant real per capita incomes.

The World Bank's estimate of Jordan's incidence of poverty increased from 3 percent in 1987 to 12 percent in 1997—a result of the loss of income and employment caused by the 1991 Gulf War—but it has leveled off in the past four years. However, there is controversy about the poverty incidence. Many Jordanian analysts, using various poverty lines and surveys, estimate poverty to be much higher than World Bank estimates. Health and education

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Resumen

Esta evaluación de la asistencia a Jordania se preparó en colaboración con el Banco Islámico de Desarrollo (BisD). El desarrollo socioeconómico de Jordania en el decenio de 1990 y los desafíos que afronta el país se evaluaron en forma conjunta; en cambio, el programa de asistencia de cada institución se examinó en forma paralela.

Jordania, un pequeño país de ingreso mediano bajo, ocupa un lugar prominente en la geopolítica de Oriente Medio. Su economía abierta se basa en un número reducido de recursos naturales: sólo el 6% de la tierra de Jordania es arable y la disponibilidad de agua es una de las más bajas del mundo, pero sus recursos minerales son importantes (principalmente potasa y fosfato). Esta exigua dotación económica se complementa con una cuantía elevada —aunque inestable— de remesas recibidas del tercio de la fuerza laboral que trabaja en los países del Golfo. La mitad de las exportaciones de Jordania se destina a sus países vecinos y el país recibe una cuarta parte de sus importaciones de estos mismos países. Por este motivo, su situación está estrechamente vinculada con la de toda la región, que se ha visto perjudicada por una prolongada agitación que ha incidido de manera directa en la economía de Jordania. La economía apenas se expandió a la par de su tasa de crecimiento demográfico durante el decenio de 1990, y ello se tradujo en un estancamiento de los ingresos reales per cápita.

La estimación del Banco Mundial respecto de la incidencia de la pobreza en Jordania aumentó del 3% en 1987 al 12%

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Résumé analytique

L'évaluation de l'aide à la Jordanie a été effectuée en collaboration avec la Banque islamique de développement. Le développement socioéconomique du pays dans les années 90 et les problèmes auxquels il est confronté ont fait l'objet d'une évaluation conjointe ; le programme de chacune des institutions a été évalué en parallèle.

Petit pays à revenu intermédiaire (tranche inférieure), la Jordanie occupe une place importante dans la géopolitique du Moyen-Orient. Son économie ouverte est fondée sur des ressources naturelles limitées: les terres arables représentent seulement 6 % de la superficie du pays et ses ressources en eau sont parmi les plus faibles au monde, cependant les ressources minières du pays sont importantes (potasse et phosphate pour l'essentiel). Cette faible assise économique est toutefois complétée par les envois de fonds importants, mais très fluctuants, des Jordaniens expatriés, qui représentent un tiers de la main-d'œuvre employée par les pays du Golfe. La moitié des exportations de la Jordanie et le quart de ses importations s'effectuent avec les pays voisins. La richesse du pays est donc étroitement liée à celle de la région, mais celle-ci est en proie à un conflit interminable qui a un impact direct sur l'économie de la Jordanie. Le taux de croissance économique du pays a tout juste suivi celui de la population pendant les années 90, de sorte que le revenu par habitant a stagné en valeur réelle.

D'après les estimations de la Banque mondiale, l'incidence de la pauvreté dans le pays est passée de 3 % en 1987

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indicators in Jordan compare favorably with those in other countries in the region at the same income level; challenges relate to improving efficiency and quality of services. Other challenges are accelerating growth and alleviating poverty,

reducing public spending and improving its efficiency, and enhancing the management of scarce water resources. Donor assistance to address these challenges is higher on a per capita basis than the regional average.

The World Bank's strategy since 1990, based on wide-ranging and influential analytic and advisory activities, was to support macroeconomic stabilization and pro-market structural reforms to foster growth. The increased focus on the social sectors was aligned with the Millennium Development Goals (MDGs). The strategy was relevant to the government's priorities, outlined in a series of five-year economic and social development plans.

The World Bank has had a relatively small role in financial assistance to Jordan. Annual average net disbursements for fiscal years 1990–2000 were US\$35 million, but net transfers were negative for most of the period. Policy-based lending, in conjunction with various IMF programs, accounted for 63 percent of total lending and addressed trade, agriculture, energy, financial, private sector, and, recently, public sector reform. Investment loans supported mainly human development and water projects.

Collaboration with the IMF supported Jordan's efforts to stabilize the economy, an impressive achievement given the 1989 debt crisis and the disruption caused by the 1991 Gulf War. The World Bank's programs, in particular, were successful in promoting policy reforms. Substantial tariff, trade, and financial sector reforms, together with the removal

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en 1997 —como resultado de las pérdidas de ingresos y puestos de trabajo causadas por la Guerra del Golfo de 1991—, pero se ha estabilizado en los últimos cuatro años. Sin embargo, hay controversia en cuanto a la incidencia de la

pobreza. Muchos analistas jordanos, usando diversas encuestas y umbrales de pobreza, estiman que ésta es mucho más elevada que las estimaciones del Banco Mundial. Los indicadores de salud y educación de Jordania se comparan favorablemente con los de otros países de la región de igual nivel de ingreso; los problemas se vinculan con el mejoramiento de la eficiencia y la calidad de los servicios. Otros desafíos se cifran en acelerar el crecimiento y aliviar la pobreza, reducir el gasto público y mejorar su eficiencia y realizar la ordenación de los limitados recursos hídricos del país. La asistencia de los donantes para abordar estos problemas es más elevada, per cápita, que el promedio regional.

La estrategia del Banco Mundial desde 1990, basada en una gama amplia e influyente de actividades de análisis y asesoramiento, tuvo por objeto apoyar la estabilización macroeconómica y las reformas estructurales favorables al mercado para fomentar el crecimiento. La mayor atención que se prestó a los sectores sociales se armonizó con los objetivos de desarrollo del milenio (ODM). Esta estrategia estuvo en consonancia con las prioridades enunciadas por el Gobierno en una serie de planes quinquenales de desarrollo económico y social.

El Banco Mundial ha desempeñado una función relativamente pequeña en la asistencia financiera a Jordania. La cuantía media anual de desembolsos netos durante los ejercicios económicos del período de 1990–2000 ascendió a US\$35 millones, pero las transferencias netas fueron negativas durante la mayor

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à 12 % en 1997 — à cause de la baisse des revenus et de l'emploi suite à la guerre du Golfe de 1991 —, mais elle s'est stabilisée durant les quatre dernières années. Selon beaucoup d'analystes jordaniens, qui se fondent sur divers seuils de pauvreté et

diverses enquêtes, la pauvreté est nettement plus importante que ce que ne laissent entrevoir les estimations de la Banque mondiale. Les indicateurs de santé et d'éducation soutiennent avantageusement la comparaison avec ceux des autres pays de la région qui ont un niveau de revenu identique ; encore faudrait-il améliorer l'efficacité et la qualité des services. Les autres défis que doit relever la Jordanie consistent à accélérer la croissance et atténuer la pauvreté, réduire les dépenses publiques et améliorer l'efficacité de ces dépenses, enfin adopter une gestion plus rationnelle des maigres ressources en eau du pays. Ramenée au nombre d'habitants, l'assistance fournie par les bailleurs de fonds pour aider le pays à faire face à ces problèmes a atteint un niveau plus élevé que la moyenne régionale.

La stratégie définie par la Banque mondiale depuis 1990, fondée sur une série de solides analyses et d'activités de conseil, visait à soutenir la stabilisation macroéconomique et les réformes axées sur les lois du marché en vue de stimuler la croissance. En vue de s'aligner sur les objectifs de développement pour le Millénaire (ODM), elle a mis davantage l'accent sur les secteurs sociaux. La stratégie sus-indiquée est conforme aux priorités retenues par les autorités dans toute une série de plans quinquennaux de développement économique et social.

La Banque mondiale a eu un rôle relativement modeste en matière d'assistance financière à la Jordanie. Le montant annuel moyen des décaissements nets pour les exercices 1990–2000 s'élevait à 35 millions de dollars EU, mais les

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of disincentives for investment and the privatization of government enterprises, were achieved. World Bank assistance also contributed to significant progress in the agriculture, water, and social sectors. Price controls for food, fruits, and vegetables were terminated, producer subsidies for wheat and barley were removed, and the land markets in the Jordan Valley were deregulated. With World Bank support, Jordan made excellent progress in almost all areas covered by the MDGs, and is likely to meet the target levels by 2015. However, these gains have been achieved in an inefficient manner and the cost in public expenditures has been relatively high.

The World Bank's program did not support a significant reduction in large government expenditures that the analytical work identified as problematic, but which the government was reluctant to address. Other important issues such as labor markets and poverty should also have received greater attention, especially since high unemployment and poverty were of major concern. New irrigation regulation did not significantly enhance water use efficiency or conservation. World Bank-supported private management in urban areas modestly improved water use efficiency, reduced costs, and significantly increased cost recovery. Overall, the outcome of the World Bank's relatively small assistance program in the 1990s is rated moderately satisfactory based on its substantial relevance and modest efficacy. As to the sustainability of the achievements, Jordan's vulnerability to adverse regional events remains high and the benefits of the World Bank's assistance face considerable risks. The World Bank's contribution to institutional development has, on average, been modest.

This evaluation recommends that

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parte de ese período. Los préstamos en apoyo a reformas de políticas, junto con diversos programas del Fondo Monetario Internacional, constituyeron el 63% del total del financiamiento y se destinaron a la reforma del comercio, la agricultura, la energía, el sector financiero, el sector privado y, recientemente, el sector público. Los préstamos para proyectos de inversión brindaron apoyo principalmente a los proyectos de desarrollo humano y abastecimiento de agua.

La colaboración con el Fondo Monetario Internacional respaldó los esfuerzos de Jordania por estabilizar la economía, un logro notable dada la crisis de la deuda de 1989 y los problemas causados por la Guerra del Golfo de 1991. Los programas del Banco Mundial, en particular, lograron promover reformas de políticas. Se introdujeron reformas sustanciales en los aranceles, el comercio y el sector financiero, junto con la eliminación de los desincentivos a la inversión y la privatización de empresas estatales. La asistencia del Banco Mundial contribuyó también a que se hicieran progresos importantes en la agricultura, el abastecimiento de agua y el sector social. Se abolieron los controles de precios de los alimentos, las frutas y las verduras y se eliminaron las subvenciones a los productores de trigo y cebada; además se liberalizaron los mercados inmobiliarios en el Valle del Jordán. Con el apoyo del Banco Mundial, Jordania hizo excelentes progresos en casi todas las esferas abarcadas por los ODM, y cabe presumir que el país alcanzará las metas previstas para 2015. Sin embargo, estos avances se han obtenido de manera ineficiente, con un costo relativamente elevado en términos de gasto público.

El programa del Banco Mundial no dio apoyo a una reducción significativa del cuantioso gasto público que se había considerado problemático en los traba-

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transferts nets étaient négatifs pendant la plus grande partie de cette période. Les prêts en faveur de réformes, octroyés à l'occasion de divers programmes du FMI représentaient 63 % du total. Ces prêts concernaient les échanges, l'agriculture, l'énergie, les finances, le secteur privé et, plus récemment, la réforme du secteur public. Les prêts d'investissement visaient pour l'essentiel à soutenir les projets axés sur le développement humain et l'eau.

La collaboration avec le FMI a permis de soutenir l'action engagée par la Jordanie pour stabiliser son économie. Les résultats dans ce domaine sont remarquables compte tenu de la crise de la dette survenue en 1989 et des perturbations provoquées par la guerre du Golfe de 1991. Les programmes de la Banque mondiale en particulier ont permis de promouvoir des réformes de politique économique. La Jordanie a pu ainsi engager d'importantes réformes concernant les droits de douane, le commerce et le secteur financier, en même temps qu'elle levait les obstacles à l'investissement et privatisait des entreprises publiques. L'assistance de la Banque mondiale a par ailleurs favorisé la réalisation de progrès substantiels dans l'agriculture, l'eau et le secteur social. Les mesures de contrôle des prix sur les produits de subsistance, les fruits et les légumes ont été levées, les subventions à la production pour le blé et l'orge ont été supprimées et les marchés fonciers de la Vallée du Jourdain ont été déréglementés. Avec le concours de la Banque mondiale, la Jordanie a pu réaliser des progrès remarquables dans presque tous les domaines couverts par les ODM et elle devrait atteindre les objectifs fixés en 2015. Toutefois, ce bilan a été obtenu de manière inefficace et le coût des dépenses publiques est relativement élevé.

Le programme de la Banque mondiale n'a pas contribué à une réduction

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future World Bank assistance focus on public expenditure restructuring, enhanced water management and conservation, and poverty reduction. Government expenditures could be reduced and the quality and efficiency of social expenditures,

especially those that many public expenditure reviews have identified as being poorly managed, could also be improved. The World Bank should support, in coordination with other donors, a comprehensive approach to water resources management: promoting incentives for more efficient use of water, upgrading infrastructure to reduce costs and high levels of water losses, and facilitating efficient investments. The World Bank should conduct a collaborative poverty analysis to reach a consensus on the incidence of poverty and to ensure a sound basis for future poverty reduction programs. Given high and persistent unemployment, a study of the labor market is needed to provide the basis for measures to reduce unemployment and alleviate poverty.

Jordan joined the Islamic Development Bank (IDB), along with 21 other pioneering members, on 12 August 1974 and is a major beneficiary of IDB's financing. The scope of the present Country Assistance Evaluation (CAE) was limited to the IDB's project financing activities. The CAE was intended to focus on the IDB's financing to Jordan, particularly in sectors where its financing has been substantial, such as industry and mining, public utilities, and health and education. The IDB's assistance to Jordan from various sources (ordinary operations, trade financing, and special assistance) amounted to US\$1.14 billion as of the end of 2002. Out of US\$450.378 million financed under ordinary operations, US\$355.84 million (or 79 percent) has been allocated to the three sectors, as mentioned

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jos analíticos, pero que el gobierno se mostraba renuente a abordar. También se debería haber prestado más atención a otros problemas importantes, como los mercados de trabajo y la pobreza, sobre todo porque el elevado nivel de desempleo y la

pobreza eran causa de gran preocupación. El nuevo reglamento de riego no mejoró considerablemente la eficiencia del uso o la conservación del agua. La ordenación privada apoyada con recursos del Banco Mundial en las zonas urbanas apenas mejoró la eficiencia en el uso del agua, abarató los costos y aumentó considerablemente la recuperación de costos. En general, los resultados del programa de asistencia del Banco Mundial en el decenio de 1990, que fue relativamente pequeño, se consideran moderadamente satisfactorios teniendo en cuenta su sustancial pertinencia y modesta eficacia. En cuanto a la sostenibilidad de los logros, la vulnerabilidad de Jordania a acontecimientos negativos en la región sigue siendo elevada y los beneficios de la asistencia del Banco Mundial corren riesgos considerables. La contribución del Banco Mundial al desarrollo institucional ha sido, por término medio, modesta.

En la presente evaluación se recomienda que la asistencia del Banco Mundial en el futuro se concentre en la reestructuración del gasto público, el mejoramiento de la ordenación y conservación del agua y la reducción de la pobreza. Se podría reducir el gasto público y también se podrían realzar la calidad y la eficiencia del gasto social, sobre todo de los gastos que, de acuerdo con un gran número de análisis del gasto público, se consideran mal administrados. El Banco Mundial debería apoyar, en coordinación con otros donantes, un enfoque completo de la ordenación de los recursos hídricos: promover incentivos para un uso más eficiente del agua,

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drastique des dépenses publiques, jugées excessives d'après les rapports d'analyse, mais que les autorités hésitaient à réduire. Il aurait fallu porter une attention plus grande à d'autres problèmes importants, tels que les marchés du travail et la pauvreté, deux

domaines qui du fait de leur ampleur, ont été une préoccupation majeure. La nouvelle réglementation de l'irrigation n'a pas véritablement contribué à une utilisation plus efficace des ressources en eau ou à leur conservation. Dans les zones urbaines, le transfert de la gestion de l'eau au secteur privé, opéré avec le soutien de la Banque mondiale, a permis d'améliorer dans une certaine mesure l'efficacité de l'utilisation de l'eau, de réduire les coûts et d'accroître sensiblement leur recouvrement. Globalement, le bilan du programme d'assistance relativement modeste de la Banque mondiale pendant les années 90 est jugé assez satisfaisant car malgré sa faible efficacité, il a pu répondre relativement bien aux besoins. Pour ce qui est de la durabilité des résultats obtenus, il convient de noter que la vulnérabilité de la Jordanie aux événements défavorables de la région demeure élevée et les effets positifs de l'assistance de la Banque mondiale sont exposés à des risques très importants. La contribution de la Banque mondiale au développement institutionnel a été dans l'ensemble plutôt modeste.

Les auteurs de cette évaluation préconisent de centrer à l'avenir l'aide de la Banque mondiale sur la restructuration des dépenses publiques, l'amélioration de la gestion et de la conservation des ressources en eau, et la lutte contre la pauvreté. Il est possible de réduire les dépenses de l'État et concomitamment d'améliorer la qualité et l'efficacité des dépenses sociales, en particulier celles que de nombreux examens des dépenses considèrent comme mal gérées. La Banque mondiale devrait, en coordina-

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above. The total amount disbursed by the Bank for projects and technical assistance operations approved in favor of Jordan up to the end of 2002 was ID 240.75 million, or about 70 percent of the net approved amount.

The IDB's assistance to Jordan was primarily targeted to the areas of industry and mining during the 1970s and 1980s to be in line with the priorities set by the government at that time. Emphasis gradually shifted to other segments of development, such as water resources, health care, and human resources development. According to official sources, IDB-financed projects in Jordan rank high in the government priorities. These projects were well designed and chosen to be consistent with the overall development goals of Jordan. The IDB's assistance has been acknowledged to be crucial for Jordan in the transfer of resources that had contributed to the growth of key sectors of the economy: industry and mining (increased phosphates and potash production), utilities (increased availability of water and electrical energy), and social services (provision for additional health services and education infrastructure).

Some of the IDB projects involving the industry and mining sector were financed by other donors, mainly the World Bank and the European Investment Bank. Because of the IDB's interventions and collaboration with other donors, mining and industry in Jordan has evolved into a strong and profitable sector with competent and forward-looking management. The water resources projects financed by the IDB have contributed to achieve the objectives of fulfilling the need for potable water and providing sewerage systems in some parts of the country. The IDB-financed power plants have also made

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mejorar la infraestructura para reducir los costos y los elevados niveles de las pérdidas de agua y facilitar unas inversiones eficientes. El Banco Mundial debería realizar un análisis de la pobreza con la colaboración de otros participantes para formar

consenso sobre la incidencia de ésta y sentar sólidas bases para los futuros programas de reducción de la pobreza. Habida cuenta del nivel elevado y persistente del desempleo, es imprescindible realizar un estudio del mercado laboral que sirva de fundamento para las medidas encaminadas a reducir el desempleo y aliviar la pobreza.

Jordania ingresó al Banco Islámico de Desarrollo (BIsD), junto con otros 21 miembros iniciales, el 12 de agosto de 1974 y es un importante beneficiario del financiamiento del BIsD. El alcance de la presente evaluación de la asistencia al país se limitó a las actividades de financiamiento de proyectos del Banco. La evaluación debía concentrarse en el financiamiento del BIsD a Jordania, en particular en los sectores en los que ésta había sido sustancial, como los sectores de industria y minería, servicios públicos y salud y educación. La asistencia del BIsD a Jordania procedente de diversas fuentes (operaciones ordinarias, financiamiento del comercio y asistencia especial) ascendía a US\$1.140 millones al fin de 2002. De los US\$450,378 millones correspondientes a operaciones ordinarias, US\$355,845 millones (79%) se han asignado a los tres sectores antes mencionados. El total desembolsado por el Banco con destino a proyectos y operaciones de asistencia técnica aprobados para Jordania hasta el fin de 2002 ascendía a DI 240,75 millones, o sea alrededor del 70% del monto neto aprobado.

La asistencia del BIsD a Jordania se orientó principalmente a los sectores de la industria y la minería en los decenios de 1970 y 1980 en consonancia con las

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tion avec d'autres bailleurs de fonds, soutenir une approche détaillée pour la gestion des ressources en eau : promouvoir des mesures incitatives destinées à accroître l'efficacité de l'utilisation de l'eau, améliorer l'infrastructure pour réduire les coûts

et le niveau élevé des déperditions d'eau, et encourager les investissements efficaces. La Banque mondiale devrait effectuer une analyse de la pauvreté en collaboration avec d'autres partenaires afin de réaliser un consensus sur les méthodes de calcul de l'incidence de la pauvreté et de jeter des bases solides pour les programmes futurs de réduction de la pauvreté. Étant donné l'importance et la persistance du chômage, il faudrait effectuer une étude du marché de l'emploi afin de définir les mesures à prendre pour réduire le chômage et atténuer la pauvreté.

Le 12 août 1974, la Jordanie est devenue membre de la Banque islamique de développement (BIsD), aux côtés des 21 autres pays fondateurs, est un bénéficiaire important des financements de cette institution. La présente évaluation n'a concerné que les activités de financement de projets de la BIsD. Elle devait étudier essentiellement les financements de la BIsD en Jordanie surtout dans les secteurs où ses concours étaient substantiels, tels que les mines et l'industrie, les services d'utilité publique, la santé et l'éducation. L'aide fournie par la BIsD via diverses sources (opérations ordinaires, financement du commerce extérieur et assistance spéciale) s'élevait à 1,14 milliard de dollars à la fin de 2002. Sur les 450,378 millions de dollars accordés au titre des opérations ordinaires, 355,84 millions de dollars (soit 79 %) concernent les trois secteurs susmentionnés. Les décaissements de la BIsD pour les projets et les opérations d'assistance technique approuvés en faveur de la Jordanie à la fin de 2002 s'élevaient à 240,75 millions

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significant contributions in improving electricity generation, distribution and transmission systems in Jordan. Furthermore, the IDB has been responsive to the needs of the education sector, mainly by providing assistance for construction and/or expansion of schools. The IDB has provided support for establishing several health care facilities. However, the overall results in terms of long-term policy reform have been below expectations. The health sector is still facing the problems of over-capacity in some hospitals, management inefficiency, and high costs inherent in public health facilities.

A major lesson learned from the CAE exercise for Jordan is that the IDB should be more involved at the preparation stage of projects. Provision for technical assistance financing, particularly for project design and preparation, should be intensified. Projects with financing gaps may be co-financed by the IDB with other financiers, such as the Co-ordination Group of Arab Funds and Multilateral Development Banks. The IDB should also intensify its efforts to extend assistance for capacity building of the executing agencies that have strong relationships with the IDB, particularly government agencies and non-governmental organizations (NGOs). Other lessons of experience highlighted by the CAE are: (a) the impact of the project on the economy as a whole should be assessed at the identification stage, prior to its inclusion in the project pipeline for the country, and (b) the status of preparation of individual projects and their readiness—concept stage, feasibility study, and detailed design—should be ascertained.

In the case of Jordan, the IDB may further contribute in financing projects in the areas of information technology and human resource development, in accordance with top priorities set mainly in

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prioridades determinadas por el gobierno en esa época. Esa orientación se modificó gradualmente a favor de otros sectores de desarrollo, como los recursos de agua, la atención de la salud y el desarrollo de los recursos humanos. Según fuentes oficiales, los proyectos financiados por el BIsD en Jordania tienen un lugar importante entre las prioridades del Gobierno. Estos proyectos se diseñaron y escogieron atinadamente para conformarse a las metas de desarrollo generales de Jordania. Se ha reconocido que la asistencia del BIsD ha sido crucial para Jordania en la transferencia de recursos que estimularon el crecimiento de sectores clave de la economía: la industria y la minería (aumento de la producción de fosfatos y potasa), servicios públicos (aumento de la disponibilidad de agua y energía eléctrica) y servicios sociales (suministro de servicios de salud adicionales e infraestructura para la educación).

Algunos proyectos del BIsD en el sector de la industria y la minería fueron financiados por otros donantes, principalmente el Banco Mundial y el Banco Europeo de Inversiones. Debido a las intervenciones del BIsD y a la colaboración con otros donantes, el sector de la industria y la minería de Jordania se ha transformado en un sector dinámico y rentable, con una gestión competente e imaginativa. Los proyectos sobre recursos hídricos financiados por el BIsD han contribuido a satisfacer las necesidades de agua potable y a instalar sistemas de alcantarillado en algunas partes del país. Asimismo, las centrales eléctricas financiadas por el BIsD han permitido mejorar los sistemas de generación, distribución y transmisión de electricidad en Jordania. Además, el BIsD ha atendido a las necesidades del sector de educación, sobre todo brindando asistencia para la construcción y ampliación de escuelas, y ha dado apoyo para ins-

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de dinars, soit 70 % des montants nets approuvés.

L'aide apportée par la BIsD à la Jordanie était essentiellement concentrée sur l'industrie et les mines pendant les années 70 et 80, conformément aux priorités établies à l'époque par les autorités jordaniennes. Puis la part relative de ces secteurs a progressivement diminué au profit d'autres domaines du développement tels que les ressources en eau, les soins de santé et la valorisation des ressources humaines. Selon des sources officielles, les projets financés par la BIsD en Jordanie occupent une place importante dans les priorités du gouvernement. Ces projets ont été bien conçus et choisis de manière à répondre aux objectifs de développement généraux du pays. L'assistance de la BIsD est jugée comme étant d'une importance capitale pour la Jordanie grâce au transfert de ressources qui a favorisé la croissance de secteurs essentiels de l'économie : l'industrie et les mines (augmentation de la production des phosphates et de la potasse), les services d'utilité publique (amélioration de l'approvisionnement en eau et en électricité) et des services sociaux (élargissement de la gamme des services de santé offerts et de l'infrastructure de l'éducation).

Certains des projets de la BIsD réalisés dans le secteur de l'industrie et des mines ont été financés par d'autres bailleurs de fonds, principalement la Banque mondiale et la Banque Européenne d'Investissement. Grâce aux interventions de la BIsD et à sa collaboration avec d'autres donateurs, l'industrie et les mines sont devenues un secteur solide et rentable, qui est géré de façon compétente et orienté sur l'avenir. Les projets de ressources en eau financés par la BIsD ont contribué à réaliser les objectifs en matière de satisfaction des besoins en eau potable et à mettre en place des réseaux d'assainissement dans certaines régions

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Jordan's new Economic and Social Transformation Program. These contributions may be made, in addition to its continued support to the industrial, infrastructure, and social sectors. As part of its future assistance agenda, the IDB could consider investing in non-conventional water resources (such as wastewater infrastructure and dam construction), as well as water demand management projects such as water loss reduction and rehabilitation and restructuring of the existing water network. Greater emphasis should also be given to the areas of maintenance, training, and capacity building of water sector institutions. Furthermore, the IDB could target its future assistance to projects that serve the agricultural strategy in Jordan, especially in the areas of rainfed land and water harvesting. Finally, lines of micro-finance facilities may be extended to local banks for the development of small farms in the country.

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calar varios establecimientos de atención de salud. Sin embargo, los resultados globales, en términos de reformas de políticas a largo plazo, han sido inferiores a las expectativas. El sector de la salud encara todavía problemas de capacidad excedentaria en algunos hospitales, ineficiencia en la gestión y los elevados gastos propios de los establecimientos de salud pública.

Una lección importante extraída del proceso de la evaluación de asistencia a Jordania es que el Banco debería participar más en la etapa de preparación de los proyectos. Se deberían aumentar los recursos para financiar la asistencia técnica, en particular para el diseño y la preparación de proyectos. Los proyectos con insuficiencias de financiamiento pueden ser cofinanciados por el BIsD junto con otras fuentes de financiamiento, como el Grupo de Coordinación de Fondos Árabes y bancos multilaterales de desarrollo. El Banco debería intensificar también sus esfuerzos por brindar asistencia para el fortalecimiento de la capacidad de los organismos de ejecución que tienen relaciones estables con el BIsD, en particular los organismos del sector público y las organizaciones no gubernamentales (ONG). Otras lecciones de la experiencia destacadas por la evaluación de asistencia son las siguientes: a) el efecto del proyecto sobre la economía en general se debería evaluar en la etapa de identificación antes de su inclusión en el plan de proyectos en tramitación para el país, y b) se debería determinar el estado de la formulación de cada proyecto y su grado de preparación: etapa de conceptualización, estudio de viabilidad y diseño detallado.

En el caso de Jordania, el BIsD puede hacer mayores contribuciones al financiamiento de proyectos en las esferas de la tecnología de la información y el desarrollo de los recursos humanos, de acuerdo con las máximas prioridades

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du pays. Les projets d'électricité qu'elle a financés ont également contribué de manière notable à améliorer les réseaux de production, de distribution et de transport d'électricité en Jordanie. En outre, la BIsD a été sensible aux besoins du secteur de l'éducation, notamment en apportant une aide à la construction et l'expansion d'écoles. Elle a participé à la mise en place de plusieurs établissements de soins de santé. Toutefois, les résultats globaux en termes de réformes à long terme du secteur ne sont pas à la hauteur des prévisions. Le secteur de la santé est toujours confronté à divers problèmes : surcapacité dans certains hôpitaux, inefficacité de la gestion et coûts élevés inhérents aux installations de santé publique.

L'enseignement important qui se dégage de cette évaluation de l'aide à la Jordanie est que la Banque devrait participer davantage à la phase de préparation des projets. Il faudrait accroître les financements au titre de l'assistance technique, particulièrement au stade de la conception et de la préparation des projets. Les projets dont le financement n'est pas totalement couvert pourraient être cofinancés par la BIsD et d'autres bailleurs de fonds tels que le Groupe de Coordination des Fonds Arabes et les Banques Multilatérales de Développement. La BIsD devrait aussi intensifier ses appuis institutionnels aux agences d'exécution qui ont d'étroites relations avec elle, en particulier les organismes publics et les organisations non gouvernementales (ONG). Deux autres enseignements se dégagent de l'évaluation de l'aide à la Jordanie : i) il faudrait évaluer l'impact du projet sur l'économie dans son ensemble au stade de l'identification, avant même de l'inclure dans le portefeuille des projets ; et ii) il faudrait s'assurer de l'état de préparation de chaque projet : stade conceptuel, étude de faisabilité et avant-projet détaillé.

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enunciadas principalmente en el nuevo Programa de Transformación Social y Económica de Jordania, además de continuar su apoyo a los sectores de la industria y la infraestructura y al sector social. En el marco de su futuro programa de asistencia, el

BIsD podría considerar la posibilidad de efectuar inversiones en recursos hídricos no convencionales (como la infraestructura de aguas servidas y la construcción de presas), así como en proyectos de ordenación de la demanda de agua, tales como los proyectos de reducción de las pérdidas de agua y los proyectos de rehabilitación y reestructuración de la red de agua existente. Se debería hacer más hincapié también en los aspectos de mantenimiento, capacitación y fortalecimiento de la capacidad de las instituciones del sector del agua. Además, el BIsD podría focalizar su futura asistencia en proyectos que coadyuven a la estrategia agrícola en Jordania, sobre todo en las esferas de las tierras de secano y la captación de agua. Por último, se podrían conceder líneas de microfinanciamiento a los bancos locales para el desarrollo de pequeñas explotaciones agrícolas en el país.



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Dans le cas de la Jordanie, la BIsD peut aussi contribuer au financement des projets dans les domaines de la technologie de l'information et de la valorisation des ressources humaines, conformément aux principales priorités énoncées essentiellement dans

le nouveau Programme de transformation économique et sociale du pays. Elle pourrait faire ces contributions tout en continuant d'apporter une aide à l'industrie, aux infrastructures et aux secteurs sociaux. Dans le cadre de son futur programme d'assistance, la BIsD pourrait étudier la possibilité de s'impliquer davantage dans des activités non classiques du secteur de l'eau (telles que les équipements pour le traitement des eaux usées et la construction de barrages), ainsi que dans des projet liés à la gestion de la demande de l'eau, telles que la réduction des pertes d'eau ainsi que la restructuration du réseau actuel de l'eau. Il faudrait aussi mettre davantage l'accent sur la maintenance, la formation et le renforcement des capacités des institutions du secteur de l'eau. La BIsD pourrait en outre centrer son assistance future sur les projets qui servent la stratégie agricole de la Jordanie, en particulier dans les domaines de l'agriculture pluviale et de la collecte de l'eau. Enfin, des facilités pourraient être accordées à des banques locales pour l'octroi de microcrédits afin de faciliter le développement de petites exploitations agricoles dans le pays.

ABBREVIATIONS AND ACRONYMS

AAA	Analytic and advisory activities
APC	Arab Potash Company
ARC	Aqaba Railways Corporation
ASAL	Agricultural Sector Adjustment Loan
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CASS	Country Assistance Strategy Study
CEM	Country Economic Memorandum
CIP	Community Infrastructure Project
COD	Country Operations Department
DRS	Debt reporting system
EC	European Community
EFF	Extended Fund Facility
ERDL	Economic Reform and Development Loan
ESAL	Energy Sector Adjustment Loan
ESW	Economic and sector work
EU	European Union
FY	Fiscal year
GDP	Gross domestic product
GNP	Gross national product
IBRD	International Bank for Reconstruction and Development (World Bank)
ID	Islamic dinar
IDA	International Development Association
IDB	Islamic Development Bank
IDI	Institutional development impact
IFC	International Finance Cooperation
IMF	International Monetary Fund
ITPAL	Industry and Trade Adjustment Loan
JBC	Jordan Bromine Company
JCFC	Jordan Cement Factories Company
JD	Jordanian dinar
JMC	Jordan Magnesia Company
JPMC	Jordan Phosphate Mines Company
JVA	Jordan Valley Authority
Kfw	Kreditanstalt für Wiederaufbau (German Agency for Reconstruction)
MDF	Mediterranean Development Forum
MIGA	Multilateral Investment Guarantee Agency
MNA	Middle East and North Africa Region
MDGs	Millennium Development Goals
NAF	National Aid Fund
NEPCO	National Electric Power Company
NGO	Nongovernmental organization
OCR	Ordinary capital resources
OED	Operations Evaluation Department, World Bank
OEO	Operations Evaluation Office, Islamic Development Bank
PER	Public Expenditure Review

PSA	Private Sector Assessment
PSRL	Public Sector Reform Loan
QAG	Quality Assurance Group
QIZ	Qualified Industrial Zone
SBA	Stand-by Arrangement
SPP	Social Productivity Program
TA	Technical assistance
UNRWA	United Nations Relief Works Agency
USAID	United States Agency for International Development
WAJ	Water Authority of Jordan
WBI	World Bank Institute
WTO	World Trade Organization

Note: All \$ (dollar) figures in this evaluation refer to U.S. dollars, unless otherwise stated.



Jordan's Socioeconomic Development

Geopolitical Situation

Jordan's geography and history have directly affected its socioeconomic development. Established from parts of the Ottoman Empire at the end of World War I, Jordan became an independent monarchy in 1946. Over the following decades, Jordan's borders shifted following major developments in its politically charged region.

Its population rose following many waves of migration—450,000 immigrants from Palestine (1948–50); 400,000 immigrants from the West Bank and Gaza (1967); and 300,000 Jordanian nationals from Gulf States following the 1991 Gulf crisis. The migration, coupled with a high natural growth rate, led to an annual population growth rate of 4.4 percent during 1979–94 (Jordanian Department of Statistics 2001). Although the population growth rate is falling, it is still one of the highest in the world. Jordan's population of 5.3 million is expected to double in about 20 years, which will have serious implications for future socioeconomic development, requiring heavy investments in social services and straining limited natural resources, especially water. Jordan is one of the most water-scarce countries in the world. The country shares both surface and groundwater resources with other water-deprived nations in the region, creating a set of complex relationships.

The Kingdom is a constitutional monarchy with executive authority vested in the King and

the Council of Ministers. The King appoints the Council (cabinet), which is led by the Prime Minister. The cabinet is responsible to the Chamber of Deputies. The bicameral National Assembly has legislative power: The 110-member Chamber of Deputies is elected to a four-year term and the King appoints the 55-member Senate. The current Parliament elected in 1997 was dissolved in June 2001. After two postponements amid uncertainties created by escalating regional conflicts, new elections were scheduled for spring 2003, but took place in June 2003.

The Cold War, Arab-Israeli conflict, and the Gulf oil boom all contributed to high levels of grants and concessional loans to Jordan between 1973 and 1982. Economic growth averaged 10 percent yearly, but dropped sharply in 1983 with declining foreign grants, remittances, and exports to the region. Average annual growth during 1983–89 was less than 1 percent per year. To maintain the same consumption levels, Jordan borrowed externally and ran sizable

budget deficits. By 1989, Jordan was unable to meet its external obligations, precipitating a crisis that led to an International Monetary Fund (IMF)/World Bank-supported stabilization program and a major Paris Club debt rescheduling. The adjustment was successful: The fiscal deficit and inflation fell and most prices became market determined. Economic recession, however, significantly reduced real per capita income (table 1.1), and with the advent of the 1991 Gulf crisis, Jordan's aid and trade were further disrupted. This, combined with a high rate of population growth, has led to stagnant per capita incomes for the past two decades.

Economic Developments in the 1990s

A small, lower-middle-income country, Jordan had a per capita income of \$1,750 in 2001 (Atlas method). About 92 percent of its land is semi-arid, and the arable land (6 percent) is subject to the vagaries of water availability. Other natural resources are limited. This has led to reliance on migration to the oil-producing Arab countries of about one-third of the labor force, mainly skilled and semiskilled workers. Worker remittance inflows amounted to about 20 percent of gross domestic product (GDP) in 2000. Imports are about two-thirds and exports about one-third of GDP, reflecting Jordan's small size and its openness. The large trade deficit is almost offset by worker remittances and foreign grants. Given that cultivable land is limited, agriculture

(crops and livestock) is arduous, contributing about 4 percent of GDP in 2000 (Central Bank of Jordan 2000). Services (mainly transport, communications, real estate, and business-related services) dominate the economy, accounting for more than two-thirds of GDP in 2000. The contribution of the secondary sectors (predominately mining—processing of phosphates and potash—manufacturing, and construction) amounted to 30 percent of GDP.

The economy barely grew at the rate of its population during the late 1990s, resulting in declining real per capita incomes.¹ Investment remained low. Government investment continued to decline, reaching 6 percent of GDP in 1999.² Although private investment rose to 26 percent of GDP in 1993 (most in housing of expatriate workers returning after the Gulf crisis), it declined later by more than half. Nonhousing private investment languished at around 5 percent of GDP for over a decade (1985–95), but has since risen slowly to about 8 percent of GDP.

Poverty and Social Conditions

Jordan's incidence and intensity of poverty is significantly higher than prevailed in the late 1980s (table 1.1). In the early 1990s, the Gulf crisis disrupted economic growth and employment in the region and caused the return of many migrant workers, leading to a surge in unemployment and poverty. The number of poor increased sixfold during 1987–92 and remained

Table 1.1 Poverty Trends in Jordan, 1987–01

	1987	1992	1997	1999 (projected)	2000 (projected)	2001 (projected)
Incidence: Headcount index (% of population)	3.0	14.4	11.7	12.0	11.8	11.6
Number of poor people (000's)	85	554	538	564	578	585
Intensity: Poverty gap (% of poverty line)	0.3	3.6	2.5	—	—	—
Inequality: Gini coefficient	0.36	0.40	0.36	0.36	0.36	0.36
GDP per capita index (1987=100)	100	78.7	81.4	81.3	81.9	82.6

— Not available.

Sources: Shaban, Abu-Ghaida, Al-Naimat 2001, table 8, p. 25; Adams and Page 2001, Annex 2, table 2b; for projections see World Bank 2002, p. 11.

unchanged until 1997; available evidence suggests it has leveled off in the past four years. Inequality, as measured by the Gini coefficient, did not change between 1987 and 1997. The poverty incidence was higher in rural areas (18 percent) than in urban areas (10 percent) in 1997 (Annex B, table B.2). The two household surveys in 1992 and 1997 showed that the unemployed had the highest incidence of poverty, at 16.4 and 26.3 percent respectively (Shaban, Abu-Ghaida, and Al-Naimat 2001).³ The incidence of poverty is estimated at 11.6 percent, although high population growth has increased the number of the poor by 47,000 in the last four years.

There is considerable controversy about the level of Jordan's poverty. Many Jordanian analysts, using various poverty lines and surveys, estimated poverty to be much higher than Bank estimates.⁴ The Jordanian Ministry of Social Development (2002), in *Poverty Alleviation for a Stronger Jordan: A Comprehensive National Strategy*, noted that "Depending upon the poverty line used, anywhere from 15 to more than 30 percent of the population falls below that line." Regardless of which estimate is used, it is clear that Jordan's poverty is still sufficiently high to cause considerable concern and to underline the urgency of ensuring that policies and strategies are defined to reduce poverty.

Jordan has made excellent progress in developing its human capital over the last 25 years (figures 1.1–1.3), although these achievements have been accomplished at high cost and with considerable inefficiency. The country's social indicators are better than average for Middle East and North Africa (MNA) countries, as well as for other middle-income countries (table 1.2). For example, Jordan has one of the lowest illiteracy rates in MNA and among lower-middle-income countries. During the past 25 years, life expectancy at birth has risen from 60 to 71 years. Infant mortality fell by nearly 50 percent, and, although fertility rates are declining, the annual natural growth rate is still high because of the increase in the number of women entering their peak childbearing years. *The Human Development Report* ranks Jordan 88 out of 162 countries based on its human development index, ahead of other MNA countries at similar income levels

(UNDP 2001).⁵ Nevertheless, this progress has been achieved in a costly manner: health and education expenditures are 9.1 percent and 5.6 percent of GDP, compared with a MNA average of 4.3 percent and 4.5 percent. In consequence, there is excess capacity in facilities and personnel. For example, Jordan has 1.6 physicians per thousand population, twice the MNA average, and 1.7 beds per thousand population. But the hospital occupancy rate is only 63 percent, well below a generally accepted norm of 80 percent (World Bank 1997). Therefore, a key challenge for the Jordanian economy is improving the efficiency of social services to preserve its social gains, while at the same time reducing expenditure levels to support macrostability and growth.

Improvements in the quality of life in Jordan have not always been evenly distributed between males and females (table 1.2). Compulsory education for girls and boys through grade 10, combined with child labor laws, has helped bridge the gap between female and male school enrollment rates. Yet women's participation in economic activities and community leadership is still low, constrained by social norms and discriminatory practices.⁶ According to the 1997 Income and Expenditure Survey, women's unemployment rate (35 percent) is more than twice the rate for men (14 percent), and when employed, they earn only 80 percent of men's wages. No woman was elected to the 1997 Chamber of Deputies (Parliament), and only three women were chosen to be members of the nonelective Senate.⁷ In the 1999 municipal elections, only eight women were elected as council members, and none as mayor of the 304 municipalities.

External Debt and Assistance

Jordan remains heavily indebted—a legacy of macropolicies pursued in the late 1980s—despite debt forgiveness, rescheduling, and government buyback.⁸ The ratio of total debt to GDP stood at 105 percent in 2000 (although it had declined drastically from its 1991 level of 180 percent). External debt amounted to 84 percent of GDP in 2000. The ratio of debt-service payments to exports of goods and services (liquidity ratio) also fell to 15 percent in 1999.⁹ However, debt-rescheduling agreements have left Jordan with

Figure 1.1 Gross Primary Enrollment

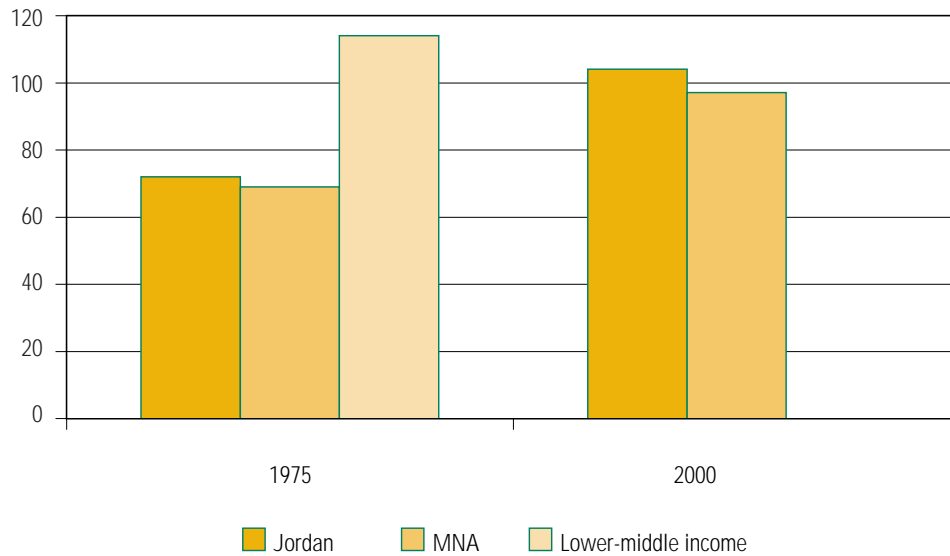
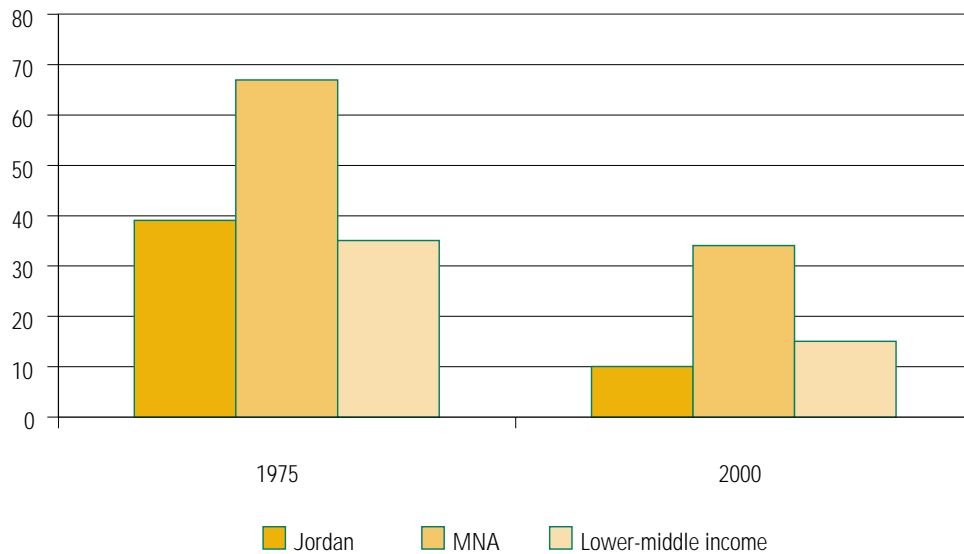
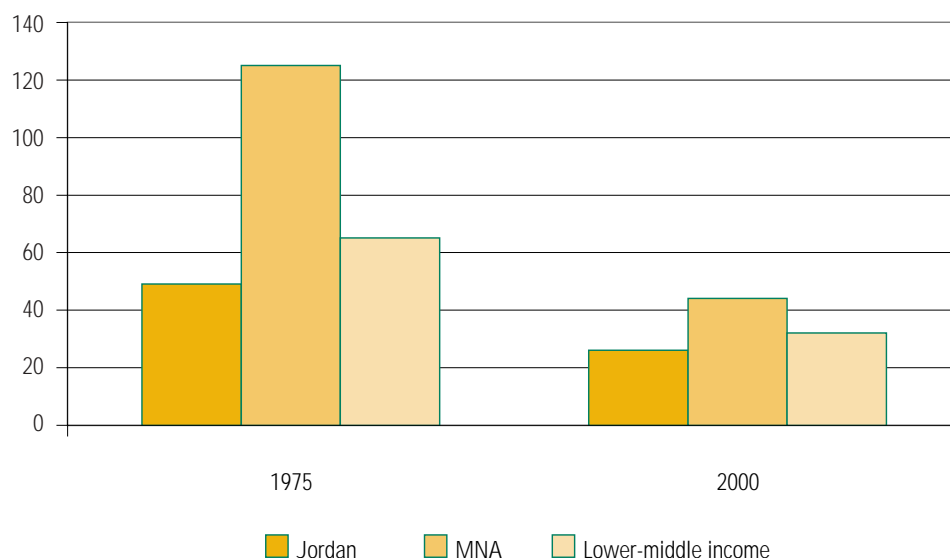


Figure 1.2 Illiteracy



an inflexible debt-service profile that persists over the medium term.¹⁰ This inflexible debt profile implies that cautious macroeconomic and debt management is warranted because, if debt-service difficulties do arise, options for restructuring debt will be extremely constrained. Jordan's

vulnerability to external shocks is offset, to some extent, by a high level of official reserves, which rose substantially, from \$0.4 billion at end-1995 to \$2.6 billion at end-2001 (seven months of imports). However, with a large fiscal deficit and high external debt ratios, Jordan remains vul-

Figure 1.3 Infant Mortality

Table 1.2

Selected Human Development Indicators in Jordan and Comparator Countries

	Jordan		Middle East and North Africa		Lower and middle income
	1975–80	1999–00	1975–80	1999–00	1999–00
Life expectancy (years)	60	71	46	68	69
Total fertility rate (births per woman)	8.0	4.0	6.6	3.0	2.0
Infant mortality (per thousand births)	49	26	125	43	33
Access to an improved water source (% population)	..	96	69 ^a	89	80
Gross primary enrollment (% of school-age population)	72	104	69	97	107
Male	79	104	..	103	107
Female	65	104	..	90	107
Gross secondary enrollment (% of age group)	48	93	29	64	70
Adult illiteracy (% of pop. 15 years and above)	39	10	67	34	15
Male	22	5	56	24	9
Female	56	16	77	46	21

.. Not available.

Note: Data refer to the most recent year available during the period specified.

a. Figures are from 1980.

Source: World Bank, World Development Indicators, various years; details in Annex B, tables B.4 and B.5.

nerable to adverse events in a volatile region. While the budget deficit is quite high, about one-half of the deficit (3.5 to 4 percent) has been covered by external grants over the years.

Largely due to its political importance, Jordan received large net financial flows (including grants and private flows), averaging \$622 million annually (10 percent of GDP) over the 1990–99 period (table 1.3). Jordan received an annual average of \$150 per capita in net flows from 1990 to 1999, exceeding those for other MNA countries at similar income levels. The Bank has had a relatively small but stable role in assistance to Jordan, with its share of net flows about 7 percent (\$9 per capita annually) for the 1990s. The share of other donors, such as the United States and the European Union (EU),

nearly doubled in the 1995–99 period, following the October 1994 peace agreement between Jordan and Israel.¹¹ Also, Jordan is one of the largest recipients of Islamic Development Bank (IDB) assistance, with \$450 million in project financing since 1976 (or \$4 per capita annually). Assistance has become an important part of a comprehensive political and economic relationship, which has many dimensions, such as the Middle East peace process and trade accords. For example, the 2001 U.S.-Jordan Free-Trade Agreement eliminates tariffs and other trade restrictions between the two countries. Jordan’s 1999 Euro-Mediterranean Association Agreement with the EU is expected to lead to a gradual establishment of a free-trade zone in 2010.

Table 1.3

Jordan: Net Receipts of External Financial Resources, 1990–99 (yearly averages)

	1990–99		1990–94		1995–99	
	(\$m)	%	(\$m)	%	(\$m)	%
Total receipts, net ^a	622	100	564	100	679	100
IBRD	41	7	29	5	53	8
EC/EU	143	23	95	17	191	28
Germany	59	10	75	13	43	6
Japan	161	26	174	31	147	22
United States	135	22	95	17	175	26
Arab countries and agencies	44	7	87	15	1	0

a. Total includes both official and private flows, from all sources, excluding the Islamic Development Bank.

Note: IBRD = International Bank for Reconstruction and Development; EC/EU = European Community/European Union.

Source: OECD 2003; details in Annex C, table C.1.



Development Priorities and Constraints

Accelerating Broadly Shared Economic Growth to Reduce Poverty: A Top Priority

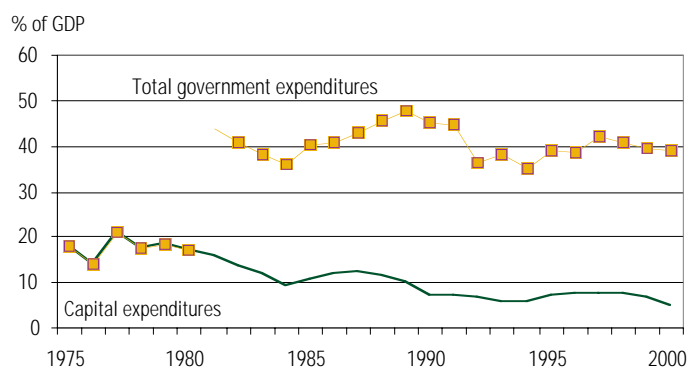
Poverty reduction remains the top priority for the government, and a National Strategy for Poverty Alleviation was launched in May 2002. Declining economic growth rates, coupled with rapid population growth, have contributed to a greater number of Jordanians living in poverty. Although GDP per capita growth performance in 2000–01 is better than in 1996–99, it is still modest (about 1 percent), and insufficient to make significant gains in employment and poverty reduction. Along with a higher pace of economic growth, improvements are needed in the quality of growth to ensure broader participation along with poverty targeting.

Large and Inefficient Government Expenditures

Jordan's government expenditures, hovering around 40 percent of GDP for the past two decades, are higher than in comparable countries, even allowing for Jordan's greater military expenditures.¹ Expenditures rose in the 1970s, financed by grants from Jordan's neighbors during the oil boom. But when these grants declined, the Jordanian government reduced capital, not current spending (figure 2.1). Besides the military, large government expenditures are allocated to wages, pensions, and interest payments (7, 5, and 4 percent of GDP, respectively) (IMF 2000). In addition, the composition and efficiency of expenditures are of concern. Despite employing 40 percent of the labor force, the public sector remains a poor provider of public services to

households and businesses (World Bank data). The civil service has traditionally served as a source of employment for the fast-growing labor force. The rise in public sector employment contributed to the decline in labor productivity in utilities such as water and power (World Bank 1994, p. 13) and needed infrastructure investment has been neglected for decades. It also led to rising pension expenditures, with an annual growth rate of about 10 percent. Government salaries (including all benefits) exceed those in the private sector in most grades.² The persistently high unemployment rate of around 14 percent may be partly because of government-induced rigidities (in 2002 the government raised the already binding monthly minimum wage from Jordanian dinar (JD) 80, or \$112, to JD 85, or \$120).³ Important priorities include reducing the size of the

Figure 2.1 Jordan: Government Expenditures Composition as Percentage of GDP



public sector, containing the wage bill, separating public sector employment from welfare, and enhancing the level and quality of public services to better position Jordan to attract investments. Without these, domestic savings and private investment will remain anemic, with adverse effects on economic growth. Recently, the government launched a public sector reform program with the support of the Bank, as discussed in Chapter 3.

Water is Scarce and Inefficiently Used

Agriculture, high population growth, and urbanization place enormous pressure on the Kingdom’s scarce water resources. On a per capita basis, freshwater availability in Jordan ranks among the world’s lowest.⁴ Currently, agriculture consumes about 66 percent of water, despite its 4 percent share of GDP, and a rural population that accounts for only 21.3 percent of the total population. Despite scarcity, water use efficiency is low, with high levels of unaccounted-for-water and low levels of cost recovery. In the Jordan Valley, even with considerable external assistance to improve agricultural water management and infrastructure, and a policy to charge for water, about 45 percent of irrigation water is lost because of inaccurate metering, theft, and the use of water for flushing salt buildup in the soil. Conversely, private pumping of groundwater for agriculture in the highlands is effectively free because of a lack of political will to apply regulations on use.⁵ In Amman, the Water

Authority of Jordan (WAJ) loses about half the water supplied (best practice is considered to be less than 15 percent), and cost recovery is low because of losses and inadequate tariffs, resulting in large government subsidies to WAJ that exceed 1 percent of GDP (World Bank internal data). The government has devoted effort to addressing water issues (Annex J), but further actions are needed to increase water use efficiency and strengthen water institutions, including organizational and administrative reforms, cost recovery, and enhancement of wastewater to allow greater reuse in agriculture and industry. Institutional reforms have started, catalyzed by the private management contract for Amman, but the pace is not commensurate with the rapidly growing supply problem.

Human Capital Development: A Parallel Priority to Growth

Jordan is not well endowed with natural resources and developing its human capital has traditionally been emphasized. While average indicators of literacy and health are good, the profile of the poor indicates that the educational attainment of the household is well below average and directly affects the incidence of poverty. An analysis of the poverty profiles for 1992 and 1997 shows that a lower level of education strongly correlates with higher poverty.⁶ Also, Jordan’s young population (37.8 percent under age 15 in 2002), coupled with the high population growth rate, creates considerable demand for social services.⁷ While

the government has expanded and developed the education sector, challenges relate to reviewing the cost efficiency of the educational system at all levels, addressing priorities for future educational development, and vastly improving the quality of education. Jordan spends a generous amount (9.1 percent of GDP) on health (well in excess of most middle-income and even some industrial countries), yet there is still room for improving the efficiency and equity of the health system. Twenty percent of the population lacks formal insurance coverage, although they can receive health services from the public sector at

highly subsidized prices. Households where the main provider is in poor health are concentrated in the lowest part of the income distribution. For example, a survey in 1996 showed that one in three households in the bottom decile of the population include a main provider with chronic health problems, as opposed to only 7 percent of the highest-income households (Hanssen-Bauer, Pedersen, and Tiltne 1998). The coverage of traditional public health services—sanitation, water safety, and immunization—is not yet quite universal; about 40 percent of the poorest decile lack toilets and a quarter rely on unsafe water.



World Bank Services and Products

This chapter evaluates Bank services and products deployed to help Jordan address its development priorities. These include nonlending assistance (policy dialogue and strategic advice and economic and sector work [ESW]) and lending. This evaluation concludes that the Bank's analyses and advice were sound, with few exceptions. Jordan's project ratings have been high relative to all projects Bankwide and to other countries in the MNA Region. Ongoing lending is less risky than average for the Bank's portfolio.

Nonlending Assistance

Policy Dialogue and Strategic Analysis

World Bank programs were guided by Country Assistance Strategy (CAS) documents (box 3.1), with a consistent objective of promoting rapid, equitable, and sustainable private sector and export-led growth, through three main themes:

- Improve the macroeconomic situation, in collaboration with the IMF, through structural reforms in trade, the financial sector, and the regulatory environment, enterprise reforms, and privatization.
- Address critical infrastructure constraints to growth, particularly in water and energy, with an effort to induce private sector participation.
- Address human resource constraints efficiently in education, health care, and social protection.

World Bank strategies were relevant and consonant with Jordan's development priorities outlined in a series of five-year economic and social development plans (Ministry of Planning 1993, 1999). For example, the 1993–97 plan was aimed at private sector and export-led growth founded on maintaining macroeconomic stability while liberalizing trade, deepening the financial sector, and enhancing the regulatory framework. The 1994 Country Economic Memorandum (CEM; World Bank 1994a) commented that the 1993–97 plan, which emphasized monetary and fiscal stability as a basis for growth, also required structural reforms. These reforms in trade, banking, and public enterprises were the main thrust of the World Bank's 1995 country strategy. The World Bank's 1999 country strategy coincided with the recent 1999–03 five-year development plan that sought to raise the rate of economic

Box 3.1

World Bank Strategies

1993 World Bank Strategy: An outward-oriented and private sector-led growth strategy

Goals. The 1993 strategy complemented the IMF stabilization program with structural reforms designed to address 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) reducing poverty, slowing population growth, and protecting the environment; and (c) mobilizing external financing on concessional terms. The IMF Stand-by Arrangement (SBA)/Extended Fund Facility (EFF) supported the earlier stabilization and reform measures during 1988–94.

Assistance program. The lending program averaged about \$100 million per year. It included two quick-disbursing sector adjustment loans (FY94 Energy and FY95 Agriculture), constituting 55 percent of the lending volume, and three investment operations—industry/energy, transport, and health. Other than sector reports to provide the foundation for the energy and agriculture adjustment loans, the other sector work programmed was a poverty assessment.

1995 World Bank Strategy: A renewed focus on promoting a rapid, outward-oriented private sector-led growth strategy

Goals. The objective for the 1995 strategy 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) introducing trade, financial, regulatory, and public enterprise reforms and privatization measures necessary to establish an enabling environment for sustainable growth and to reduce poverty and unemployment; (b) addressing critical infrastructure constraints, such as water, with an effort to introduce private sector participation; and (c) addressing human resource constraints more efficiently in education, health care, and family planning and to assist in protecting the poor during economic adjustment.

Assistance program. Under the base case scenario, including adjustment operations, lending averaged \$140 million per year during fiscal years (FY) 1996–99 (a 40 percent increase from its level in the previous strategy), placing Jordan near the top of all borrowers in per capita terms (at \$33 per year). The base case scenario assumes adherence to the IMF EFF program and

growth. The plan articulated the goals more clearly than it articulated how the government would achieve them.¹ The plan's measures—for example, privatization and upgrading infrastructure, especially water—echo the Bank's country strategy. Similarly, the World Bank's 2002 country strategy reflects Jordan's development priorities as outlined in the Social and Economic Transformation Program. The increased focus on the social sectors in the Bank strategies has been appropriate and is reasonably aligned with the Millennium Development Goals (MDGs).

The World Bank's advice and analyses were generally sound, although some exceptions are mentioned below. Jordan is a small country, and opening it to trade was appropriately emphasized as the high tariff and nontariff barriers of the 1980s were distortionary. Quantitative restric-

tions covered 40 percent of domestic manufacturing and more than 65 percent of import value, and replacing them with low and uniform tariffs, was the right approach. Trade hurdles were lowered only slowly and after being painfully negotiated with the Bank under its first policy-based lending. The Bank's view at the time (not just for Jordan, but also in other countries) was that trade should be freed gradually and be complemented by credit lines for industrial recovery.

Similarly, the Bank's analysis and its recommendations on privatization and private sector development were sound. The 1994 CEM was followed by a short but comprehensive Private Sector Assessment (PSA) in 1995. The main constraint on the private sector was a slew of regulations that delayed investments and increased their costs. They were ranked by importance

progress in structural and sectoral adjustment agreed to with the Bank. A series of three successive one-tranche policy loans (totaling \$320 million) was the centerpiece of the 1995 strategy. By contrast, the low case scenario would limit lending to about \$20 to \$30 million for one operation yearly, to maintain a minimum presence. The strategy envisaged a study on Jordan's entry into an EU Partnership Agreement and the World Trade Organization (WTO). In addition, studies on health and higher education were under way.

1999 World Bank Strategy: An update of the earlier strategy

Goals. The 1999 strategy substantially reiterated the objectives of the 1995 strategy, while noting the shortfalls in achieving its objectives of accelerating economic growth, emphasizing private investment and export development, promoting human development, and improving water resource management. An additional objective was to undertake public sector reform.

Assistance program. The fiscal 2000–02 proposed lending ranged from \$100 million in the low case, to \$300 million in the base case, and \$450 in the high case. Additionally, \$200 million in guarantees were envisaged for the base case and high case scenarios. Adjustment lending (that is, FY01 Public Sector Reform Loan [PSRL I], \$120 million) would account for about

one-third of lending under the base case and 55 percent under the high case (two follow-up PSRL loans totaling \$150 million). Triggers for the base case scenario include a satisfactory macroeconomic framework and continuation of, and satisfactory progress in, structural reforms, privatization, and public sector reform. Planned ESW included reviews of public expenditure, education, water, and social structure, and an update of a strategy for the health sector.

2002 World Bank Strategy: A continuation of earlier program

Goals. The objectives remain the same as the 1999 strategy: sustained growth to create jobs and reduce poverty.

Assistance program. Proposed lending for FY03–05 is expected to range from \$100 in the low case to \$305 million in the base case, and \$380 million in the high case. Follow-up to earlier programs (the proposed PSRL III, \$110 million, FY04, and education project, \$120 million, FY03) accounts for about 80 percent of total Bank lending in the base case. Triggers for the base case scenario include meeting macroeconomic targets and progress in privatization and public sector reform. Planned ESW included a Public Expenditure Review (PER), a poverty assessment, and reviews of the energy sector and labor market.

based on a survey, and their disparate effects on small and large firms were discussed. The PSA reiterated the need to privatize enterprises and discussed the regulatory framework needed to privatize firms. The chapter on the financial sector was equally clear and coherent: It pointed out that the problems were not in commercial banks but in specialized government banks, such as the Housing Bank, Industrial Development Bank, and the Agricultural Credit Corporation. But there was little progress until the late 1990s, despite the passage of several laws and declarations of intent.

World Bank strategies during the 1990s were silent on reducing the level of government expenditures, despite sufficient analytical work identifying how these expenditures could be reduced and better targeted (for example, World Bank 1994a). Annex B (tables B.8, B.9, and

B.10) summarizes the recommendations. Health spending could be reduced if the government did not build hospitals but, instead, reimbursed the poor for using private hospitals with excess capacity. Educational costs could be contained if existing capacity were used more efficiently, class size were increased, and double-shift schools were maintained (World Bank data, 1991). A significant part of public spending stems from large public employment. Such employment rose throughout the region following the 1970 oil boom, but, while this is sometimes described as the “social contract” to distribute the wealth, there are more effective ways of doing so. However, the reforms that the strategies supported did not significantly reduce government expenditures or improve their allocation.² The fault may not be the Bank's alone. Government officials looked to what they could

realistically accomplish during their short tenures, which would argue against tackling expenditure issues, since they require protracted effort.

At the beginning of the new decade, Bank strategies for FY01–04 emphasized public sector reforms. These reforms addressed the quality and accessibility of public services to households and businesses, as well as the judicial system and the civil service, and marked the beginning of much-needed reform.

Economic and Sector Work

ESW was relevant, of high quality, conformed to the Bank’s assistance strategy, and provided a solid basis for policy dialogue with the government. As Jordan is a small country, opening it to trade was rightly emphasized (for example, World Bank 1994a). The Bank’s technical support, through ESW, assisted Jordan’s accession to the World Trade Organization (WTO) in 2000 and its partnership agreement with the EU in 1999. Removing hurdles to the private sector was the focus of much of the ESW (for example, World Bank 1994a; 1995a). In addition, the Bank’s Foreign Investment Advisory Service (FIAS) and United States Agency for International Development (USAID) (World Bank FIAS and USAID 1998) conducted an investor survey and advised on reorganizing the Jordan Investment Commission. Other ESW sought to address known policy shortcomings in such sectors as agriculture, water, and energy (for example, World Bank 1997b, 2001a). The reports—some prepared in collaboration with Jordanian experts—were of satisfactory quality. The Quality Assurance Group (QAG) assessed the 1999 review of the public sector, finding it “concise and to the point...addressing a clear knowledge gap...[and] leading to clear recommendations.” Although the report was expensive, it received a QAG overall rating of satisfactory—pointing to the quality of the task team—and a highly satisfactory rating for scope and relevance. A summary evaluation of key reports, based largely on the methodology used by QAG, is provided in the Country Assistance Evaluation (CAE) background papers, listed in the Bibliography.

One omission in ESW was an analysis of labor market rigidities, given the high and per-

sistent unemployment. The share of resources allocated to Jordan’s ESW—averaging 15 percent a year during the 1990s—was below the Bankwide average (18 percent) and far below the MNA average (21 percent) (Annex F).

Lending

Since it began operations in Jordan in 1962, the World Bank has committed \$2.1 billion for 67 projects (table 3.1). The structure of the Bank’s portfolio changed rapidly in the 1990s with the introduction of policy-based lending. Annual average lending commitments for FY90–00 were \$102 million, net disbursements were \$35 million, and net transfers were negative for most of the period, as old loans were being repaid and serviced (figure 3.1).³ International Bank for Reconstruction and Development (IBRD) exposure in Jordan is high, which has been a factor tending to constrain lending.⁴ The International Finance Cooperation (IFC) has invested in the financial sector, tourism, and infrastructure, with \$94 million of committed exposure. The Multilateral Investment Guarantee Agency’s (MIGA’s) first guarantee in FY01 insured a fertilizer and animal feed supplement project with \$39.1 million.

Adjustment Lending

The FY90 Industry and Trade Policy Adjustment Loan (ITPAL, \$150 million), accompanied by a Fund Stand-by Arrangement (of about \$100 million over 18 months), started the structural reforms and bolstered the country’s reserves. ITPAL objectives were to reduce trade barriers and rationalize industrial infrastructure. The ITPAL was in two tranches, the first, for \$75 million, was released in early 1990, but the second tranche was delayed by the Gulf War (September 1990 to February 1991). The second tranche was released⁵ only after the dinar was devalued and additional budgetary measures were undertaken to restore macroeconomic stability.

The Energy Sector Adjustment Loan (ESAL, \$80 million, FY94), based on an energy sector study, sought to restructure the energy sector and restore its financial viability by allowing private sector involvement in generation and distribution. The sector remained financially unsound despite eight earlier Bank projects (between

Table 3.1

Sectoral Distribution of World Bank Commitments, FY62-01

Sector	1962-01		1962-79		1980-89		1990-01	
	US\$M	%	US\$M	%	US\$M	%	US\$M	%
Agriculture	101	5	14	10	0	0	87	7
Economic policy/multisector ^a	630	30	0	0	0	0	630	53
Education/ health, nutrition, and population/social protection	416	0	11	8	240	30	165	14
Finance, industry, and mining	168	8	40	30	68	9	60	5
Infrastructure ^b	455	21	36	26	284	36	135	11
Electricity, power, and energy	298	15	30	22	188	24	80	7
Water supply, sanitation, and urban development	354	17	35	26	202	25	117	10
TOTAL	2,124	100	136	100	794	100	1,194	100
Memo items								
Adjustment	750	35	0	0	0	0	750	63
Investment	1,374	65	136	100	794	100	444	37

a. Includes, Economic Reform and Development Loan (ERDL) I-III (US\$320 million), Trade Adjustment (US\$150 million), Export Development (US\$40 million), and Public Sector Reform Loan (PSRL) (US\$120 million).

b. Electricity, power, energy, telecommunications, and transportation.

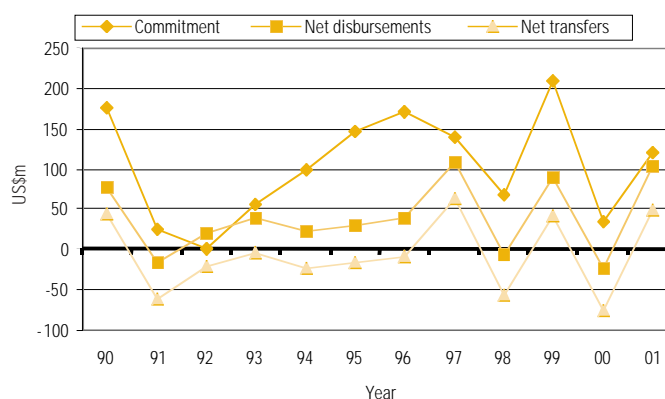
Source: World Bank, Business Warehouse 2002.

1973 and 1990, for a total of \$227 million), which mainly financed physical investments. The loan closed in 1997 after the \$20 million second tranche of the ESAL was delayed by two years, and the \$20 million third tranche by two and a half years, because of delays in implementing what was agreed.

ESAL's objectives were clearly relevant and were substantially achieved, in spite of a lengthy delay. Electricity tariffs were adjusted to reflect their long-run marginal cost. Electricity generation, transmission, and distribution were fully separated and are slated for privatization. An independent regulatory commission that reports

Figure 3.1

World Bank Commitments, Net Disbursements, and Net Transfers



directly to the prime minister was formed in late 2000 and the commissioners were appointed. After price adjustments for petroleum products—fuel oil, gas, and kerosene—in 1993 and 1996, which conformed to ESAL conditionality, there was a hiatus in price adjustments, as international oil prices remained low. Oil prices began to rise in 2000. The government tracked international price movements and made adjustments in 2001 and 2002 to bring domestic prices in line with international levels.

The Agriculture Sector Adjustment Loan (ASAL, \$80 million) was approved in 1995,⁶ along with a \$7 million technical assistance loan (Agriculture Sector Technical Support Project, ASTSP). The objective was to promote efficient use of water resources through better pricing, deregulating markets, restructuring institutions, and improving planning and investment in the sector. Irrigation tariffs were raised by 150 percent from 6 fils to 15 fils (\$0.01 to \$0.025) per cubic meter in 1997, far less than the quadrupling that was agreed to under the ASAL.⁷ Price controls for food, fruits, and vegetables were ended; producer subsidies for wheat, barley, and tomatoes were removed; and the land market in the Jordan Valley was deregulated, legalizing long-term leases of land. Although agricultural exports grew by 11 percent per year over the period 1995–98, a World Bank report noted that it is not possible to conclude that the desired shifts from water-intensive crops to low-water-use crops have taken place. The loan and the technical assistance were, at best, only modestly successful in strengthening the Ministry of Water and Irrigation, Ministry of Agriculture, and Jordan Valley Authority (JVA).

The ESAL and ASAL proved difficult to implement smoothly, leading the Bank to shift from multiple-tranche loans—with their attendant disbursement delays when conditions were not met—to single-tranche adjustment loans in 1995.⁸ The successive series of three one-tranche Economic Reform and Development Loans (ERDL I-III) were the pillars of the 1995 strategy, accounting for 60 percent of total lending (or \$320 million) over FY96–99. Expanded single-tranche adjustment lending was questioned by the Board, which noted the delays in fulfillment

of the energy sector conditions in the ESAL. ERDLs shared the same objective as the earlier adjustment loans: to increase economic growth through closer integration with the global economy and to attract greater investment. The loans supported elimination of the remaining trade barriers and adoption of international trade and investment procedures and practices. Additionally, these loans sought to enhance the soundness and efficiency of the banking system and to 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 privatization and improved regulations.

A package of trade, investment, and financial sector reforms and privatization was implemented under the three ERDLs. Jordan's trade tariff structure was simplified and lowered to comply with WTO requirements. The customs department estimates that the weighted average tariff rate fell from 34.4 percent in 1987 to 13.5 percent in 2000. Customs administration and valuation procedures were modernized to conform to international practice. Jordan has further integrated into the global economy with a major shift in trade policy that included an Association Agreement with the EU in 1999, membership in the WTO in 2000, and a free-trade agreement with the United States in 2001. The free-trade agreements with the United States enabled a Qualified Investment Zone (QIZ) to be set up for tariff-free and quota-free exports to the United States. A Special Economic Zone has also been set up in Aqaba. Several laws, including investment promotion, customs, banking, and privatization, have been implemented (Annex B, table B.6). A privatization agency was established. An Institutional Development Fund grant (\$480,000) contributed to initial institution building at the agency and Bank-administered, USAID-funded technical assistance was critical in facilitating transactions. After some initial delays, the pace of privatization picked up after mid-2000. Of the 40 companies originally targeted for privatization, 34 have been privatized.⁹ Most important, six of eight major transactions have been completed, and the remaining two are

well under way (Annex B, table B.7). By mid-2002, 51 privatization transactions were completed with proceeds of more than \$900 million, although the sale of 48 percent of Jordan Telecommunications alone accounted for \$610 million (according to Executive Privatization Commission estimates of May 20, 2002). While the core airline segment is awaiting a buyer, other parts of Royal Jordanian Airlines have already been sold. Privatization of the power and mining sectors is being prepared. In addition, 45 small shareholdings, held by a government holding company, have been divested. Finally, the Ministry of Supply has been abolished and food subsidies and price controls have been removed. Despite structural reforms and macroeconomic stability, strong and sustainable growth in real output has not been achieved.

The first Public Sector Reform Loan (PSRL, \$120 million) in a planned series of three successive single-tranche PSRLs was approved in May 2001, and the second for \$120 million in June 2002. However, the conditions relate to “inputs” (for example, upgrading computers in courts and having a new civil service bylaw), not “outputs” (such as quality of government service or reduction in expenditures that the PERs have identified as being poorly spent). Furthermore, the PSRL-I tackles civil service reform, and a recent OED review of Bank assistance in this area finds that adjustment loans are particularly ill-suited to this (OED 1999). Although it is too early to evaluate their outcomes, it may have been more prudent to support some of these measures¹⁰ through lending instruments that allow adequate time for implementation, such as investment or adaptable lending (OED 1999), and to focus on outcomes rather than inputs.

Investment Lending

Investment loans were designed to address critical infrastructure and human resource constraints. Annex E, table E.3, shows overall satisfactory project performance rating by sector, and the background papers commissioned for this CAE provide detailed analysis. The education sector is among the largest and most significant activities in the Bank program. Seven

Bank-assisted education projects were either closed or still under implementation during the 1990s; they amounted to \$283 million in IBRD loans (or 14 percent of total lending). The outcomes of these projects were satisfactory in terms of the implementation of their own narrow objectives of providing improved facilities and teacher training. However, the projects did not include measurable indicators of qualitative and institutional aspects to assess progress.¹¹

In the water supply and sanitation sector, the Bank has one ongoing operation, following seven closed projects approved during 1960–86 for a total of \$156 million. The closed operations focused primarily on building infrastructure rather than institutions and, hence, there were few improvements in WAJ finances, tariff reforms, and reduction of unaccounted-for-water. However, the ongoing Amman Water and Sanitation Management Project (FY99, \$55 million) supports development of enabling institutions, investment to reduce water losses, and improvements to billing systems. The project introduced a performance-based private management contract for the Greater Amman area, servicing about half of the population. Although the project is still under implementation, the indications are that the management contract is yielding benefits, partly because the government increased the average water and sewerage tariffs for Amman by 30 and 60 percent, respectively, during project preparation. The contractor has managed to reduce expenditures on operations and maintenance through efficiency savings and significantly improved billing and collections such that, for the first time, income now exceeds operating expenses. Some problems are emerging, however. The contractor does not have the authority to pay suppliers. Its financial credibility is damaged when the government is slow to pay bills, for example, for electricity or external contractors. Enforcing legal action for illegal water use and delinquent payment of bills appears to be difficult and points to the need for better administration of these issues. Levels of unaccounted-for-water have marginally declined to just under 50 percent.

Table 3.2

OED Evaluation Findings of Recently Evaluated Projects, Exit FY90s

Country	Total evaluated (US\$M)	Satisfactory outcome (%)	Likely sustainability (%)	Substantial ID (%)
Jordan	1,192	93	75	50
Adjustment lending	630	100	87	75
MNA	12,873	69	47	33
Algeria	3,055	46	5	20
Egypt	1,565	82	36	35
Morocco	4,298	66	58	39
Tunisia	1,706	85	87	28
Bankwide	198,940	76	62	41

Source: Operations Evaluation Department rating database 2002. Also see Annex E.

OED Findings on Closed Projects

Jordan’s project ratings have been high—in terms of outcome, sustainability, and institutional development (ID) impact—relative to all projects Bankwide and to other countries in the MNA Region (table 3.2). This is true for both adjustment and investment lending. However, 63 percent (by value) of adjustment loans had moderately satisfactory outcomes.

Portfolio Performance: Quality Assurance Group Assessments

The Bank’s current portfolio comprises eight operations with commitments of \$255 million. About half of the commitments are for human development projects, a third for urban development (building new infrastructure and tourism development), and the remainder for water supply and sanitation. Project implementation and development impact ratings are satisfactory with the exception of one project, which was

rated by QAG as at risk as of December 2002. Jordan’s commitments at risk of 14 percent are below the Bankwide average of 18 percent and the MNA average of 27 percent (Annex E, table E.2).

Efficiency of World Bank Assistance

The Jordanian country assistance program is relatively expensive (Annex F) because of small project size (half the Bankwide average). The average program cost of \$26 per \$1,000 of net commitment for satisfactory and nonrisky projects is higher than the MNA average of \$21 and the Bankwide average of \$16 for the 1990s. But among the 22 countries with similar project size (of \$35–\$55 million), Jordan’s average program cost is right in the middle. The efficiency ratio, however, is confined to the cost per dollar lent by the Bank and does not reflect the substantial additional cofinancing resources mobilized—a ratio of \$1.02 on every Bank dollar.



The Development Effectiveness of World Bank Assistance

This chapter evaluates World Bank assistance by assessing its contribution to Jordan's development outcomes. This is done by examining, in more detail, the progress on each of the objectives of the Bank's assistance strategy: (a) macroeconomic stabilization and growth; (b) poverty reduction and human development; and (c) water resource management.

OED rates the outcome of the Bank's assistance program as moderately satisfactory. Macroeconomic indicators suggest successful stabilization, given the 1989 debt crisis and the disruption caused by the Gulf War. Although real per capita income remained stagnant during most of the 1990s, this was a commendable achievement considering the political and economic difficulties Jordan faced. Significant progress was made in meeting the MDGs. While poverty has not substantially decreased since 1997, it remained below the level in countries at similar income levels. Progress in the water sector has been more modest than had been hoped.

Macroeconomic Stabilization and Growth

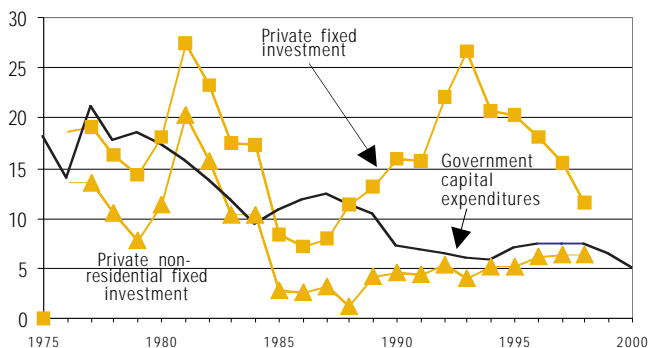
Macroeconomic stability (single-digit inflation) and comfortable foreign exchange reserves were impressive achievements given the 1989 debt crisis and the disruption caused by the 1991 Gulf War (Annex B, table B.1). The macroeconomic dialogue, through the Bank policy-based lending and IMF programs (for example, the

Stand-by Arrangement and the Extended Fund Facility), helped the government set a sound framework for stabilization and adjustment and stave off Jordan's financial crisis. However, the fiscal deficit (including grants) remained above 4 percent of GDP through 2000.¹ Dependence on foreign grants and borrowing for fiscal balance continues.

The World Bank's high growth projections of the 1990s (over 6 percent annually) were unrealistic,² especially considering the low level of investment (both government and private, non-housing) since 1985 (figure 4.1). Annual growth barely exceeded the high population growth rate, resulting in stagnant real per capita income (figure 4.2).

Noting that growth fell short of forecasts, the 1999 strategy indicated that the decline occurred because Jordan faced several unforeseeable factors that were outside its control (World Bank 1999). The stalled regional peace negotiations, the loss of political euphoria, and the East Asia crisis were branded as the culprits, rather than decades of low investment.³

Figure 4.1 Public and Private Investment



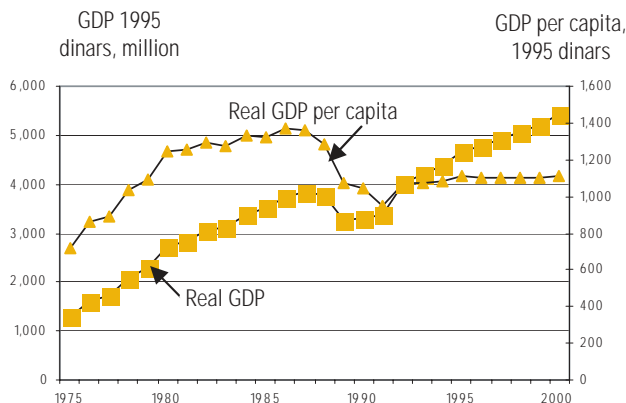
Preliminary data suggest that GDP growth picked up to more than 4 percent in 2000 and 2001. After a period of slow export growth in the 1995–00 period, export growth increased to more than 20 percent in 2001. Jordan’s QIZs have been an important reason for the increased exports. Jordan also diversified its products and markets, helped by the U.S.-Jordan Free-Trade Agreement.

Private and Financial Sector Development and Privatization

Bank-supported reforms included trade policy and administration reforms, investment regula-

tion changes, privatization, and financial sector reforms. Jordan’s trade hurdles were removed. The investment regime is friendly to domestic and foreign investors and the pace of privatization has picked up. Nevertheless, while macroeconomic indicators suggest successful stabilization, economic growth was slow until 2000, even as wide-ranging structural reforms were implemented. Private investment has fallen in the reform period by more than one-half, from 26 percent of GDP to 11 percent between 1993 and 1998, while private nonresidential investment has improved (rising to 8 percent of GDP), although this level is still not high enough

Figure 4.2 Real GDP and Per Capita GDP



to produce the rates of capital accumulation needed for faster growth. The expected flood of foreign investment did not materialize.⁴ Growth might have been more likely if the Bank had urged lower government spending, because this would increase domestic savings, and perhaps private investment.

Important reforms intended to facilitate and strengthen financial intermediation by Jordan's financial system—banks, nonbank financial institutions, contractual savings institutions, and the securities markets—have been successfully implemented. Jordan has a healthy and sophisticated financial system for its level of development. Deposits in the banking system, excluding sizable deposits in the West Bank and Gaza branches, exceed Jordan's GDP. Almost 75 percent of the deposits go to the private sector, the rest to the government. Nonbank financial intermediation in Jordan is relatively small, although the Amman Stock Exchange's capitalization, at 77 percent of GDP, is one of the highest ratios in emerging markets. Annual trades amount to only 5 percent of GDP and new issues are rare. Expectations of attracting substantial listings from regional companies have not yet materialized because of regional unrest.

Poverty Reduction, Human Development, and Progress toward the MDGs

Controversy over poverty estimates not yet resolved. As mentioned earlier, there is a range of estimates of poverty in Jordan. One of the Bank's roles should be to close the large gap between estimates so that the focus can be shifted to policy and strategy to reduce poverty. Both of the Bank's poverty assessments reviewed the range of poverty estimates and concluded that the Bank's approach was defensible on practical and theoretical grounds. This evaluation agrees with the Bank's estimate and notes that Jordan's 1997 incidence of poverty is low compared with other MNA countries at similar income levels.⁵ Unfortunately, household surveys in Jordan are conducted only every five years, so trends in poverty can be discerned only at long intervals. The results of a 2002 household survey will be available in 2003. Any future esti-

mate of the poverty line should take account of information from the current survey and assess changes over time in the structure of food and other basic consumption needs of those households at or close to the poverty line. Every attempt should be made before the next poverty assessment is completed (it is hoped as a collaborative effort between the government and the Bank) to achieve consensus on the appropriate poverty line.

With the support of the Bank and other donors, Jordan made substantial progress in almost all areas covered by the MDGs and is likely to meet the target levels by 2015 (box 4.1). The Bank contributed to many of these outcomes, primarily through its assistance. Poverty reduction and human development were the basis for 30 percent of all Bank lending to Jordan during the 1990s. Most of this went to education, a pattern repeated from previous decades. In addition to lending, the World Bank provided analytical and advisory services, particularly in poverty and health.

Without the Bank's ongoing support in developing an operational approach for the Social Productivity Program (SPP),⁶ originally requested by the government, the Bank's assistance would probably have been less focused on targeting the poor. The target populations are the poor in refugee camps, squatter settlements, rural areas, and in urban pockets of poverty. The SPP is expected to help increase access of the poor to basic social services and to create job opportunities. The SPP also attracted the participation of other major donors, such as USAID and the IDB, and was one of several strategies used by the government for poverty reduction. These activities, although not yet complete, appear to be meeting their objectives.

The considerable Bank support to schools and health centers, and more recently to universities and hospitals, supplemented government resources substantially and also attracted a number of cofinanciers. From 1990 to 2001, the Bank contributed \$220 million to capital expenditures in basic education that represented 34 percent of total government capital spending. Bank programs have been credited with improving basic education and health services. For example,

Box 4.1		Jordan: Millennium Development Goals			
Indicator	1990	1995	1999–00	Goals 2015	
1. Eradicate extreme poverty and hunger					
Population below \$1 a day (%)	<2	2.0	<2	1.51	
Prevalence of child malnutrition (% of children under 5)	6.4	6.4	5.1 ^a	3.68	
Income share held by lowest 20%	..	..	7.6 ^a	..
2. Achieve universal primary education					
Net primary enrollment ratio (% of relevant age group)	66.3	67.5	96.5	100	
Youth literacy rate (% ages 15–24)	97.0	98.4	99.3	100	
3. Promote gender equality					
Ratio of girls to boys in primary and secondary education (%)	93.2	96.5	96.5	100	
Ratio of young literate females to males (% ages 15–24)	97.3	99.0	100	100	
4. Reduce child mortality					
Under 5 mortality rate (per 1,000)	34.0	34.2	30.3	11.33	
Infant mortality rate (per 1,000 live births)	30.0	28.5	26	8.3	
Immunization, measles (% of children under 12 months)	87.0	92.0	94.0	..	
5. Improve maternal health					
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	41.0	..	13.5	
Births attended by skilled health staff (% of total)	87.0	97.0	..	100	
6. Combat HIV/AIDS, malaria, and other diseases					
Prevalence of HIV, female (% ages 15–24)	..	..	0.02	^b
Tuberculosis cases detected under DOTS (%)	..	..	33	^b
7. Ensure environmental sustainability					
Access to an improved water source (% of population)	97.0	..	96.0	98.5	
Access to improved sanitation (% of population)	98.0	..	99.0	99.0	
8. Develop a global partnership for development					
Personal computer (per 1,000 people)	..	6.4	22.5	..	
Fixed line and mobile telephones (per 1,000 people)	57.9	60.5	151.2	..	

Note: DOTS = directly observed treatment short-course.

a. Numbers reflect 1997 funding.

b. Halt and begin to reverse.

Source: World Bank 2002b.

there has been a 23 percent growth in basic and secondary school enrollment, and Jordan's literacy rate surpasses average literacy rates for East Asia and Latin America. There has also been a substantial decline in the number of rented houses used as primary and secondary schools. The facilities and services at primary and comprehensive health centers have also been enhanced, although further improvements are needed in the efficiency of services. Jordan would probably not have as many trained per-

sonnel in either the health or education sectors without the Bank's assistance.⁷

The Bank has played a small role in the health sector and major reforms remain to be addressed. The primary goal of Bank assistance to the health sector, as stated in Bank strategies, was to improve the efficiency of the system and the quality of service delivery.⁸ Over the past 10 years, Jordan's public health expenditures have increased dramatically, but the improvements in health services expected from Bank-assisted

programs have not been fully realized yet. While the Bank has (after long delay) started to introduce management information systems, little so far has been achieved in health policy reform. Apart from supporting continued improvements in efficiency, it is strategically necessary for the Bank and other donors to press for more effective policy leadership and coordination among the numerous public and private health care providers. Steps toward implementation of the universal health insurance scheme have been minimal.

Areas that require closer monitoring by the government and that warrant Bank support include improving the efficiency of social expenditures. Although progress has been made in achieving gender equality, especially in education, women's participation in economic and political activities still needs improvement.

Water Resource Management

Even though agriculture uses the most water, the Bank's attention to water use in the sector was notably absent during 1961–90, as it focused on urban use. Subsequently, the preparation of the Bank's 1993 water resources management policy catalyzed attention to comprehensive water resources management in its member countries.⁹ The objective of the Bank's strategy for Jordan was to support efficient utilization of water resources through agriculture, trade, water, and institutional reforms. The Bank supported these objectives through public dialogue, technical assistance, and adjustment and investment lending. However, the Bank's contribution to Jordan's water sector has declined in the past decade and is small compared with other donors.¹⁰

Substantial progress has been made in achieving the Bank's objectives, but some important aspects have not yet been fully implemented. Barriers to agricultural trade were removed. The Bank's technical assistance (TA) significantly enhanced capacity for agricultural research, but it has not yet led to effective technology transfer and extension services. While water metering led to better knowledge of groundwater use, it did not improve water conservation or income from water sales. Political capital was limited and did not extend to making farmers pay

more for water, as recommended by the Bank, at the same time as they were being squeezed by elimination of subsidies. Yet when the Bank is sensitive to the political economy of reform—its acceptability and timing—it can be successful. The reform of the Amman urban water tariffs (now among the highest in the Middle East) and the adoption of a private sector management contract are good examples of the Bank's successful efforts.

The Bank could have been more persuasive if concerns about the effect of increased irrigation-water tariffs on employment and the labor market (an area neglected by the Bank) had been allayed. If agricultural water tariffs had been raised to the Bank's recommended level and allocation left to the market, and unaccounted-for-water reduced to internationally accepted norms, it is likely that some large investment to increase supplies (for example, the proposed \$600 million Disi-Amman water conveyor for a MIGA guarantee) could have been significantly delayed or reduced, at least in the medium term, thus relieving strain on government finances.¹¹ An OED evaluation of the last three water supply projects concluded that the Bank's willingness to support rapid capacity expansion, without addressing the demand-side and without heed to better financial management of water institutions, was a contributing factor to this unsatisfactory state of affairs.

The Bank's policy dialogue and analytical work leveraged legislation and government policies. The government developed *Jordan's Water Strategy and Policies* for 2002 and an ambitious investment program for the years 2002–11.¹² The strategy stresses the need to develop and improve water resource management, with an emphasis on sustainability. Particular objectives include maximizing water use efficiency and promoting integrated use of multiple sources, including water rights under international treaties, minimizing pollution and degradation of quality, and resource mining. Water and wastewater projects associated with regional peace processes are accorded special attention for construction, operation, and maintenance. The strategy targets full recovery of operation and maintenance costs on profitable undertakings in industry, com-

Box 4.2

Jordan's Water Strategy and Policies

Clause 11 on Resource Development: The full potential of surface water and groundwater shall be tapped to the extent permissible by economic feasibility and by social and environmental impacts.

Clause 30 on Shared Water Resources: Bilateral and multilateral cooperation with neighboring states shall be pursued, and regional cooperation shall be advocated, preferably within the provisions of a Regional Water Charter.

Clause 17 on Resource Management: Priority is given to the sustainability of use of the previously developed resources.

Clause 43: Recovery of the cost of utilities and the provision of services shall be targeted. Recovery of operation and management cost shall be a standard practice. Capital cost recovery shall be carefully

approached. The role of water tariffs shall be considered as a tool to attract private investment in water projects.

Clause 44: Cost recovery shall be linked to the average per capita share of GDP and its level. It shall be connected to the cost of living and the family basket of consumption. However, profitable undertakings in industry, tourism, commerce, and agriculture shall be made to pay the fair water cost.

Clause 45: Until cost recovery is full, and national savings become at levels capable of domestic financing of development projects, project financing will depend on concessionary loans, private borrowing, or other arrangements.

Source: Jordanian Ministry of Water and Irrigation 2002.

merce, tourism, and agriculture, and indicates it will subsidize these costs in nonprofitable sectors according to ability to pay (box 4.2). The government is actively pursuing commercialization and privatization of urban water and wastewater services in Amman, the Northern Governorates, and Aqaba.

Given the government's increased receptiveness to reform, the Bank, in coordination with other donors, should assist Jordan in implementing a comprehensive approach to water resources management.¹³ While efficient domestic water management can avert, or at least significantly delay, regional water disputes, regional water management may be more appropriate for countries that are water interdependent, and the Bank has the potential to ameliorate the MNA regional water problem.¹⁴ However, the interaction of many interests and tensions, especially when water-short countries share resources, creates cooperation difficulties.¹⁵

Sustainability and Institutional Development

Despite the initial wavering government commitment to energy reforms and privatization, there is now wide agreement in Jordan that

these reforms were needed. 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 has quickened. However, there are three risks to sustainability: (a) existing regional conflicts—including military action against Iraq, a major trading partner and a source of financial assistance—pose risks; (b) the large fiscal deficit and high external debt increase Jordan's vulnerabilities to external shocks; and (c) persistent pockets of poverty, high unemployment, and postponement of parliamentary elections could raise social pressure and create political instability.

Institutional changes in Jordan's policy, regulatory, and legal environment were accomplished with the help of Bank assistance. New organizations were established and now are operating successfully, such as the Securities Commission and the Executive Privatization Commission. Other organizations were restructured, such as the customs administration and bank supervision. A broad range of investment, competition, and customs laws were implemented (Annex B, table B.6). The Bank's assistance was modestly successful in inducing

organizational and administrative reform and in strengthening institutions in the agriculture, water, education, and health sectors. Overstaffing of water organizations remains. The growth of unskilled staff and a lack of a professional cadre and incentives continue to undermine organizational effectiveness. As the Performance Assessment Report for the ASAL concludes, "Attention to institutional reform of the agriculture and water sectors was late, partial, and ineffective" (OED 2003, p. 1). A World Bank internal report for the ASAL notes that within the Ministry of Agriculture, while the organization chart has been changed, there is no apparent improvement

in performance or cost. Neither WAJ nor JVA have undergone more than modest reorganization. WAJ recently signed a private sector Bank-supported management contract for Amman water supply, which modestly improved water use efficiency and significantly increased cost recovery. New water regulation did not substantially improve water conservation or income from water sales. Similarly, efficiency did not improve significantly in the education and health sectors, and the cost in public expenditures was relatively high, although substantial progress was made toward meeting the MDGs. Overall, institutional development impact is rated as modest.



Contributors' Performance

World Bank Performance

The Bank prepared a full set of due diligence ESW: poverty assessment, public expenditure review, country economic memorandum/development policy review, and sectoral reviews. Bank performance during the 1990s ensured that issues identified by its high-quality analytical work were addressed, with a few exceptions, mentioned below.

In particular, in the area of public expenditure management, the loans did not incorporate all of the Bank's analytical work. There were areas (for example, government overstaffing) where the government did not feel a consensus existed for reform. The Bank could have been more persuasive and pushed harder for cuts in government expenditures, especially because its analytical work provided ample examples where this could be done without undercutting the government's social spending decisions. With patience, persistence, and sound analytical work, the Bank has had an impact on the view of government in other areas (for example, privatization).

The fragile political environment facing Jordan throughout the 1990s had an adverse impact on its economy through lower export income and remittances. This, in turn, affected Jordan's need for external financial assistance, to which the Bank responded positively with a regular pipeline of large projects, particularly adjustment lending. As indicated earlier, with old loans being serviced and repaid, the net trans-

fers from the Bank would have been large and negative without new loans, and this was also a factor in the Bank's lending decisions. Had these pressures not existed, some Bank-assisted projects might have been smaller and appraised in a more deliberate manner, with a focus on the most important issues.¹

Negotiations for the ASAL were cordial but difficult. It became clear at the time the ASAL was approved that the second increase in the water tariff was politically unrealistic and would be jeopardized by the need for disbursements to meet a balance of payments financing gap, a delay that the Bank, as chair of the Country Consultative Group, could not accept.² The Bank disbursed its tranche but did not work with the government and cofinancier, Kreditanstalt für Wiederaufbau (KfW), on alternatives to achieve the policy objective, perhaps on a longer schedule.³ Subsequently, the Bank's partnership in the sector languished, and follow-up has been relatively minimal, reducing the Bank's effectiveness in the late 1990s.

The impact of construction and training in educational projects financed by the Bank and other donors would have been more effective if the Bank and its partners had engaged the Jordanian authorities during the 1980s and 1990s in a review of policy issues for the whole sector, rather than the narrow focus on basic education and, later, on higher education. For example, the Bank's assistance would have been more strategic and had greater impact on the quality of education, at all levels, if the Bank had adopted a broader, sectorwide approach in its analytical work, which would have highlighted the strategic choices that needed to be made. Instead, everything became important, with the result that core programs received the same attention as non-core programs. The result has been a lack of focus on priorities.

The Bank mobilized a high cofinancing ratio for its support. Between FY90 and FY01, the Bank attracted \$1,212.4 million in cofinancing against \$1,194 million in IBRD commitments, leveraging \$1.02 on every IBRD dollar.⁴

The synthesis of poverty analyses into a framework for poverty reduction—the Social Productivity Program—was constructive and underlines the importance of targeting pockets of poverty with the development of an integrated approach and a sound series of investments.

The Bank supported the Mediterranean Development Forum (MDF), a regional consortium of think tanks and universities that have placed difficult policy issues on the agenda. The fourth MDF conference, organized by the World Bank Institute (WBI), was held in Amman in October 2002 and attracted 500 representatives from the governments, the private sector, and civil society of the region. Coverage included trade and investment, unemployment, empowering local governments, and the digital divide. Participants rated the conference highly, and the WBI evaluation concluded that the MDF provided a good platform for regional collaboration and policy dialogue.

Borrower Performance

The borrower has implemented wide-ranging and complex structural reforms, including trade, energy, investment, financial sector reforms, and privatization. All loan covenants and almost

all conditionality have been completed. Despite wavering commitment to energy reforms and privatization, which delayed implementation, the borrower's follow-through has been substantial, especially in the past two years. The borrower removed most quantitative restrictions and reduced tariffs, liberalized investment procedures, implemented several laws, and undertook financial sector and tax reforms. Jordan joined the WTO and signed free-trade agreements with the EU and the United States. Jordan now has one of the most transparent and open business environments in the region.

The borrower provided excellent support for Bank-assisted projects. For example, trade, finance, and investment reforms enjoyed strong government commitment, evidenced by the quick resumption of implementation when the 1991 Gulf crisis eased. Government officials worked closely with Bank staff in all aspects of preparation, including identifying project components and formulating implementation organizations. There were generally no procurement problems, and some officials requested additional training in procurement.

There was, however, limited enthusiasm on the part of the borrower for raising irrigation fees and for curbing public expenditures. There is considerable debate among high-level policymakers in Jordan about the relevance of water pricing to ensuring efficient use. Many high-level officials believe that administrative allocation is a more socially equitable policy than pricing. Indeed, a senior government official noted that the cost (JD 5 million per year) of providing water to the Jordan Valley, which enabled sustainable livelihoods for the 300,000 people engaged in agriculture, was relatively small compared with the costs that would be incurred if very high water charges caused farmers to abandon the land and migrate to Amman for employment. This social welfare dimension of water represented the greatest divergence of views between the Bank and the government in the agricultural sector.⁵ By comparison, in the urban water supply and sanitation sector, the Bank and government are in accord about the need for realistic water charging and institutional change, although good administration is an issue, par-

ticularly for those unwilling to pay for water. Similar safety net concerns (bolstered by a fall in Gulf employment after 1991) maintain large government employment in other sectors.

Aid Partner Performance Issues

The Bank provided leadership in donor coordination by organizing Consultative Group meetings in 1993, 1994, and 1996. The Bank was an active participant in donor meetings until 1998. Strategic selectivity among donors has been free of "turf battles." The Bank participates actively in macroeconomic, finance, transport, education, health, social protection, and, recently, public sector reform. USAID is more heavily involved in population programs and is also involved, along with the EU, in microfinance and small and medium-size enterprises. The Germans work closely with the government on water issues and the Japanese focus on tourism development and exports promotion. IDB assistance focuses on industry and mining, public utilities, and the social sectors. Collabo-

ration with the IMF has been successful in stabilizing the Jordanian economy and laying the foundations for structural reforms through various Fund programs, totaling \$492 million (that is, SBAs in 1989 and 1992, EFF in 1994, expanded EFF in 1995, and an Extended Arrangement in 1999).

Since 1998, the Bank's participation in donor meetings, particularly in the recently created Donor Coordination Group, has lapsed to an ad hoc basis when missions were in Amman. Most of the Bank's development partners in Jordan felt they were not consulted on many important issues and that the Bank appeared to operate in isolation.⁶ Some felt that the Bank's privileged position with the government crowded out other donor initiatives. Some donors suggested a World Bank office in Amman. Clearly this is an issue for Bank management. But the Bank needs to strengthen its coordination with other donors and build a collaborative agenda for change on the basis of its analytical work and global best practice.



Islamic Development Bank Assistance to Jordan

IDB Assistance Strategy for Jordan

Sector Strategy. During the 1970s and 1980s, the IDB's strategy for development assistance to Jordan was mainly targeted to the development of industry and mining, in line with priorities of the government. The government gradually shifted emphasis to other areas of development such as water resources, health care, and human resources development, which IDB has also incorporated into its strategy.

In formulating its three-year work program for Jordan during the period 2003–05 (1424H-1426H),¹ IDB's assistance focused on infrastructure development (water, sewerage, and roads), mining (downstream industries), and human resource development (health and education). In addition, provision of technical assistance for capacity building of executing agencies was also envisaged. Cofinancing was proposed with the Co-ordination Group of Arab Funds and other multilateral development financing institutions to meet project-financing requirements. In conformity with Jordan's current Economic and Social Transformation Program, information technology and human resource development have been accorded top priority.

Country Strategy. As part of its medium-term strategic agenda, the IDB has adopted the preparation of the Country Assistance Strategy Study (CASS) as a basic tool for formulating a three-year

work program for project financing activities in its member countries. Jordan was among the first few member countries in which the IDB conducted its CASS in December 1994 for the three-year period 1995–97 (1416H-1418H). For the first time in a member country, a review of the previous CASS was conducted for Jordan in February 1999 to develop a three-year revised work program for 1999–01 (1420H-1422H). Subsequently, another three-year work program for the period 2003–05 (1424H-1426H) was prepared, based on the outcome of a country dialogue mission to Jordan in August 2002.

CASS Objectives. The main aim of CASS is to identify and design projects that reflect the priorities of both the member countries and the IDB. The CASS enables the development of an integrated and coherent assistance program, which would enhance the effectiveness of the Bank's activities and lead to a more effective dia-

logue with member countries. Within the limits of its resources, the Bank places high importance on the responsiveness of its project portfolio to the development needs and requirements of its member countries. A CASS is launched to build an effective and relevant pipeline of projects that pave the way for preparation of a three-year work program for the concerned Country Operations Department (COD) of the Bank. Whenever a CASS exercise or a policy dialogue mission is undertaken, the concerned COD generally considers two types of projects: first-priority projects and second-priority projects. The latter are taken as backup projects in case some of the first-priority projects do not materialize.

The specific objectives of the initial CASS for Jordan (1995–97) were determined as follows.

1. The proposed sectoral allocation of IDB financing:
 - a) Enhancement of the productive sector—the mineral-based manufacturing subsector and its related infrastructure in the Dead Sea area. The proposed allocation was set at 55 percent over three years.
 - b) Assistance to the agricultural sector (including irrigation projects), which represented 16 percent of the proposed allocation over three years.
 - c) About 14 percent of the proposed financing was accounted for by the water resource sector.
 - d) About 10 percent of the proposed allocation was projected for human resource development, mainly health and education.
2. A 20:80 split between concessional (loan/technical assistance) financing and revenue-generating financing (leasing/installment sale).

Implementation of CASS. The pertinence of the CASS could be assessed through a useful comparison of what had been proposed in the three-year work program for Jordan with the achievements made during the period 1995–97. These are summarized in table 6.1.

The salient observations to be pointed out from the table are as follows:

- It appears that there has been a significant deviation from the project pipeline devel-

oped for Jordan based on the CASS exercise. Out of 16 projects that were proposed in the CASS, 10 projects (that is, 62.5 percent) were appraised and approved by the Bank over the three-year period, which is a relatively good performance.

- The total amount of project financing actually extended to Jordan over the three-year period was \$112 million for the 10 projects approved, as compared with the proposed average amount of \$199 million for 16 CASS projects (56 percent).
- The distribution between nonconcessional and concessional financing for the projects approved over the three-year period has been in the ratio of 90:10. This ratio reflects a good performance if compared with expectations.

It is worth mentioning here that two more projects, as envisaged in the three-year work program, were approved in the following year (1999). If this is considered, the performance for the period will substantially improve to 12 out of 16 CASS projects (75 percent). However, the number of projects processed (8 as against 18) and the amount approved (\$91 million as against an average of \$215 million) within the framework of the reviewed CASS for the period 1999–01 indicates less satisfactory results if compared with the previous three-year program. But in this particular case, the assessment should take into consideration that some projects are always included in the work program as a margin of security.

Furthermore, 13 projects have been identified for inclusion in the project pipeline developed by the CASS at a total financing cost of \$242 million for the period 2003–05 (1424H-1426H). Two projects were expected to involve the transport and communications sector; five, the education sector; three, the health sector; one, the public utility sector; one, the mining and industry sector, and one, the “other” sector.

It is evident that emphasis was placed in the latest CASS three-year program on human resources development (eight projects), while the importance of the mining sector has decreased drastically, from more than 50 percent in the earlier CASS to only 8 percent of the total allocated amount.

Table 6.1

Proposed and Actual Realization of CASS Three-Year Work Program, 1995–97

CASS 3-year period	Sector	Percent of allocation		Number of projects		Achievement (US\$M)	
		Proposed	Actual	Proposed	Actual	Proposed	Actual
1995–97 (1416H-1418H)	Mining and industry	55	54	9	2	109	61
	Agriculture (including irrigation)	16	--	2	--	32	--
	Water resources	14	--	2	--	28	--
	HRD	10	15	2	6	20	16
	Energy	--	23	--	1	--	26
	Other	5	8	1	1	10	9
Subtotal		100	100	16	10	187–211^a	112
1999–01 (1420H-1422H)	Mining and industry	43	61	2	2	92	56
	Agriculture (including irrigation)	9	0.5	--	1	19	0.4
	Water resources	17	--	3	--	37	--
	Transport and communication	25	28	4	1	54	25.3
	HRD	6	10	3	3	13	9.2
	Energy	--	--	1	--	--	--
	Other	--	0.5	5	1	--	0.1
Subtotal		100	100	18	8	180–250^a	91
2003–05 (1424H-1426H)	Mining and industry	8		1		20	
	Public utility	12	Yet	1	Yet	30	Yet
	Transport and communication	43	to be	2	to be	103	to be
	Health	22	imple-	3	imple-	53	imple-
	Education	14	mented	5	mented	35	mented
	Other	1		1		1	
Subtotal		100		13		242	

-- Not available.

Note: Estimates are made wherever data are not available. HRD = Human Resource Development.

a. Average used.

Source: IDB data.

Implementation of the work program for the period 2003–05 is yet to start, and its performance will be judged with keen interest.

There is a general consensus in Jordan on the relevance and efficacy of the IDB's country assistance strategy. IDB's assistance was primarily targeted to the industrial and mining development of the country during the 1970s and 1980s, which was in line with the priorities of the government. Emphasis gradually shifted to other areas such as water resources, health care, and human resources development.

Overview of IDB Operations in Jordan, 1976–02

Jordan joined IDB, along with 21 other pioneering members, on August 12, 1974. Jordan's subscribed and paid-up capital at end-2002 stood at around ID 20 million and ID 13 million, respectively. Jordan is a major beneficiary of IDB's financing. Total approvals by IDB in favor of Jordan (excluding cancellations) from various sources (project, trade, and special assistance financing) amount to \$1.14 billion from 1976 to the end of 2002. The distribution of these approvals is represented in table 6.2.

The present Country Assistance Evaluation (CAE) focuses on the evaluation of the project-financing portfolio of the Bank during the period 1976–02.

Since inception, the IDB has approved a total of 51 projects, including technical assistance operations from ordinary capital resources (OCR) for an amount of \$450.38 million for Jordan (39.6 percent of total financing). The summary of the IDB project portfolio for Jordan is given in the following paragraphs, while the details are presented in Annex N.

Sectoral Distribution. The sectoral distribution of IDB’s OCR-financed projects in Jordan, excluding cancellations, is indicated in table 6.3.

IDB’s ordinary operations were concentrated on the industry and mining sector, accounting for \$165.93 million, which corresponds to 36.8 percent of total approvals, followed by public utilities (21.4 percent); social services (20.8 percent); transport, communication, and storage (19.6 percent); and agriculture, fishing, and forestry (1.3 percent).

Mode-wise Distribution. Projects approved by mode of financing (excluding cancellations) are presented in table 6.4.

The distribution of ordinary operations by mode of financing shows a concentration in leasing (54.2 percent), followed by installment sale (18.9 percent), loan (11.8 percent), and Istisna’a² (6.7 percent).

Table 6.2

Total Approvals by the IDB for Jordan, 1976–02

Type of financing	Number of operations	Amount approved		Percent of approvals
		ID million	US\$ million	
Project financing (including technical assistance)	51	343.604	450.377	39.66
Trade operations	85	564.626	685.133	60.32
Special assistance	1	0.200	0.250	0.02
Total	137	908.430	1,135.760	100

Source: IDB data.

Table 6.3

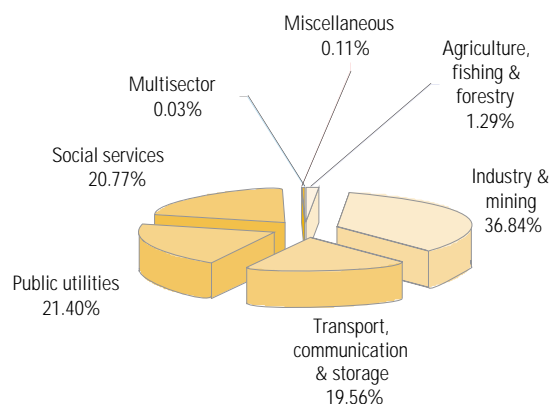
Sectoral Distribution of IDB Approved Projects, 1976–02

Sector	Number of operations	Amount approved		Percent of approved amounts
		ID million	US\$ million	
Agriculture, fishing, and forestry	2	5.296	5.800	1.29
Industry and mining	15	126.556	165.926	36.84
Transport, communication, and storage	8	67.345	88.102	19.56
Public utilities	6	69.130	96.370	21.40
Social services	18	74.684	93.539	20.77
Miscellaneous	1	0.485	0.500	0.11
Multisector	1	0.108	0.140	0.03
Total	51	343.604	450.377	100

Source: IDB data.

Figure 6.1

Sectoral Distribution of IDB Approved Projects (1976-02)



Portfolio Assessment. From 1976 until the end of 2002, the Bank approved 51 ordinary operations (both project financing and technical assistance operations), totaling \$450.38 million net of cancellations. The status of this global portfolio at the end of 2002 is depicted in table 6.5.

Of the 51 projects approved by the Bank, for an amount of \$450.38 million, 18 projects (for \$188.09 million, or 41.8 percent) are ongoing and 33 projects (for \$262.28 million, or 58.2 percent) have been completed, while 13 projects (amounting to \$153.96 million, or 34.2 percent) were cancelled.

Disbursements. The total amount disbursed by the Bank for projects and technical assistance operations approved in favor of Jordan up to the end of 2002 was ID 240.75 million, or 70.1 percent of the net approved amount. The overall disbursement profile for Jordan at the end of 2002 is shown in table 6.6.

The actual total disbursements made for the approved projects, which were under implementation as of December 31, 2002, was ID 41.27 million. This represents 12.0 percent of the total approved amount. The repayment/disbursement ratio for the overall portfolio is 44.4 percent.

Table 6.4

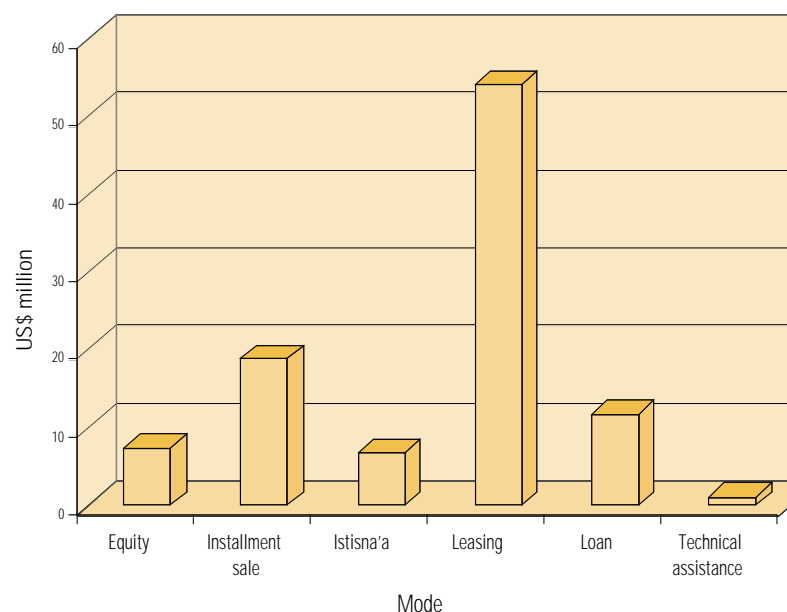
Projects Approved by Mode of Financing, 1976-02

Financing mode	Number of operations	Amount approved		Percent of approved amount
		ID million	US\$ million	
Equity	7	26.287	33.188	7.37
Installment sale	7	65.140	84.940	18.86
Istisna'a	2	22.704	30.300	6.72
Leasing	14	183.569	244.135	54.21
Loan	9	42.159	52.895	11.75
Technical assistance	12	3.745	4.919	1.09
Total	51	343.604	450.377	100

Source: IDB data.

Figure 6.2

Projects Approved by Mode of Financing (1976-02)



Cofinancing. Between 1976 and the end of 2002, the total cofinancing amount approved by various development financing institutions for Jordan stood at \$1.24 billion. In this respect, the IDB has cofinanced 21 projects in Jordan for a total amount of \$230.10 million with a number of regional and international financing institutions, including the World Bank. This represents 51.1 percent of the total IDB project portfolio for Jordan. According to the sectoral distribution for these 21 projects, the concentration of projects

was in the industry and mining sector (51.8 percent), followed by public utilities (19.6 percent); the social services sector (18.3 percent); and the transport, communication, and storage sector (7.9 percent). The details of these cofinancing arrangements are shown in table 6.7.

More specifically, seven projects (six completed and one ongoing) amounting to \$264.31 million were cofinanced between the IDB and the World Bank (\$105.19 million contributed by the IDB and \$159.12 million by the World Bank).

Table 6.5

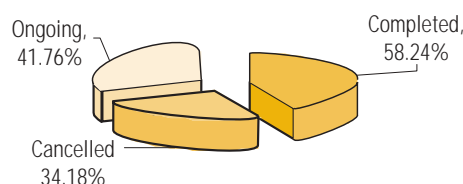
Current Status of IDB Project Portfolio for Jordan by end-2002

Status of approved projects	Number of operations	Amount approved		Percent of approved amount
		ID million	US\$ million	
Completed	33	203.996	262.283	58.24
Cancelled	13	122.696	153.956	34.18
Ongoing	18	139.608	188.094	41.76
<i>Total approvals, excluding cancelled projects</i>	51	343.604	450.377	100
Disbursements	51	240.746	—	70.07
Post-evaluated	9	—	—	—

Source: IDB data.

Figure 6.3

Current Status of IDB Project Portfolio for Jordan by end-2002



These projects were financed through seven modes of financing: two leasing, two installment sale, one equity, one Istisna'a, and one loan. IDB-World Bank cofinanced projects represent about 9 percent of the total project cost (\$2,979.19 million).

Project Post-evaluation in Jordan

Nine—out of 33 completed—projects were post-evaluated in Jordan during the period 1991–02 (1412H-1423H). Two were in the public utilities sector, three in industry, two in education, one in health, and one in communications. With regard to performance rating of these projects, four were considered successful, four partly successful, and one not successful in accordance with the criteria set out in the Operations Evaluation Guidelines.

The salient features of the lessons learned from these post-evaluated projects are stated below, while the summary of the post-evaluated projects in Jordan is provided in Annex O.

- Completion reports should be prepared by the Bank to allow post-evaluation to be more focused on impact evaluation aspects.
- The financing beneficiary's maintenance abilities should be thoroughly assessed to determine the installed capacities of the project in terms of availability and utilization.
- Whenever an integrated project is involved, the evaluation approach should also take account of each of its components. It should also provide a separate assessment of each independent component through re-estimating its financial internal rate of return/economic internal rate of return.

Table 6.6

Overall IDB Disbursement Profile for Jordan as of December 31, 2002

Mode of financing	Number of operations	Amount (ID million)			Percent		
		Approved	Disbursed	Repaid	Disbursement to approval	Repayment to approval	Repayment to disbursement
Leasing	14	183.569	145.588	55.055	79.31	30.00	37.82
Installment sale	7	65.140	32.509	30.656	49.91	47.06	94.30
Equity	7	26.287	28.186	0.967	107.22	3.68	3.43
Istisna'a	2	22.704	3.409	0.000	15.02	0.00	0.00
Loan	9	42.159	28.811	18.892	68.34	44.81	65.57
Technical assistance	12	3.745	2.241	1.264	59.84	33.75	56.40
Total	51	343.604	240.746	106.834	70.07	31.09	44.38

Source: IDB data.

Table 6.7

Projects Cofinanced by the IDB with the World Bank and Other International Financing Institutions, 1976-02

Cofinancier	Amount approved (US\$ million)	Percent
IDB	230.098	18.59
World Bank	159.120	12.85
Other financial institutions	848.712	68.56
Total	1,237.930	100

Source: IDB data.

- For any change in the executing agency, the Bank should ensure whether the original objectives and scope of the project have been revised. Such a change should be reflected in the amended financing agreement to be signed.
- The quality and continuity of technical staff employed by the executing agency enhanced the implementation of the telecommunications project. This also ensured a sound relationship between the Bank and the executing agency.
- The feasibility study on the Rehab and Risha Power project was not available. This study could have better clarified project viability and improved the quality of the appraisal report prepared by the Bank.
- The Bank embarked upon the appraisal and subsequent approval of the Rehab and Risha Power project after its turnkey contract was signed. This did not give the Bank a chance to critically review and clear all the tender documents. This could have also led to enlarged project scope and cost at a later stage.
- A nongovernmental organization (NGO) was the effective executing agency of the Al Amal Cancer project, not a government hospital as indicated in the appraisal report. The NGO's capabilities should have been duly assessed at appraisal and not those of the government body, which was referred to only with a view to meeting the IDB's requirements.
- The unaccounted-for-water rate is a key issue to be considered in assessing the operational performance of water resource projects, such as the Zarqa Ruseifa Water Supply project. Future appraisal of similar projects should focus on ways to improve their command.
- The success of the Secondary Schools project was mainly attributed to the priority accorded to education and training in Jordan.
- For specific education projects, using prototype school designs did not account for physical constraints and demographic characteristics of the areas, resulting in the possibility of additional costs or wastage of resources.
- The eventual success of the Arab Potash Production Expansion project was a product of the efforts made to promote the company's managerial and technological capabilities.
- For sustainability purposes, and to ensure adequate funds to meet operations and maintenance costs of the project, careful consideration should be given to the cost recovery aspects when designing future health projects.



Islamic Development Bank Sector Analysis

Overview

Jordan is increasingly becoming a service-oriented economy, as the service sector constituted 70.4 percent of GDP in 2000 (at factor cost), whereas industry, including mining and quarrying, constituted 25.8 percent. Mining, processing of phosphates and potash, represents Jordan's largest industry.

By its physical nature, Jordan is an arid country and water resources are scarce. Agriculture, therefore, forms a small part of the economy (3.8 percent of GDP). It has limited oil, gas, and natural resources. Over the last decade, the country has been enjoying well-developed education and health care systems aimed at providing social services to its citizens.

Industry and Mining

The mining sector in Jordan is based on the exploitation of the vast reserves of raw phosphates and potash. More recently there has been a focus on the creation of the value added activity of semi-processing of raw phosphates and potash. Jordan's main exports are primarily mineral-based resources and their derivatives, such as fertilizers, bromine, and magnesia, which form more than 30 percent of total export earnings. Exports of phosphates, potash, fertilizers, and related products amounted to \$412 million in 2001. With production in 2001 of some 5.9 million tons, Jor-

dan is the world's third-largest supplier of raw phosphates.

Phosphate mining is controlled by a joint-stock monopoly, the Jordan Phosphate Mines Company (JPMC), established in 1935. Production of rock phosphates averages about 3.7 million tons per year. Known reserves are adequate for decades of production at current or even higher levels. The export earnings of JPMC in 2001 reached \$189 million. JPMC has also achieved some success in developing downstream activities, such as fertilizers.

The Arab Potash Company (APC), which is being progressively privatized, has grown steadily since its inception in 1956, boosting its basic potash production and expanding its downstream activities. Potash production by APC in 2001 was 2 million tons and is expected to rise to 2.2 million tons by 2002. The foreign exchange earnings of APC in 2001 reached \$192 million. Both as APC and through its holding company, Jordan Dead Sea Industries Company (JODICO), the company is devel-

Table 7.1

Projects Approved by the IDB for Jordan in the Industry and Mining Sector, 1976–02

SI No.	Project name	Mode of financing	Amount approved (US\$ million)	Status of implementation
1	Jordan Petroleum Refinery	Equity	9.300	Completed
2	Jordan Phosphate Mines (ex-Jordan Fertilizer Industry)	Equity	5.240	Completed
3	Arab Potash Company	Equity	12.000	Completed
4	Jordan Phosphate Mines Company	Equity	1.822	Completed
5	Jordan Foundry	Leasing	11.600	Completed
6	Feasibility Study for Dead Sea Chemical Complex	TA	1.050	Completed
7	Jordan Phosphate Mines (ex-Jordan Fertilizer Industry)	Equity	2.100	Completed
8	Jordan Cement Factories	Equity	1.620	Completed
9	Arab Potash Company	I. sale	8.000	Completed
10	Al-Shidiyah Phosphate Mines	I. sale	11.000	Completed
11	Arab Potash Production Expansion	Leasing	17.053	Completed
12	Arab Potash Company (Additional I)	Equity	1.106	Completed
13	Top Grade Dead Burned Magnesia	Leasing	28.035	Ongoing
14	Potassium Nitrate and Di-Calcium Phosphate	Leasing	27.000	Completed
15	Bromine and Bromine Derivatives	Leasing	29.000	Completed
Total			165.926	

Note: TA = Technical assistance; I. sale = installment sale.

Source: IDB data.

opening a number of fertilizers and chemical projects.

For almost three decades, the IDB has contributed to the development of the industry and mining sector in Jordan, in line with the government priorities. The IDB's financing in Jordan started with equity financing of two well-organized companies with great potential (JPMC and APC). In relation to its total financing of \$450.38 million in Jordan during the period 1976–02, the IDB's contribution to the industry and mining sector has been substantial (about 37 percent of total portfolio), as shown in table 6.3.

The total amount financed by the IDB in the industry and mining sector during this period is \$165.93 million for 15 projects, including one technical operation, the details of which are shown in table 7.1.

The concentration of IDB's financing in the mining sector (JPMC, APC, and their subsidiaries) has been on the higher side. However, because of the potentialities and viability of both this

strategic sector and the recipient entities, the absorption capacity of the financing beneficiary reduced the inherent risks. Some of the IDB projects in this sector were also financed by other donors (mainly the World Bank and the European Investment Bank). Industry and mining in Jordan has evolved into a strong and profitable sector with competent and forward-looking management. For example, JPMC was able to command a market share of 15 percent of the global phosphate demand. APC has further strengthened its position in the international potash industry by securing international certificates such as ISO 1400 and ISO 9001, which testifies to its compliance with the environmental standard and quality management system, respectively. Although both JPMC and APC are publicly listed companies, the government was the major shareholder at the time of the CAE. The government intends to reduce its holdings in both companies and hopes to find dynamic investors to provide administrative and marketing expert-

ise, as well as to boost profitability. IDB's current shareholding stands at 5 percent of APC capital and 0.5 percent of JPMC capital. At the time this CAE was conducted, APC had started its privatization process and had already agreed to sell half of its shares (26 percent).

Since 1997 the IDB has also participated in the financing of downstream projects aimed at diversification of potash products through the production of other derivatives geared for export from the Dead Sea potash production complex, such as magnesium oxide, potassium sulphate, and bromine. The Jordan Bromine Company (JBC) project, which is a joint venture between Albemarle (an American company) and JPMC, with equal shares, has benefited from IDB financing. The project commenced its commercial operation in November 2002, as scheduled. It was able to realize a savings of about \$10 million in project costs because of the economies accrued from contract packaging, as contracts had been awarded to several vendors under various lots.

Conversely, the ongoing Jordan Magnesia Company (JMC) project, which was also financed by the IDB, is facing implementation difficulties. This is mainly attributed to the turnkey contract awarded to a Turkish-Canadian company, which was subsequently terminated (July 2002) because of breach of commitments. At the time of termination, about 95 percent of the work was completed; but the remaining portion is highly technical and complex. Steps have been taken to accelerate project completion, but it is too early to judge the outcome.

During the later half of the 1990s, the government of Jordan embarked on a policy of privatization of key sectors of the economy, particularly the mining, water, electricity, and telecommunication sectors. The government, which has major stakes in the two largest industrial ventures, JPMC (71 percent) and APC (26 percent), decided to reduce its holdings in a significant way. It hopes to find strategic investors to provide administrative and marketing expertise to both these companies and to boost their profitability. The IDB also has 0.5 percent and 5 percent shareholdings, respectively, in these two companies. Progress has also been made

regarding the sale of government shares in two other projects, Jordan Cement Factories Company (JCFC) and Aqaba Railways Corporation (ARC), where the IDB has equity participation. Furthermore, the government is no longer willing to issue sovereign guarantee for projects in these sectors in accordance with the privatization policy. This matter, however, has been conducive to delay in approving the projects for the country.

Public Utilities

Another important feature of Jordan's economy is the inadequacy of public utilities, mainly water and energy. In this connection, the IDB has been supportive in contributing to the development of water resources and power supplies in Jordan. The public utilities sector is the second-largest recipient of IDB's financing (21 percent of its total portfolio).

Water Resources. Jordan is one of the most water-scarce countries in the world. The water reserves (aquifers) are being replenished at a slow pace because of the aridity of the land as well as the high population growth and urbanization. In areas such as the Jordan Valley, irrigation is extensively used for agriculture, which consumes the bulk of water resources, accounting for 69 percent of total consumption.

The IDB financed three projects (including one technical assistance operation) in the water resources subsector, for a total of \$33.08 million, during the period under review; the details are outlined in table 7.2.

The first financing extended to the water subsector by the IDB was for the Zarqa Rusaifa Water Supply and Sewerage project (Phase I) in 1982. The project was able to achieve its objectives of fulfilling the needs of about 30,000 people for potable water and providing a sewerage system to about 17,000 people. But the financial situation of the WAJ, which managed the project, kept deteriorating and the level of revenues fell short of meeting its capital expenditures, recurrent costs, and debt servicing.

Lack of water has considerably pegged Jordan's development. Heavy investments in industry and tourism, coupled with rapid pop-

Table 7.2

Projects Approved by the IDB for Jordan in the Water Resources Subsector, 1976–02

SI No.	Project name	Mode of financing	Amount approved (US\$ million)	Status of implementation
1	Zarqa Rusaifa Water Supply and Sewerage (Phase I)	Loan	7.800	Completed
2	Feasibility Study for Deep Groundwater Aquifer of Wadi Araba	TA	0.280	Completed
3	Southern Ghors and Eastern Shores of the Dead Sea	Installment sale	25.000	Ongoing
Total		33.080		

Source: IDB data.

ulation growth, will create a rapidly rising demand for water in the coming years. Greater efforts have to be made to provide for more efficient allocation of water resources. According to official figures, about \$5 billion will need to be invested in Jordan's water infrastructure over the next 10 years to avoid an annual deficit in the supply of water. Generous contributions by donors, including the IDB, are essential to meet this huge investment requirement. Additionally, the government is considering ways of involving the private sector in the financing and operation of new water schemes in the form of build-own-operate/build-own-transfer projects.

Energy. Jordan has traditionally relied on imported oil for the bulk of its energy generation, but has increasingly been exploring the potential of both local gas and shale oil reserves.

Electrical energy production in 2001 was 7.4 billion kilowatts, with some 94 percent of this produced by the state-owned National Electric Power Company (NEPCO) and the remaining shares owned by private companies. Industry is the largest electrical energy consumer sector in Jordan, accounting for 34 percent of total consumption, followed by domestic consumers, with 31 percent. Some 98.5 percent of the Jordanian population has access to electricity supplies. Demand for electricity generation is growing by 10 percent annually.

The IDB has financed three projects in the energy sector in Jordan for a total amount of \$63.29 million during the reporting period (1976–02). The details of these operations are provided in table 7.3.

The three IDB-financed power plants (Al-Risha/Rehab, Aqaba, and Rehab) have made significant contributions to improving electricity

Table 7.3

Projects Approved by the IDB for Jordan in the Energy Subsector, 1976–02

SI No.	Project name	Mode of financing	Amount approved (US\$ million)	Status of implementation
1	Al-Risha and Rehab Power Expansion	Leasing	15.550	Completed
2	Aqaba Thermal Power Extension	Leasing	21.500	Completed
3	Rehab Power Station	Leasing	26.240	Completed
Total			63.290	

Source: IDB data.

generation, distribution, and transmission systems in Jordan. The Aqaba thermal power station, with five 130-MW steam-generating units, is to be converted from heavy fuel to gas in preparation for the establishment of a pipeline bringing Egyptian natural gas to Aqaba.

At the time of this CAE, the government was looking for a private developer to construct a 370-kilometer pipeline to bring gas from Aqaba to power stations in the Amman area. The government is also keen to attract private sector investments to the energy sector.

Social Services

Social services, which include education, health, and other social projects, are the third-largest sector that has benefited from IDB financing (21 percent of its portfolio). Continually keen to contribute to the social service sectors in Jordan, the IDB has financed 18 projects (including 6 technical assistance operations) in these sectors for a total amount of \$93.54 million during the period 1976–02.

Education. Jordan's education indicators are, on average, among the highest in the region, as evidenced by the high public expenditures on education (6.8 percent of GDP). School enrollment stands at 95 percent at the primary level and 66 percent at the secondary level. Jordan also has a significant tertiary education sector. The university enrollments are equal to, or even surpass, those in the Middle East and the industrial world. In the absence of adequate natural resources, Jordan has emphasized the growth of human capital as the basis of its development strategy. Jordan accords high priority to universal education. The IDB has endeavored to be responsive to the educational needs of the country, as demonstrated by the level of its involvement in this strategic subsector.

Since 1985, eight projects, including four technical assistance operations, have been approved by the IDB in the education subsector, for a total amount of \$33.06 million. Table 7.4 provides a detailed breakdown of these approvals.

Table 7.4

Projects Approved by the IDB for Jordan in the Education Subsector, 1976–02

SI No.	Project name	Mode of financing	Amount approved (US\$ million)	Status of implementation
1	Eight secondary schools	Leasing	9.700	Completed
2	Jordan University of Science and Technology	Installment sale	9.000	Completed
3	New Central Library at Yarmouk University, Irbid	Loan	4.780	Completed
4	Capacity Building for library expansion of Royal Scientific Society	TA	0.209	Ongoing
5	Feasibility Study for new library building for Jordan University	TA	0.240	Completed
6	Establishment of Vocational Training Centre for Muslim girls	TA	0.070	Ongoing
7	Technological Literacy Centres	TA	0.270	Ongoing
8	New central library building of University of Science and Technology	Loan	8.790	Ongoing
Total		33.059		

Source: IDB data.

A number of officials interviewed during the CAE mission appreciated IDB assistance for construction and expansion of educational institutions (mainly schools) over the years. Thanks to the financial support provided by various financing institutions, including the IDB and the World Bank, the school enrollment in basic and secondary education increased by 23 percent between 1990 and 2000. Jordan’s adult literacy increased to 90 percent by 2000, surpassing average literacy rates for East Asia and Latin America. There has also been a substantial decline in the number of rented houses used as primary and secondary schools. However, there is still room for enhancing the quality of education in the areas of technical knowledge, teacher training, and capacity building in educational institutions.

The government invests about \$100 million annually in new school facilities as well as in upgrading the curriculum and teacher training standards. Further investments in school infrastructure, such as classroom facilities, labs, and libraries, will be needed in the long run to meet the requirements of the growing number of students.

Health. Public and private health expenditures, which make up about 9 percent of GDP, are well above the regional levels and those of most

industrial countries. By regional standards, Jordan has a well-developed health care system—and some elements are world class. The total amount financed by the IDB in the health sector since 1991 is \$49.48 million for seven projects; the details are shown in table 7.5.

The IDB’s support for construction and expansion of health care facilities in Jordan, such as Queen Alia Heart Institute and Amal Cancer Centre, has certainly been appreciated. The King Abdullah Hospital project, which was financed by the IDB, has been completed but still operates at a low capacity rate. Conversely, it experienced long implementation delays and appeared to have excess capacity. No sector or feasibility study had been carried out prior to appraisal.

Although Jordan’s health care system performs well compared with other member countries at similar levels of development (such as Algeria, Egypt, Morocco, and Tunisia), the effectiveness of the health care system does not reflect the high expenditures allocated to it. The health sector was confronted with many problems before the IDB’s intervention, such as overcapacity in hospitals, management inefficiency, high costs inherent in the public health facilities, a weak referral system among health care providers, and inadequate monitoring of health service quality. Of particular importance is the

Table 7.5

Projects Approved by the IDB for Jordan in the Health Subsector, 1976–02

SI No.	Project name	Mode of financing	Amount approved (US\$ million)	Status of implementation
1	Al-Amal Cancer Centre	Loan	5.000	Completed
2	King Abdullah Hospital at Irbid	Loan	2.400	Completed
3	King Abdullah Hospital at Irbid	Leasing	9.200	Completed
4	National Centre for Diabetes, Endocrine, and Inherited Diseases	TA	0.280	Ongoing
5	Medical Equipment for King Abdullah Hospital	Leasing	20.000	Ongoing
6	Expansion of Queen Alia Heart Institute	Loan	4.500	Ongoing
7	Expansion of Queen Alia Heart Institute	Installment sale	8.100	Ongoing
Total		49.480		

Source: IDB data.

overcapacity in some hospitals and the continued debate over the need for a universal health insurance scheme to include those who are not covered (nearly one-fifth of the population).

The government has announced plans for a major reform of the sector in 2002, which will include (a) the expansion of health insurance to 100 percent of the population, from the current 75 percent; (b) upgrading of primary health care facilities; and (c) improved hospital administration to speed up admissions and reduce duplication of services. The government is also keen to build on Jordan's reputation for quality service to attract more patients from the Arab world.

Other Social Services. The IDB has participated along with the World Bank Group (International Development Association [IDA] and IFC), Arab Funds, and other donors in the financing of ongoing microfinance activities of the National

Aid Fund (NAF), which is involved in extending assistance to needy segments of the population. The financing approved in 1998—a total amount of US\$11 million—comprises three operations (Istisna'a, loan, and technical assistance). This project is aimed at upgrading and constructing essential physical and social infrastructure in 14 squatter settlements and 13 refugee camps spread throughout the country as part of the Community Infrastructure Project (CIP). The components of the project include the construction of six schools, two health care centers, and four community centers. The IDB's technical assistance portion of the project is directed toward the capacity building of NAF through the procurement of computer hardware and software. The details of these operations are shown in table 7.6.

The implementation of the project is in progress and is expected to be completed by mid-2003. It is, therefore, too early to draw meaningful lessons from this case.

Table 7.6

Projects Approved by the IDB for Jordan in the Microfinance Subsector, 1976–02

SI No.	Project name	Mode of financing	Amount approved (US\$ million)	Status of implementation
1	Social Safety Net Package	Istisna'a	5.000	Ongoing
2	Social Safety Net Package	Loan	5.000	Ongoing
3	Social Safety Net Package	TA	1.000	Ongoing
Total			11.000	

Source: IDB data.



Conclusions, Recommendations, and Lessons

World Bank Findings

Long-delayed and much-needed public sector reform. Despite considerable analytical work identifying how government expenditures could be reduced and better directed, the Bank should have emphasized this issue more than it did. While some wasteful expenditures were curtailed, and a few large state-owned enterprises privatized, the government still plays too large a role in the economy.

As the government cannot raise commensurate revenues, it is worrisome that it struggles to finance the budget deficit and the stock of public debt, much of which is external. The country's vulnerability to external shocks remains high, and the potential for regional instability is also considerable. OED recommends the following:

- The Bank should support a reduction in government expenditures and an improvement in the quality of expenditure, especially rationalizing the social expenditures that public expenditure reviews have identified as being poorly spent. The third Public Sector Reform Loan offers an opportunity to tackle these issues and to shift from input-related conditionalities to outcome-based conditionalities.

Jordan's poverty is still high and policies and strategies should be defined to reduce it. OED recommends the following:

- Engagement with the Bank's counterparts to reach a common understanding on the incidence of poverty in Jordan and a broad consensus for future poverty reduction programs.¹
- Given the high and persistent unemployment, a study of the labor market could provide the basis for measures to reduce unemployment and alleviate poverty.

A comprehensive approach to water resources management should be emphasized.

While Bank assistance contributed to significant progress (for example, agricultural liberalization, private management of WAJ's operations in Amman, and an urban water tariffs increase), the pace is not commensurate with the rapidly dwindling water resources. The OED recommends the following:

- Future Bank strategy should support, in coordination with other donors, a comprehensive approach to water resources management:

promoting incentives for more efficient use of water, upgrading infrastructure to reduce costs and high levels of water losses, and facilitating efficient investments in the sector.

Islamic Development Bank Findings

Some of the IDB projects involving the industry and mining sector were cofinanced by other donors (mainly the World Bank and European Investment Bank). Industry and mining in Jordan has evolved into a strong and profitable sector with competent and forward-looking management because of both the sustained efforts exerted by the government and the financing assistance provided by the international development institutions, including the IDB.

An important feature of Jordan's economy is the scarcity of sources of public utilities, mainly water and energy. The IDB has been supportive in contributing to the development of water resources and power supplies in Jordan. In view of the paucity of water resources, the government has placed greater emphasis on more efficient allocation of water resources and the operation of water schemes. The improvement in electricity generation, distribution, and transmission systems is another priority of the government, which is also keen to attract private sector investments in the water and energy subsectors.

Jordan's health care system is more advanced than those of other member countries at a similar level of development. The IDB has provided support for construction and expansion of several health care facilities. The health sector is still facing the problems of overcapacity in some hospitals, management inefficiency, and the high costs inherent in public health facilities.

The IDB's assistance to Jordan helped in the transfer of resources that contributed to the growth of key sectors of the economy, including (a) industry and mining (for increased phosphate and potash production); (b) public utilities (for increased availability of water and electrical energy); and (c) social services (for provision for additional health services and education infrastructure).

It was also observed that processing of disbursement requests took a longer time than

expected (for example, in the industry and health sectors), and the IDB was said to be slower in processing and more demanding than other donors in its documentation requirements. Projects that experienced particular difficulties in timely disbursement included Jordan Bromine Company and the Queen Alia Heart Institute.

IDB-financed projects in Jordan ranked high in the government's priorities. These projects were well designed and selected in accordance with the overall development goals of Jordan. Moreover, the Bank's efforts in Jordan were well coordinated with the government. The importance of evaluating the IDB's role in Jordan was positively perceived by all the development partners met in Jordan during the CAE mission.

It is necessary to assess the expected impact of the project on the economy as a whole at the identification stage, before its inclusion in the project pipeline for the country. This assessment refers to the project's rationale, including its primary and secondary objectives, such as the creation of employment, wealth generation, human resource development, and mitigation of adverse environmental impacts. In addition, post-completion factors, such as tariffs and regulations, should be addressed in a comprehensive manner, as they determine the success and sustainability of the project in the long run.

It is essential to ascertain the status of preparation of individual projects and their readiness (that is, concept stage, feasibility study and detailed design).

The IDB should strengthen its efforts for possible cofinancing of large projects with other financiers, such as the Co-ordination Group of Arab Funds and multilateral development banks. The Bank should also intensify its efforts to extend assistance for capacity building in the executing agencies that have strong relationships with the IDB, particularly government agencies and NGOs.

It is necessary to assess the sectoral focus of other multilateral development financing institutions in identifying and building a project pipeline for cofinancing proposals consistent with the country's priorities and the IDB's sectoral strategy.

The exposure of the IDB's financing in the mining sector (JPMC, APC, and their subsidiaries) has been on the high side, whether globally for the sector or for the individual beneficiaries. Such a high concentration of financing could lead to both project and credit risk.

In keeping with its policies and procedures, the IDB cannot accept 100 percent exposure for a project. For all the projects outlined in the CASS, no mention has been made of the financing already secured (committed or pledged).

It is crucial to establish the level of preparation of the project before accepting it as a proposal, particularly in the case of the CASS. If the government deems a project a priority at the concept stage, it is essential to make a provision for technical assistance for a feasibility study on the project. Also, technical assistance should be increasingly targeted for design, preparation, and implementation of projects.

The IDB should be more involved at the preparation stage of projects. The possibility of extending technical assistance financing should be carefully explored to facilitate project sponsors in submitting viable and sustainable projects.

The IDB may further contribute to financing projects in the areas of transport, information

technology, and human resource development, as well as in the social sectors (health and education) and small business, aiming at poverty alleviation in accordance with the priorities outlined in Jordan's new Economic and Social Transformation Programme. These contributions may be made in addition to IDB's continued support to the industrial and infrastructure sectors.

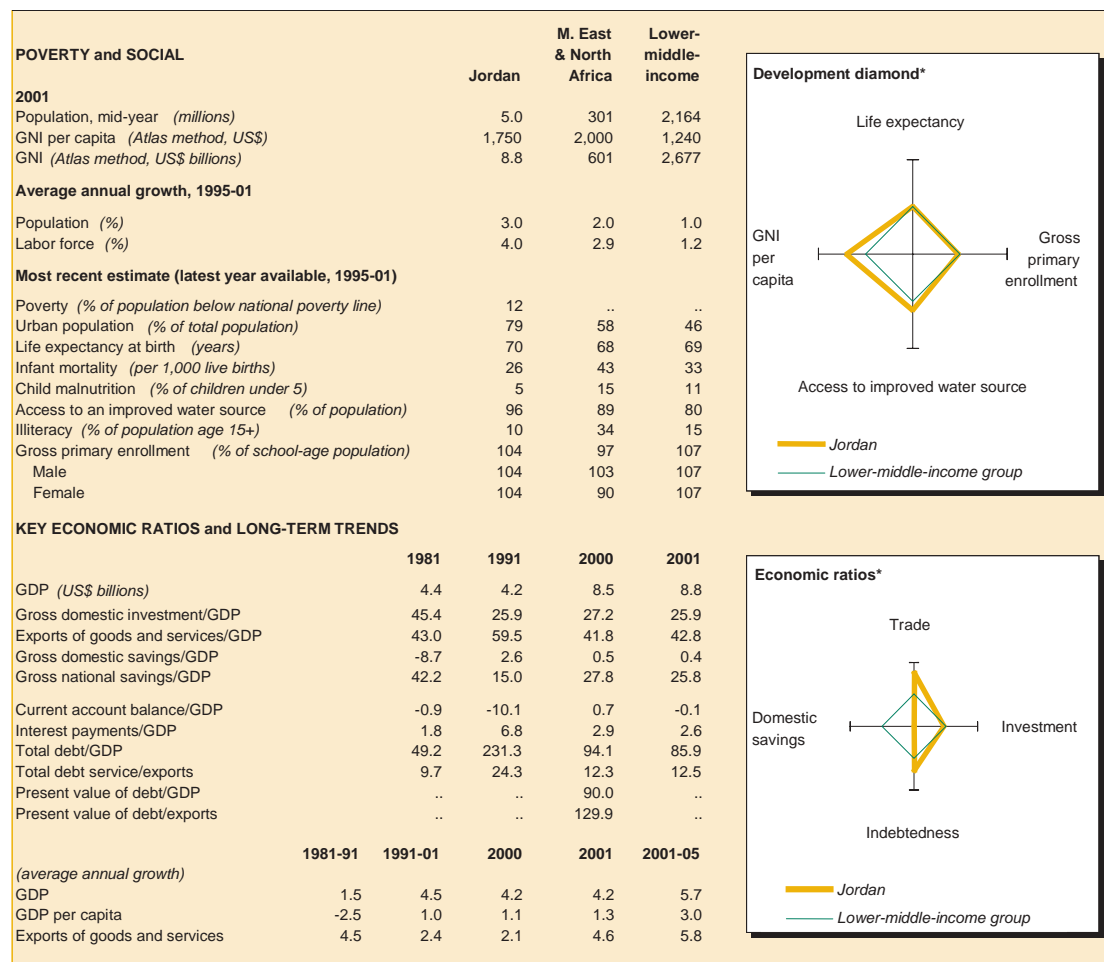
As part of its future assistance agenda, the IDB could consider investing in nonconventional water resources projects (for example, wastewater infrastructure and dam construction) as well as water demand management projects (for example, water loss reduction and rehabilitation and restructuring of existing water networks). Greater emphasis should also be given to maintenance, training, and capacity building in water sector institutions.

Furthermore, the IDB could target its future assistance to projects that serve the agricultural strategy in Jordan, especially in the areas of rainfed land and water harvesting. In this respect, the Bank could explore the possibility of cofinancing agricultural development projects in Jordan with other financing institutions. Finally, lines of microfinance facilities could be extended to local banks for the development of small farms in the country.

ANNEXES

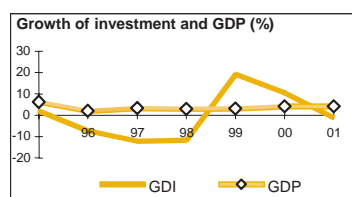
The World Bank

ANNEX A: JORDAN AT A GLANCE

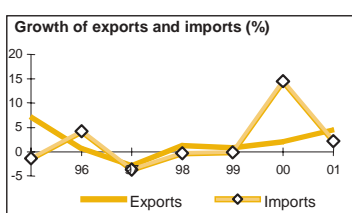


STRUCTURE of the ECONOMY

	1981	1991	2000	2001
<i>(% of GDP)</i>				
Agriculture	6.1	8.5	2.3	2.1
Industry	29.8	26.2	25.3	25.2
Manufacturing	14.5	13.7	15.5	15.3
Services	64.1	65.3	72.4	72.7
Private consumption	77.7	71.4	74.5	76.7
General government consumption	31.1	26.0	25.0	23.0
Imports of goods and services	97.2	82.8	68.5	68.3



	1981-91	1991-01	2000	2001
<i>(average annual growth)</i>				
Agriculture	8.5	-4.0	8.4	2.2
Industry	-0.5	4.5	3.3	6.3
Manufacturing	0.7	5.4	5.5	5.8
Services	2.3	4.9	5.2	4.3
Private consumption	-0.1	4.9	11.3	6.2
General government consumption	0.6	4.9	6.8	-4.6
Gross domestic investment	-2.5	1.7	10.7	-0.9
Imports of goods and services	-0.3	2.4	14.5	2.2

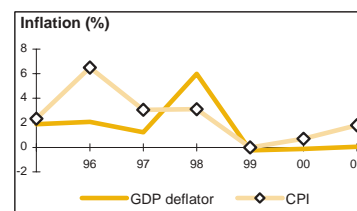


Note: 2001 data are preliminary estimates.

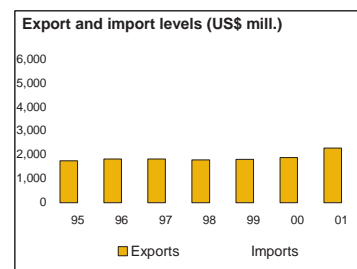
* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE

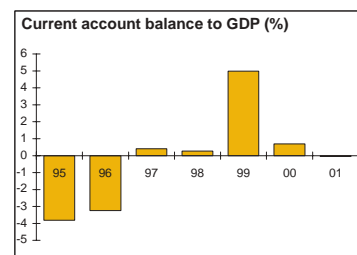
	1981	1991	2000	2001
Domestic prices				
(% change)				
Consumer prices	7.7	8.2	0.7	1.8
Implicit GDP deflator	18.9	5.1	-0.1	0.0
Government finance				
(% of GDP, includes current grants)				
Current revenue	49.1	44.8	30.0	30.8
Current budget balance	22.5	13.1	1.0	2.2
Overall surplus/deficit	7.2	8.3	-4.7	-3.8


TRADE

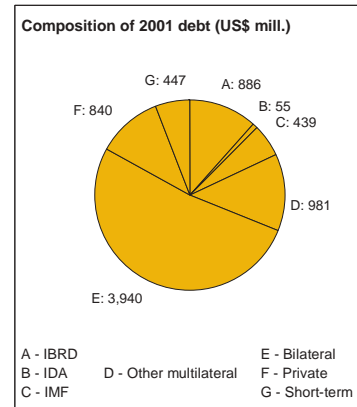
	1981	1991	2000	2001
(US\$ millions)				
Total exports (fob)	734	1,132	1,899	2,295
Food	100	126	164	191
Phosphates	166	181	128	130
Manufactures	215	403	933	1,269
Total imports (cif)	3,170	2,512	4,577	4,833
Food	508	613	747	733
Fuel and energy	533	355	718	702
Capital goods	1,256	369	1,313	1,311
Export price index (1995=100)	88	87	91	92
Import price index (1995=100)	124	97	106	108
Terms of trade (1995=100)	71	89	86	85


BALANCE of PAYMENTS

	1981	1991	2000	2001
(US\$ millions)				
Exports of goods and services	1,909	2,484	3,536	3,777
Imports of goods and services	4,215	3,429	5,796	6,027
Resource balance	-2,306	-945	-2,260	-2,250
Net income	87	-362	-27	9
Net current transfers	2,178	884	2,345	2,236
Current account balance	-41	-423	58	-5
Financing items (net)	-5	403	714	-180
Changes in net reserves	47	20	-772	184
Memo:				
Reserves including gold (US\$ millions)	1,300	930	2,763	2,579
Conversion rate (DEC, local/US\$)	0.3	0.7	0.7	0.7


EXTERNAL DEBT and RESOURCE FLOWS

	1981	1991	2000	2001
(US\$ millions)				
Total debt outstanding and disbursed	2,186	9,700	7,969	7,588
IBRD	45	511	798	886
IDA	78	76	57	55
Total debt service	303	740	723	779
IBRD	3	97	106	105
IDA	1	2	3	3
Composition of net resource flows				
Official grants	891	383	404	460
Official creditors	306	414	-63	338
Private creditors	29	-97	-155	-70
Foreign direct investment	141	-12	751	78
Portfolio equity	0	0	104	-113
World Bank program				
Commitments	25	25	35	120
Disbursements	22	40	38	161
Principal repayments	0	56	56	57
Net flows	22	-16	-17	104
Interest payments	3	43	53	51
Net transfers	19	-59	-71	53



ANNEX B: KEY BACKGROUND DATA

- Table B.1 Jordan: Key Economic Indicators, 1990–00
- Table B.2 Poverty and Inequality in Jordan, Egypt, Morocco, and Tunisia
- Table B.3 Comparing National and International Poverty Lines for Selected Countries in the MNA Region
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Table B.1 Jordan: Key Economic Indicators, 1990–00

Indicator	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Average, 1990–00					West Bank & Gaza	MNA	Lower/middle income
												Jordan	Algeria	Egypt	Morocco	Tunisia			
GDP growth, constant prices (annual %)	-0.3	1.6	14.3	4.6	5.0	6.4	2.1	3.3	3.0	3.1	4.2	4.3	1.8	4.5	2.9	4.8	3.6	3.7	3.0
GNI per capita, Atlas method (current US\$)	1,390	1,120	1,330	1,390	1,470	1,580	1,590	1,590	1,600	1,630	1,720	1,523	1,809	1,067	1,148	1,813	1,688	1,867	1,043
GNI per capita, PPP (current international \$)	3,130	2,920	3,420	3,480	3,570	3,800	3,800	3,790	3,750	3,840	3,960	3,595	4,576	2,986	3,151	4,853	..	4,547	3,525
GDP per capita growth (annual %) -2.7	-8.9	12.8	0.0	1.0	3.0	-1.4	-0.2	-0.2	0.0	1.3	0.4	-0.2	2.4	1.0	3.2	0.4	1.0	1.7	..
Agriculture, value added (% of GDP)	8.1	8.5	7.8	5.9	5.2	4.3	3.8	3.3	3.0	2.4	2.2	4.9	11.2	17.5	16.5	13.6	12.0	13.5	16.5
Manufacturing, value added (% of GDP)	14.9	13.7	14.0	13.1	15.7	14.9	13.5	13.8	15.2	15.7	15.6	14.5	10.9	17.8	17.6	17.8	16.2	12.9	27.5
Services etc., value added (% of GDP)	63.8	65.3	65.1	67.0	66.0	67.2	70.5	71.6	71.5	72.0	73.0	68.6	36.4	50.6	51.5	57.5	61.1	46.2	43.7
Exports of goods and services (% of GDP)	61.9	59.5	49.9	50.0	47.6	51.1	52.1	48.8	44.6	43.4	41.8	50.1	28.0	21.0	27.1	42.9	18.8	31.9	26.3
Imports of goods and services (% of GDP)	92.7	82.8	81.5	80.3	70.6	72.0	77.1	70.8	64.0	61.3	67.7	74.4	25.0	28.2	32.4	47.0	70.6	32.4	26.4
Current account balance (% of GDP)	-10.2	-10.1	-15.6	-11.4	-6.3	-3.8	-3.2	0.4	0.3	5.0	0.7	-4.0	1.8	1.1	-1.4	-4.1	..	..	..
Total debt service (% of exports of goods and services)	20.3	24.2	19.6	15.2	13.6	12.5	18.9	16.4	16.5	9.6	11.4	16.5	49.1	14.7	29.7	19.4	..	14.3	15.7
External debt (% of GNI)	214.9	249.3	155.8	142.3	128.9	123.4	119.4	114.0	107.6	111.7	97.6	145.6	62.8	60.8	74.0	62.5	..	..	..
Government expenditure, total (% of GDP) IMF data	45	44	36	36	35	36	37	35	37	35	..	38	31	30	30	32	..	31	17
Gross international reserves in months of imports	2.8	5.1	3.7	7.0	8.0	7.4	5.7	7.4	6.4	6.8	7.9	4.5	6.5	8.3	4.3	2.1	..	4.1	4.1
Gross domestic savings (% of GDP) 1.0	2.6	1.5	5.9	9.9	11.7	5.1	3.4	2.3	1.0	..	..	..	..	..	..	..	..	..	..
Total revenue, including grants (% of GDP) IMF data	37	35	38	35	32	34	34	31	30	31	..	..	..	..	..	..	..	..	..
Government capital expenditures (% of GDP) IMF data	6	6	6	7	6	7	7	6	6	5	..	..	..	..	..	..	..	..	..

Note: GNI = gross national income; PPP = purchasing power parity.

Source: World Bank data, 2002.

Table B.2

Poverty and Inequality in Jordan, Egypt, Morocco, and Tunisia

Country and survey year	Urban		Rural		Overall		Gini coefficient
	Headcount index (%)	Poverty gap (%)	Headcount index (%)	Poverty gap (%)	Headcount index (%)	Poverty gap (%)	
Jordan^a							
1986/87	2.6	n.a.	4.4	n.a.	3.0	0.3	0.36
1992	12.4	3.1	21.1	5.1	14.4	3.6	0.40
1997	10.0	2.1	18.2	4.0	11.7	2.5	0.36
1999 ^b					12.0	3.03	0.36
2001 ^b					11.6	3.01	0.36
Egypt							
1981/82	18.2	3.5	16.1	3.1	17.2	n.a.	0.394
1990/91	20.3	4.3	28.6	4.5	25.0	n.a.	n.a.
1995/96	22.5	4.9	23.3	4.3	22.9	n.a.	0.320
1997	22.5	5.6	24.3	6.4	23.5	6.7	0.320
Morocco							
1984/85	17.3	n.a.	32.6	n.a.	26.0	n.a.	0.446
1990/91	7.6	1.5	18.0	3.8	13.1	2.7	n.a.
1998/99	12.0	2.5	27.2	6.7	19.0	4.4	0.395
Tunisia							
1985	4.6	n.a.	19.1	n.a.	11.2	n.a.	0.406
1990	3.5	0.7	13.1	3.2	7.4	1.7	n.a.
1995	3.6	0.7	13.9	3.1	7.6	1.6	0.400

n.a. Not available.

a. Jordan's headcount index is based on updating the official poverty line (per capita consumption expenditure per year) originally derived by the Ministry of Social Development for the year 1987. For example, the 1992 update of the 1987 official poverty line generated a per capita poverty line of JD 261 per year, which would equal an annual per capita poverty line of JD 313.5 (equivalent to US\$442) in 1997 prices.

b. Assuming that inequality did not change from its 1997 level, a per capita income-poverty elasticity of -2 , and given the per capita GDP growth rates of -0.1 in 1998, 0.0 in 1999, 0.83 in 2000, and 1.0 in 2001 (World Bank 2002, p. 11).

Source: Adams and Page 2001, tables 3 and 5, pp. 32–34.

Table B.3

Comparing National and International Poverty Lines for Selected Countries in the MNA Region

Country	National poverty lines		International poverty lines		
	Survey year	Population below the poverty line (%)	Survey year	Population below US\$1/person/day (%)	Population below US\$2/person/day (%)
Algeria	1995	14.1	1995	< 2	15.1
Egypt	1997	23.5	1995	3.1	52.7
Jordan	1997	11.7	1997	< 2	7.4
Morocco	1998/99	19.0	1990/91	< 2	7.5
Tunisia	1995	7.6	1995	< 2	10.0
West Bank & Gaza	1998	23.2	n.a.	n.a.	n.a.
Yemen	1991/92	19.1	1998	15.7	45.2

n.a. Not available.

Sources: Adams 2001; World Bank 2001a,b, table 2.

Table B.4 Social Indicators for Jordan and Comparator Countries, 1975-80

Indicator	Jordan		Algeria			Egypt			Morocco			Tunisia			MNA							
	1975	1978	1979	1980	1975	1978	1979	1980	1975	1978	1979	1980	1975	1978	1979	1980	1975	1978	1979	1980		
	Life expectancy at birth, total (years)	..	..	..	..	56.3	..	..	..	53	55	..	56	58.6	..	..	..	62.4	46	..	..	47.6
Life expectancy at birth, female (years)	..	..	..	..	57.3	..	..	..	55	56	..	57	59.8	..	..	..	63.5	47.8	..	..	49.4	
Life expectancy at birth, male (years)	..	..	..	..	55.3	..	..	..	52	53	..	54	57.8	..	..	..	61.4	44.4	..	..	46	
Mortality rate, infant (per 1,000 live births)	48.8	..	..	..	120	..	..	..	139	115	..	120	94.4	..	..	..	99.2	125	..	..	115	
Birthrate, crude (per 1,000 people)	..	..	..	..	46.2	..	..	..	39	42	..	39	36.7	..	..	..	38.1	47.6	..	..	46.8	
Death rate, crude (per 1,000 people)	..	..	..	..	14.2	..	..	..	15	14	..	13	10.9	..	..	..	12	9	..	..	17.5	
Fertility rate, total (births per woman)	7.5	..	..	..	7.3	..	..	..	5.4	6.3	..	5.1	5.9	..	..	..	5.4	6.6	..	..	6.6	
Improved water source (% of population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Improved water source, urban (% of urban population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Improved water source, rural (% of rural population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Immunization, DPT(% of children under 12 months)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Immunization, measles (% of children under 12 months)	..	..	..	..	..	..	..	..	..	..	..	82	..	..	..	..	..	36	..	..	..	..
Sanitation (% of population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Illiteracy rate, adult total (% of population ages 15 and above)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Illiteracy rate, adult female (% of females ages 15 and above)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Illiteracy rate, adult male (% of males ages 15 and above)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Sanitation, rural (% of rural population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Sanitation, urban (% of urban population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
School enrollment, primary (% net)	78.6	..	..	..	76.6	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
School enrollment, primary, female (% net)	73.4	..	..	..	63.9	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
School enrollment, primary, male (% net)	83.6	..	..	..	88.9	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
School enrollment, secondary (% net)	44.2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
School enrollment, secondary, female (% net)	37.2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
School enrollment, secondary, male (% net)	50.9	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
School enrollment, secondary (% gross)	47.5	..	..	..	20	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Pupil-teacher ratio, primary	34.7	..	..	..	40.9	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Land use, arable land (% of land area)	3.3	3.3	3.3	3.4	2.9	2.9	2.9	2.3	2.7	2.4	2.3	2.3	16	17	22	21.9	20.5	5.3	5.4	5.4	5.5	
Labor force, total (millions)	0.5	0.5	0.5	0.5	4.1	4.5	4.7	13.9	12.7	13.6	13.9	14.3	6.0	6.6	7.0	1.8	2.1	149.5	161.4	165.7	170.3	
Labor force, female (% of total labor force)	14.1	14.5	14.6	14.7	20.9	21	21	26	26	26	26	27	33	33	33.5	26.3	27.9	42.3	42.3	42.3	42.3	

Note: DPT = Diphtheria, pertussis, and tetanus inoculation. Source: World Bank, World Development Indicators, various issues.

Table B.5
 Social Indicators for Jordan and Comparator Countries, 1996-01

Indicator	Jordan				Algeria				Egypt				Morocco				Tunisia				MNA			
	1996	1997	1998	1999	2000	2001	1996	1997	1998	1999	2000	2001	1996	1997	1998	1999	2000	2001	1996	1997	1998	1999	2000	2001
Life expectancy at birth, total (years)	71	71	71	71	71	71	70	71	71	71	71	71	67	67	67	67	67	67	67	67	67	67	67	67
Life expectancy at birth, female (years)	73	73	73	73	73	73	72	73	73	73	73	73	68	68	68	68	68	68	68	68	68	68	68	68
Life expectancy at birth, male (years)	69	69	69	69	69	69	69	69	69	69	69	69	65	65	65	65	65	65	65	65	65	65	65	65
Mortality rate, infant (per 1,000 live births)	28	26	26	26	26	26	37	35	34	34	34	34	51	48	48	48	48	48	48	48	48	48	48	48
Birthrate, crude (per 1,000 people)	31	30	30	30	30	30	27	27	25	25	25	25	26	25	25	25	25	25	25	25	25	25	25	25
Death rate, crude (per 1,000 people)	4.4	4.2	4.2	4.2	4.2	4.2	6	6.1	5.6	5.6	5.6	5.6	7	6.8	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Fertility rate, total (births per woman)	3.9	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.4	3.4	3.4	3.4	3.4	3.3	3.1	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Improved water sources (% of population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Improved water source, urban (% of urban population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Improved water source, rural (% of rural population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Immunization, DPT (% of children under 12 months)	100	93	91	85	..	..	77	79	80	83	..	..	91	94	96	95	94	94	94	94	94	94	94	94
Immunization, measles (% of children under 12 months)	98	95	86	83	..	..	75	74	75	78	..	..	92	92	98	96	96	96	96	96	96	96	96	96
Sanitation (% of population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Illiteracy rate, adult total (% of people ages 15 and above)	13	12	11	11	10	9.8	37	36	35	33	32	32	48	47	46	45	45	44	44	44	44	44	44	44
Illiteracy rate, adult female (% of females ages 15 and above)	19	18	17	17	16	16	49	47	46	44	43	43	60	59	58	57	56	56	56	56	56	56	56	56
Illiteracy rate, adult male (% of males ages 15 and above)	6.6	6.2	5.8	5.5	5.2	4.6	26	25	24	23	22	23	36	35	34	33	33	33	33	33	33	33	33	33
Sanitation, rural (% of rural population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Sanitation, urban (% of urban population with access)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
School enrollment, primary (% net)	..	..	..	..	..	..	94	94	94	94	94	94	93	92	92	92	92	92	92	92	92	92	92	92
School enrollment, primary, female (% net)	..	..	..	..	..	..	91	91	92	92	92	92	88	89	89	89	89	89	89	89	89	89	89	89
School enrollment, primary, male (% net)	..	..	..	..	..	..	97	96	96	96	96	96	98	95	95	95	95	95	95	95	95	95	95	95
School enrollment, secondary (% net)	..	..	..	..	..	..	56	56	58	58	58	58	68	68	68	68	68	68	68	68	68	68	68	68
School enrollment, secondary, female (% net)	..	..	..	..	..	..	55	55	59	59	59	59	64	64	64	64	64	64	64	64	64	64	64	64
School enrollment, secondary, male (% net)	..	..	..	..	..	..	58	58	58	58	58	58	71	71	71	71	71	71	71	71	71	71	71	71
School enrollment, secondary (% gross)	56	57	80	..	..	..	63	66	66	66	66	66	75	78	81	81	81	81	81	81	81	81	81	81
Pupil-teacher ratio, primary	21	21	25	..	..	..	27	27	27	27	27	27	27	23	24	24	24	24	24	24	24	24	24	24
Land use, arable land (% of land area)	2.8	2.9	2.9	..	..	..	3.2	3.2	3.2	3.2	3.2	3.2	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Labor force, total (millions)	1.2	1.3	1.3	1.4	1.5	1.5	9	9.3	9.6	9.9	10	11	22	22	23	24	24	25	25	25	25	25	25	25
Labor force, female (% of total labor force)	22	23	23	24	25	25	25	26	26	26	27	28	29	29	30	30	30	30	30	30	30	30	30	30
Labor force, male (% of total labor force)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..

 Note: DPT = Diphtheria, pertussis, and tetanus inoculation.
 Source: World Bank, World Development Indicators, various issues.

Table B.6

List of Investment, Promotion,
Customs, Privatization, and
Company Laws

Law	Year
National Economy Protection Law	1992
Telecommunications Law	1995
Investment Promotion Law	1995
Income Taxation Law	1995
Companies Law	1997
Stock Exchange Law	1997
Customs Law	1998
General Electricity Law	1999
Privatization Law	2000
JRTV Corporation Law	2000
Intellectual Property Rights Law	various, 1999–2000
Banking and Deposit Insurance Law	2000
Competition Law	2002

Table B.7

List of Privatizations

Completed

- | | |
|---|---|
| 1. Jordan Cement Factories: | 33 percent sold to Lafarge for \$102 million |
| 2. Public Transport Corp.: | November 1998 contracts with three local operators
10-year concessions for four routes in Greater Amman |
| 3. Ma'in Spa Complex: | 30-year lease and investment agreement with Accor and local investor group |
| 4. Aqaba Railway: | 25-year lease and operation agreement with Raytheon-Wisconsin
Central September 2000
Newly established Jordan Rail will operate and maintain until Shideya extension is completed |
| 5. Jordan Telecommunications Company: | 40 percent sold to France Telecom for \$508 million and additional 8 percent to Social Security Corporation
Second GSM began operations in September 2000 |
| 6. Water Authority of Jordan: | Management contract for Amman in April 1999 with Suez (Credit Lyonnaise des Eaux/Arabtech Jarnaeh)
Unpaid water use fell from 54 percent to 47 percent |
| 7. Jordan Investment Corporation portfolio: | Divest 45 companies for \$113 million |

Ongoing

- | | |
|------------------------------------|--|
| 8. Royal Jordanian Airlines: | Made joint stock in 2000; split activities
a. Duty-free shop sold to Aldeasa (Spain) for \$60.1 million in August 2000
b. Training Center expected to sell to Boeing for \$18 million
c. Catering to be sold to Alpha (British) for \$20.2 million
d. Engine overhauling and maintenance (to be sold)
e. Royal Jordanian core flying business
f. Royal Jordan Air Academy (expected by end-2001) |
| 9. Postal Service: | Four-year management contract to be awarded |
| 10. Electricity: | NEPCO split into generation, transmission, and distribution
Bank involved |
| 11. Petra Drilling Company: | Drilling separated from National Petroleum Company
Advertised for sale |
| 12. Assamra Water Treatment Plant: | For Build-Operate-Transfer (BOT) (USAID involved) |
| 13. Petra Water Authority: | |
| 14. Sundry: | Ministry of Supply and Customs warehouses |

Identified for future privatization

- | | |
|--------------------------------------|--|
| 15. Jordan Phosphate Mining Company: | Jordanian government owns 60.4 percent |
| 16. Arab Potash Company: | Jordanian government owns 52.9 percent. Its subsidiaries include:
a. Jordan Dead Sea Industries
b. Safi SALT |
| 17. Airports and Civil Aviation | |
| 18. Aqaba Ports | |

Table B.8

Matrix of Recommendations from the 1999 World Bank Review

Area of intervention	Issue	Recommendation
Macroeconomic framework	Large budget deficit.	Implement IMF program.
	Low growth.	Accelerate implementation of structural reforms.
Education	Subsidy on higher education is in fact a subsidy to the rich. The budgetary drain of the subsidy limits entry to higher education for the poor.	Increase fees in public higher education.
		Expand funds for tuition subsidies based on family income.
		Introduce a student loan program for university education.
		Accelerate expansion of secondary education.
Health	Inadequate information base for investment decisions.	Expand data collection and analytic capacity to use health sector information in policy formulation. Data should include: (a) population-based surveys determining health status, service utilization, expenditures on health, and their socioeconomic correlates (b) provider-based surveys, particularly of private medical caregivers, determining, among other things, market prices, service coverage, capacity, and financing.
	Perceived overcapacity.	Given the surplus of hospital beds, new construction should be postponed until needs can be better assessed.
Electricity	Slow privatization process.	Proceed with restructuring NEPCO. Implement regulatory board for electricity.
Water	Inefficient service provision and water leakage.	Extend management contracts. Revise tariffs to reflect costs.
	Financial losses and government budget drain.	Investment program to manage water demand. Consider one-time debt restructuring.
Road transport	Underfunding of maintenance.	Implement Road Maintenance Board (& Medium-Term Expenditure Framework).
	Overcapacity in trucking fleet.	Revise axle-load-based tariffs to reflect road damage. Implement "Goods Transport Law."

Continued on next page

Table B.8 (Continued)		Matrix of Recommendations from the 1999 World Bank Review
Area of intervention	Issue	Recommendation
Privatization	Poor road safety.	Locate Traffic Safety Program in a body reporting directly to the prime minister.
	A successful privatization strategy and implementation needs certain key elements. These include— (a) commitment (b) institutional capacity (c) appropriate transaction design (d) essential supporting activities (e) a clear timetable (f) post-privatization measures.	Continue privatization program: RJ, Jordan Telecommunications Corp., Light Rail System, power, and companies in the Jordan Investment Corporation portfolio. Expand program: Postal services, silos agribusiness, ports, and so on. Implement a comprehensive communications and public information program for privatization. Obtain a public reaffirmation of the commitment to the program, the list of the major transactions with timelines, and the role and mandate of the Executive Privatization Unit. Develop and approve labor transition program consistent with recommendations for overall social development.
Social development	Inconsistent information on level of poverty.	Depoliticize information and reach consensus on level of poverty and unemployment based on scientific statistical methodology.
	Poverty assistance needs wider outreach and coverage with rapid response time and effective service delivery.	Align financial and administrative responsibility for the National Aid Fund (NAF) under a single authority; clarify NAF's mission; strengthen NAF's administrative capacity; streamline procedures. Strengthen training of social workers. Reconsider DEF's microcredit program against better functioning alternatives. Introduce safety net measures aimed specifically at mitigating negative shocks. Accelerate implementation of SPP.
	Perceived overstaffing of public sector.	Create or identify a unit in charge of redundancy issues.
	Issue of moving people to private sector jobs should be addressed in systematic and consistent manner.	Freeze recruitment, especially at the bottom.

Continued on next page

Table B.8 Matrix of Recommendations from the 1999 World Bank Review
(Continued)

Area of intervention	Issue	Recommendation
Budget reform	Past fiscal slippage.	Introduce a menu of targeted but voluntary separation options.
		Make public sector pensions portable.
	Lack of a comprehensive budget.	Continue to implement the program supported by the IMF.
		Ensure integration of capital and current expenditures into a single budgetary process; extend budget coverage to autonomous agencies.
	Current budget system is based on incremental approach and one-year time horizon.	Prepare for implementation of a Medium-Term Expenditure Framework (MTEF) to commence with piloting in at least one key sector (education).
	Budget focus is on inputs instead of outputs with limited focus on performance issues.	Move to implement a system of performance budgeting, as set out in the master plan prepared by the expert group. Make a start in the preparation of the 2000 Budget, by requesting preliminary information on outputs and outcomes, and allocate resources to start implementation of master plan.
		Commence functional or strategic reviews in each sector/ ministry to determine strategic objectives.
	Lack of budget monitoring capacity.	Review and amend relevant legislation to enable reforms.
		Strengthen the role and staffing of the General Budget Department.
	Financial audit—mainly ex ante—involves considerable duplication of checking, and lacks independence and professional standards.	Ensure independence and improve professional staffing of the General Audit Bureau. Reorient the Bureau's work to ex post–based auditing, including adequacy of financial reporting.
Civil service reform	Excess demand for public sector jobs.	Align public sector pay and benefits with the market.

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Table B.8
(Continued) **Matrix of Recommendations from**
the 1999 World Bank Review

Area of intervention	Issue	Recommendation
	Much more information and analysis is needed to develop a strategic plan and vision for improving public services, while reducing costs.	Establish a process of strategic reviews to identify opportunities for restructuring, re-engineering, outsourcing, and decentralizing public sector functions, processes, and staff for effective policymaking and service delivery.
	Current legal framework, ministerial rules, and instructions governing business processes are not conducive for service delivery and efficiency.	Conduct zero-based review of all relevant laws, regulations, and instructions governing ministries and public administration at large.
	Government organization is designed more for control than for service delivery.	Align organizational development and restructuring programs for government ministries and departments with their service objectives.
	Lack of delegation and focus on core government functions.	Devolve non-core functions to local governments, the private sector, or autonomous public organizations.
	Weak performance-management control.	Improve efficiency of service delivery in core areas of ministry activity.
	Selection and promotion standards and practices for personnel are unclear.	Strengthen human resources and structure staffing levels to meet the ministries' objectives.
	Perceived idle capacity and incompetence.	"Rightsize" the civil service by adjusting staffing levels and competencies to new public sector requirements.
	Weak connection between individual performance and rewards.	Introduce performance-based human resource management systems for the civil service (through installation of performance measurement methods, design of new performance evaluation, pay and grading, and career advancement systems).
	Managerial skills and ability to make decisions are sometimes lacking.	Strengthen the caliber of cross-government senior government staff (through development of a Senior Executive Service cadre groomed for civil service leadership posts).

Continued on next page

Table B.8 Matrix of Recommendations from the 1999 World Bank Review
(Continued)

Area of intervention	Issue	Recommendation
Implementation	Lack of transparency and accountability.	<p>Increase institutional and financial accountability, by strengthening formal institutional structures.</p> <p>Improve government procurement procedures to enhance both efficiency and transparency.</p> <p>Increase probity among civil servants.</p>
	Perceived lack of public understanding and trust. Public opinion information and watchdog functions are not used effectively. Lack of organized listening and response to public concerns.	<p>Improve access to, and use of, public information by individual citizens and by civil society, including improved responsiveness by government in providing this access.</p> <p>Involve civil society in improving service delivery and transparency.</p>
	Frequent turnover in senior government can affect continuity and commitment to reform.	Issue Public Service Reform Law that delineates reform objectives, timeliness, and mandates.
	Anchor implementation responsibilities.	Establish Executive Public Sector Reform Unit under Prime Ministry that reports to an interministerial Higher Council for Public Sector Reform.

Source: World Bank data.

Table B.9

Public Sector Reform Priorities Identified in the 1994 Country Economic Memorandum: Consolidating Economic Adjustment and Establishing the Base for Sustainable Growth

The CEM identified public sector reform as a priority: “reducing its scope, involvement, and interventions in the economy and making its provision of public goods more efficient. Not all can be accomplished right away, but at least the following tasks need to be undertaken immediately”:

- The government should initiate a comprehensive civil service reform program with focus on retrenching redundant functions first in the next 12–18 months, while freezing all new recruits. Such efforts will contribute to the fiscal stabilization by gradually reducing government wage expenditures. Retrenching the civil service and restructuring its pay and employment conditions would also improve the efficiency and effectiveness of the civil service, thus increasing the private sector confidence in the government, and winning

public support for the overall reform program, indirectly enhancing the growth prospect.

- Furthermore, the government should continue its effort in commercializing and incorporating the public enterprises in the energy, agriculture, and telecommunication sectors and in speeding up the privatization of the selected enterprises (for example, Royal Jordanian Airline) during the next 12–24 months.

- In addition, the government should expand its effort by establishing long-term goals in transforming the ownership structure of the public enterprises, by defining credible passages toward these goals and by adopting new regulatory and investment policies, which would encourage new entries to compete with the public enterprises. Without a significant shift in Jordan's ownership structure, Jordan's growth prospect would be fragile.

Table B.10 1991 Review of Public Expenditures Summary

Expenditure item	Allocation in 1989 budget (JD M)	Percent of total expenditures	Major policy issues	Proposed reforms	Budgetary impact (+=-savings)
Cross-sectoral expenditures					
Wages of civil servants	153	15.0	<ul style="list-style-type: none"> • Overstaffing at the junior level. –Shortages at the senior level. 	<p>The objective of reform is to keep the real wages from rising above the present levels. For this, the government should do the following:</p> <ul style="list-style-type: none"> • Carry out an administrative reform which would— –Identify redundancies at the Junior levels –Develop severance packages for redundant workers, which also provide for training and financial assistance for self-employment • Rationalize the wage structure by introducing greater differentiation in salaries by grades or responsibilities. 	<ul style="list-style-type: none"> • None in the short-term, but would be substantial in the long-term.
Transfers to public enterprises (PEs)	50 ^a	5.0	<ul style="list-style-type: none"> • Financial difficulties, leading to an inability to pay full debt service, and • Lack of autonomy, resulting in low operational efficiency. 	<ul style="list-style-type: none"> • Prepare a program to double the price of electricity and increase the price of water by 140 percent over the next three years to restore the financial viability of Jordan Electrical Authority and WAJ. Prepare a long-term program for JVA for the price to cover long-run marginal cost. • Grant more autonomy to the PEs. • Repeat the extension of civil service code to autonomous agencies. • Initiate privatization where possible. 	<ul style="list-style-type: none"> • Savings of the order of JD 50 million are possible in the short run; in the longer term, Jordan will also benefit from a better functioning PE sector.

Continued on next page

Table B.10
(Continued)
1991 Review of Public Expenditures Summary

Expenditure item	Allocation in 1989 budget (JD M)	Percent of total expenditures	Major policy issues	Proposed reforms	Budgetary impact (+=-savings)
Sectoral expenditure policies					
Health	73	8.3	<ul style="list-style-type: none"> • Overstaffing at the Ministry of Health • A tendency for users to bypass Primary Health Clinics (PHCs) and go directly to hospitals. • Hospitals are in a financial crunch. 	<ul style="list-style-type: none"> • Finalize the institutional arrangements in the health sector. • Improve the quality of the PHCs to retain patients. • Identify and eliminate redundant staff at the Ministry of Health. • Increase copayments for hospital services and equalize insurance premiums for all users of the health care system. 	+JD 14 million. ^b
Education	134	13.0	<ul style="list-style-type: none"> • Expenditures will rise very fast because of the high rate of population growth. • Quality needs to be upgraded to maintain Jordan's share in an increasingly competitive regional labor market. 	<ul style="list-style-type: none"> • Increase student/teacher ratios in the basic and secondary schools. Retain double shift for existing as well as new schools. • Complete an Education Finance Study and implement its recommendations. • Increase cost recovery for textbook program. • Scale back school construction in the Bank's education sector investment loan. 	+JD 10 million.

Continued next page

Table B.10
(Continued)
1991 Review of Public Expenditures Summary

Expenditure item	Allocation in 1989 budget (JD M)	Percent of total expenditures	Major policy issues	Proposed reforms	Budgetary impact (+=-savings)
Agriculture	111	10.8	<ul style="list-style-type: none"> • Research and extension have funding problems. • JVA has financial and operational efficiency problems. 	<ul style="list-style-type: none"> • Arrange to finance research and extension activities on a long-term basis by making provisions in the recurrent budget. • Launch a program for improving the finances and increasing the operational efficiency of the JVA, including an increase in the price of water to farmers. • Increase the outlay for maintenance expenditures in JVA. 	
Energy			<ul style="list-style-type: none"> • JEA has financial problems and is losing staff. • Petroleum price structure is inappropriate. 	<ul style="list-style-type: none"> • Restructure and adjust petroleum prices as indicated in the PER, and electricity prices to restore financial viability to JEA. • Restructure petroleum prices as indicated in the PER. • NRA to prioritize its investment program and concentrate on enhancing production from known fields such as Risha rather than carry out wildcat drilling to prove new sources. 	<ul style="list-style-type: none"> • Savings included in the section on PEs. • Some added tax revenue is possible.
Infrastructure					
Water			<ul style="list-style-type: none"> • WAJ has financial and operational inefficiency problems. 	<ul style="list-style-type: none"> • Adopt a program to raise the price of water as a part of a program of the financial restructuring of WAJ. • Develop an investment program for rehabilitating the network. • Restructure sewerage tariffs. 	<ul style="list-style-type: none"> • Rehabilitation of the water supply network is urgent and will require resources. Cost estimates are being developed.

Continued on next page

Table B.10
(Continued)
1991 Review of Public Expenditures Summary

Expenditure item	Allocation in 1989 budget (JD M)	Percent of total expenditures	Major policy issues	Proposed reforms	Budgetary impact (+=-savings)
Ministry of Public Works			<ul style="list-style-type: none"> Deteriorating road conditions. 	<ul style="list-style-type: none"> Rigorously enforce the existing legislation on axle loads. Increase the outlay on road maintenance. 	JD 1.15 million.
Aqaba Railway Corporation (ARC)			<ul style="list-style-type: none"> Operational and financial problems with the ARC. 	<ul style="list-style-type: none"> Finalize a formal agreement between ARC and JPMC by means of a contract that binds both sides to specific actions. 	

a. This is estimated as the difference between the debt service due and the debt service paid by the Ministry of Finance on behalf of JEA, WAJ, ARC, and JVA.

b. This estimate is based on a unified civilian and military hospital system.

Source: World Bank data.

ANNEX C: EXTERNAL ASSISTANCE TO JORDAN AND COMPARATOR COUNTRIES

Table C.1	Jordan: Net Receipts of External Financial Resources, 1990-00 (US\$ million)										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a
All donors	1,087	747	404	118	465	944	846	503	611	493	225
World Bank	70	-18	72	15	-0.4	87	125	27	9	69	n.a.
– IBRD	71	-15	74	12	2	81	91	25	-27	95	n.a.
– IDA	-1	-1	-1	-2	-2	-2	-2	-2	-2	-3	n.a.
– IFC	0.3	-2	-0.5	5	-0.5	8	37	4	39	-23	2
UNRWA	0	0	63	63	71	77	65	77	76	83	79
France	16	-102	-120	-185	-28	-33	28	45	110	23	n.a.
Germany	196	106	50	-53	78	9	68	39	60	38	n.a.
Japan	168	417	132	52	103	301	182	144	47	62	n.a.
United States	112	33	124	100	105	395	78	91	143	170	n.a.
Arab countries	418	4	2	0.1	1	0	0.1	0.1	-1	-1	-0.7
Arab agencies	-1	6	-19	14	13	4	-2	-1	0.4	2	1
EC/EU	276	216	-11	-156	151	55	353	146	317	84	134
Others	-168	85	110	268	-29	48	-51	-66	-151	-38	n.a.
Net receipts											
Algeria	641	1,968	-1,062	-15	661	548	1,876	-391	203	-942	-282
Morocco	1,620	1,888	1,182	746	811	617	812	549	895	589	313
Egypt	3,311	4,237	1,661	2,677	3,228	2,441	2,737	2,916	4,119	1,224	636
Tunisia	620	334	697	718	695	1511	651	523	499	637	394

a. Provisional.

n.a. Not applicable.

Source: OECD 2003.

Table C.2

 Jordan: World Bank Flows,
1990-01 (US\$ million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Commitments	175	25	0	55	100	147	170	140	67	210	35	120
Net disbursements	78	-17	21	38	22	31	40	109	-7	89	-24	103
Net transfers	43	-61	-20	-4	-22	-17	-9	63	-56	41	-75	50
Net disbursements per capita (US\$)	25	-5	6	10	5	7	9	24	-2	19	-5	20

Table C.3

 Algeria: World Bank Flows,
1990-01 (US\$ million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Commitments	458	431	215	240	140	331	428	89	150	0	97	42
Net disbursements	171	95	236	36	9	203	256	-131	-4	-147	-119	-105
Net transfers	95	11	127	-80	-104	77	112	-260	-118	-276	-248	-229
Net disbursements per capita (US\$)	6.8	3.7	9	1.3	0.3	7.2	9	-4.5	-0.1	-4.9	-3.9	-3.4

Table C.4

 Egypt: World Bank Flows,
1990-01 (US\$ million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Commitments	62	524	376	338	121	80	172	75	142	550	50	0
Net disbursements	-70	-98	-60	33	-16	-84	-67	-55	29	-51	-38	-57
Net transfers	-207	-249	-184	-92	-136	-207	-180	-146	-41	-114	-94	-105
Net disbursements per capita (US \$)	-1.3	-1.8	-1.1	0.6	-0.3	-1.5	-1.1	-0.9	0.5	-0.8	-0.6	-0.9

Table C.5

 Morocco: World Bank Flows,
1990-01 (US\$ million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Commitments	483	626	325	549	412	58	540	108	384	440	8	98
Net Disbursements	189	135	263	58	19	-102	141	-24	-31	113	-227	-130
Net transfers	-20	-103	22	-201	-245	-381	-134	-274	-249	-103	-427	-310
Net disbursements per capita (US\$)	7.9	5.5	10.5	2.3	0.7	-3.9	5.3	-0.9	-1.1	4	-7.9	-4.7

Table C.6

Tunisia: World Bank Flows,
1990-01 (US\$ million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Commitments	147	68	385	144	268	273	99	242	222	194	202	76
Net disbursements	140	109	58	27	14	10	-57	28	-48	33	-16	28
Net transfers	47	-1	-56	-92	-106	-118	-182	-80	-145	-62	-99	-48
Net disbursements per capita (US\$)	17.1	13.1	6.8	3.1	1.6	1.1	-6.3	3	-5.2	3.4	-1.7	2.9

Source: World Bank Integrated Controller's Systems, December 2002.

ANNEX D: SELECTED ECONOMIC AND SECTOR WORK FOR JORDAN

Report title	Date	Report #
Jordan – Development problems and the role of the Bank (Vol. 1)	7/1/1954	AS22
Jordan – Recent developments of the economy (Vol. 1)	10/1/1963	AS98
Jordan – Current economic position and prospects (Vol. 1)	12/1/1969	EMA16
Jordan – Current economic position and prospects (Vol. 1)	5/1/1971	EMA37
Jordan – Current economic position and prospects (Vol. 1)	10/1/1972	EMA54
Jordan – Current economic position (Vol. 1)	11/1/1974	479
Jordan – Special economic report: review of the five-year plan (1976–1980) (Vol. 1)	5/1/1976	1144
Jordan – Country economic memorandum (Vol. 1)	1/1/1978	1738
Jordan – Country economic memorandum (Vol. 1)	12/1/1980	3135
Jordan – Special economic report: review of the five-year plan (1981–85) (Vol. 1)	5/1/1983	4129
Jordan – Consolidating economic adjustment and establishing the base for sustainable growth (Vol. 1)	8/24/1994	12645
Jordan – Consolidating economic adjustment and establishing the base for sustainable growth (Vol. 2)	8/24/1994	12645
Jordan – Development policy review: a reforming state in a volatile region Forecasting of financial resources for public investment; an analysis and appraisal of the forecasts of the Bank's survey missions (Vol. 1)	11/5/2002	24425
Jordan – Energy sector study (Vol. 1)	7/1/1959	EC73
Jordan – Urban sector review (Vol. 1)	2/1/1983	4012
Jordan – Export strategy and export promotion in manufacturing industries (Vol. 1)	6/1/1983	3965
Jordan – Poverty assessment (Vol. 2)	6/1/1983	4170
Jordan – Poverty assessment (Vol. 1)	10/28/1994	12675
Jordan – Private sector assessment (Vol. 1)	10/28/1994	12675
Jordan – Higher education development study (Vol. 1)	8/25/1995	14405
Jordan – Health sector study (Vol. 1)	8/7/1996	15105
Jordan – Health sector study (Vol. 1)	8/12/1996	15418
Jordan – Health sector study (Vol. 1)	4/1/1997	16561
Jordan – Water sector review (Vol. 1)	10/15/1997	17095
Jordan – Water sector review (Vol. 2)	10/15/1997	17095
The Hashemite Kingdom of Jordan – Water sector review update: main report (Vol. 1)	2/15/2001	21946

Source: Imagebank 2002.

ANNEX E: OED AND QAG RATINGS FOR JORDAN AND COMPARATOR COUNTRIES

Table E.1		OED Ratings							
Country	Total evaluated (US\$m)	o/w Adjustment (US\$m)	Outcome		% Marg. satisfactory adjustment	ID impact ^a		Sustainability ^a	
			% Satisfactory	% Satisfactory adjustment		% Substantial	% Substantial adjustment	% Likely	% Likely adjustment
Before 1990									
Bankwide	186,355	29,568	71	68		33	34	53	55
MNA	14,282	1,897	76	87		30	59	48	45
Jordan	753	..	77	0		31	..	51	..
Algeria	2,056	..	48	..		1	..	7	..
Egypt	3,130	70	83	0		19	0	56	0
Morocco	4,177	1,265	81	88		51	76	52	38
Tunisia	2,180	533	91	100		20	29	73	72
Exit FY90–00									
Bankwide	198,940	68,024	76	82	14	41	45	62	70
MNA	12,873	4,801	69	69	20	33	42	47	52
Algeria	3,035	1,099	46	41	41	20	27	5	0
Egypt	1,565	150	82	100	..	35	100	36	0
Jordan	1,192	630	93	100	63	50	75	75	87
Morocco	4,298	1,883	66	66	5	39	43	58	49
Tunisia	1,706	832	85	84	..	28	20	87	100

a. The Institutional Development (ID) Impact and Sustainability ratings have been in use only since FY89. Hence, the data for these two ratings for the period before FY91 apply for smaller levels of total net commitment than shown in columns 2 and 3 of the table.

Source: Operations Evaluation Department rating database 2002.

Table E.2		QAG Ratings		
Country	No. of projects	Net commitment (US\$m)	Projects at risk (%)	Commitment at risk (%)
Bankwide	1,556	102,608.9	18.9	18
MNA	134	5,407.6	25.4	27
Jordan	8	255.5	13	14
Egypt	16	914.7	37.5	39
Morocco	17	519.9	11.8	12
West Bank and Gaza	17	237.8	0	0
Algeria	14	745.8	28.6	52

Source: World Bank data, 2002.

Table E.3 All Approved Projects, Evaluated and Ongoing, as of December 18, 2002

Fiscal year	Project ID	Title	Approval date	IBRD/IDA amount	Outcome	Sustainability	ID impact	APPI	DO at exit	Latest DO	Latest IP
Agriculture											
1964	P005240	Agricultural Credit I	12/12/1963	3					Not Rated		
1967	P005242	Agricultural Credit II	5/9/1967	3					Not Rated		
1975	P005247	N.E. Ghor Irrigation & Rural Development	7/2/1974	8					Not Rated		
1995	P005310	ASAL	12/8/1994	80	Satisfactory	Likely	Modest	7.25	Satisfactory	Satisfactory	Unsatisfactory
1995	P005321	T.A. for Agriculture	12/8/1994	7	Satisfactory	Likely	Substantial	8.25	Satisfactory	Satisfactory	Satisfactory
2002	P076961	Hort. Exports Promotion & Tech Transfer	6/26/2002	5							
Economic policy											
1997	P044139	ERDL II	12/11/1996	120	Moderately Sat	Likely	Substantial	7.5	Highly Sat		
1999	P045676	Jordan ERDL III	6/1/1999	120	Moderately Sat	Likely	Substantial	7.5	Satisfactory		
2001	P066121	JO-PSRL I	6/21/2001	120							
Education											
1972	P005244	Education I	1/25/1972	5					Not Rated		
1975	P005248	Education II	3/4/1975	6					Not Rated		
1980	P005257	Education III	3/4/1975	19					Not Rated		
1982	P005260	Education IV	12/15/1981	25	Satisfactory	Likely	Modest	7.25	Satisfactory		
1983	P005262	Education V	3/15/1983	19					Highly Sat		
1984	P005264	Education VI	2/2/1984	40	Satisfactory	Likely	Modest	7.25	Highly Sat		
1986	P005274	Manpower Development	11/12/1985	10	Satisfactory	Likely	Modest	7.25	Highly Sat		
1988	P005291	Education VII	12/10/1987	40	Satisfactory	Uncertain	Modest	6.75	Satisfactory		
1989	P005295	Human Resources Sector in	6/29/1989	73	Satisfactory	Uncertain	Modest	6.75	Satisfactory	Satisfactory	Satisfactory
1998	P052297	Training & Employment	6/29/1989	5						Satisfactory	Satisfactory
2000	P069326	JO-Higher Education Development	2/29/2000	35							

Continued on next page

Table E.3 All Approved Projects, Evaluated and Ongoing, (Continued) as of December 18, 2002

Fiscal year	Project ID	Title	Approval date	IBRD/IDA amount	Outcome	Sustainability	ID impact	APPI	DO at exit	Latest DO	Latest IP
Electric power and other energy											
1973	P005245	Hussein Power Generation	5/22/1973	10					Not Rated		
1975	P005250	Power II	6/9/1975	5					Not Rated		
1979	P005255	Power III	4/12/1979	15					Not Rated		
1981	P005258	Power IV	5/7/1981	25					Highly Sat		
1982	P005261	Aqaba Steam-Power V	5/27/1982	35					Highly Sat		
1984	P005265	Energy Development	12/20/1983	30	Satisfactory	Likely	Modest	7.25	Highly Sat		
1986	P005298	Power VI-Distribution	5/29/1986	28	Moderately Sat	Likely	Negligible	6	Highly Sat		
1987	P005275	Power VII Aqaba 2	6/16/1987	70					Not Rated		
1994	P005318	Energy Sector Loan	6/16/1987	80	Satisfactory	Unlikely	Modest	5.75	Satisfactory		
Finance											
1976	P005251	DFC I	6/17/1976	4					Not Rated		
1980	P005256	Municipal & Rural Development Bank	3/27/1980	10					Highly Sat		
1986	P005271	CVDB II	8/27/1985	15	Moderately Sat	Uncertain	Modest	6	Unsatisfactory		
1996	P034118	Economic Reform/Development Loan	10/24/1995	80	Moderately Sat	Likely	Substantial	7.5	Highly Sat		
Industry											
1975	P005249	Potash Engineering Credit	6/19/1975	1					Not Rated		
1979	P005254	Potash Production	9/5/1978	35					Not Rated		
1987	P005279	Potash II	3/10/1987	12	Highly Sat	Likely	Substantial	10	Highly Sat		
1991	P005286	Dead Sea Industry Exports	6/21/1991	15	Satisfactory	Likely	Modest	7.25	Highly Sat		
Mining											
1998	P005278	Phosphate (Mining)	1/19/1988	31	Satisfactory	Likely	Substantial	8.25	Satisfactory		
1990	P005293	Integrated Phosphate		25	Satisfactory	Likely	Substantial	8.25	Satisfactory		

Continued on next page

Table E.3 All Approved Projects, Evaluated and Ongoing,
(Continued) as of December 18, 2002

Fiscal year	Project ID	Title	Approval date	IBRD/IDA amount	Outcome	Sustainability	ID impact	APPI	DO at exit	Latest DO	Latest IP
Multisector											
1990	P005309	Trade Adjustment	2/20/1990	150	Satisfactory	Likely	Substantial	8.25	Highly Sat		
1996	P035995	JO-Export Development	3/28/1996	40	Moderately Sat	Likely	Modest	5.75	Satisfactory		
2002	P066826	Public Sector Reform Adjustment Loan (02)	7/2/2002	120							
Health, nutrition, and population											
1985	P005268	Health	5/7/1985	14	Moderately Sat	Likely	Modest	5.75	Satisfactory		
1991	P005317	Emergency Recovery Loan	3/21/1991	10	Highly Sat	Likely	Substantial	10	Highly Sat		
1993	P005319	Health II	3/16/1993	20	Unsatisfactory	Likely	Modest	5		Satisfactory	Satisfactory
1995	P005307	Human Resources Dev. –									
1999	P039749	Sector Investment II	3/30/1995	60						Satisfactory	Satisfactory
		Health Sector Reform	3/25/1999	35						Satisfactory	Satisfactory
Telecommunications											
1988	P005296	Telecommunications	6/14/1988	36							
1994	P005322	Jordan Telecommunications Project	5/26/1994	20	Highly Sat	Highly Likely	Substantial	10	Highly Sat		
Transportation											
1971	P005243	Highways I	6/17/1971	6					Not Rated		
1984	P005266	Amman Transportation & Municipal Dev.	7/7/1983	30	Satisfactory	Likely	Modest	7.25	Satisfactory		
1985	P005269	Transport II	7/10/1984	30	Moderately Unsat.	Uncertain	Negligible	4.75	Satisfactory		
1993	P005284	Transport III	3/11/1993	35	Satisfactory	Likely	Substantial	8.25	Satisfactory		
										Continued on next page	

Table E.3 All Approved Projects, Evaluated and Ongoing, (Continued) as of December 18, 2002

Fiscal year	Project ID	Title	Approval date	IBRD/IDA amount	Outcome	Sustainability	ID impact	APPI	DO at exit	Latest DO	Latest IP
Urban development											
1976	P005252	Tourism I	6/6/1976	6					Not Rated		
1981	P005259	Urban Development I	7/15/1980	21					Highly Sat		
1985	P005273	Urban II	6/18/1985	28	Satisfactory	Likely	Modest	7.25	Highly Sat		
1987	P005294	Urban III	6/16/1987	26	Satisfactory	Uncertain	Modest	6.75	Satisfactory		
1997	P005323	JO-Housing Finance/Urban	7/25/1996	20						Satisfactory	Satisfactory
1998	P049581	Community Infrastructure Development	8/21/1997	30						Satisfactory	Satisfactory
1998	P035997	JO-Second Tourism Development	7/31/1997	32						Satisfactory	Satisfactory
Water supply and sanitation											
1962	P005239	Amman Water Supply	12/22/1961	2					Not Rated		
1964	P005241	Water Supply Projects	12/12/1963	4							
1973	P005246	Amman Water Supply & Sewerage	5/22/1973	9					Not Rated		
1978	P005253	Amman Water Supply & Sewerage III	3/23/1978	14					Not Rated		
1983	P005263	Water Supply V	12/7/1982	17					Highly Sat		
1984	P005267	Cities Water/Sewerage	5/24/1984	30					Highly Sat		
1985	P005270	Greater Amman Water	1/8/1985	30					Highly Sat		
1986	P005285	Water Supply & Sewer	5/15/1986	50	Unsatisfactory	Uncertain	Negligible	4	Satisfactory	Satisfactory	Satisfactory
1999	P048521	Jo-Amman Water & Sanitation	5/16/1999	55						Satisfactory	Satisfactory

Note: APPI = Aggregate Project Performance Index; DO = development outcome; ASAL = Agriculture Sector Adjustment Loan; TA = technical assistance; ERDL = Economic Reform and Development Loan; JO-PSRL = Public Sector Reform Loan; DFC = Development Finance Corporation; CVDB = Cities and Villages Development Bank.

ANNEX F: COSTS OF WORLD BANK PROGRAMS FOR JORDAN AND COMPARATOR COUNTRIES

Cost				
Regions/Countries	Lending completion costs (US\$m)	Supervision costs (US\$m)	ESW completion costs (US\$m)	Total costs (US\$m)
Bankwide	757.7	897.9	415	2,292
MNA	58.2	64.6	38	178
Jordan	7.8	6.2	3	19
Algeria	5.8	8.1	3	21
Egypt	9.3	10.1	5	29
Morocco	13.5	13.3	8	39
Tunisia	9.8	9.3	4	24
Percentages				
Bankwide	33	39	18	90
MNA	33	36	21	91
Jordan	42	34	15	91
Algeria	28	40	17	84
Egypt	33	35	16	100
Morocco	35	34	20	89
Tunisia	40	38	16	95

Efficiency								
Regions/Countries	Total costs (US\$m)	Number of projects	Net commitment (US\$m)	Net commitment for satisfactory & nonrisky projects (US\$m)	Average project size (US\$m)	Average costs per project (\$1,000)	Average costs \$ per \$1,000 of net commitment	Average costs \$ per \$1,000 of net commitment for satisfactory & nonrisky projects
Bankwide	2,292	2,229	197,103	144,120	88	1,028	12	16
MNA	178	169	11,773	8,490	70	1,050	15	21
Jordan	19	19	864	724	45	974	21	26
Algeria	21	19	1,967	1,218	104	1,079	10	17
Egypt	29	26	1,945	1,483	75	1,100	15	19
Morocco	39	34	2,699	1,570	79	1,138	14	25
Tunisia	24	27	1,888	1,810	70	900	13	13

Note: The amount of total costs includes lending completion costs, supervision, scheduled and unscheduled ESW, and dropped project costs. The amount of lending completion costs includes lending completion costs and dropped project costs. The amount of ESW preparation costs includes unscheduled and scheduled ESW preparation costs.

Source: CRM database.

ANNEX G: JORDAN: WORLD BANK'S SENIOR MANAGEMENT, 1991–01

Table G.1		Jordan: World Bank's Senior Management, 1991–01	
Year	Vice president	Country director	Chief/Resident representative
1991	Willi A. Wapenhans	Ram K. Chopra	
1992	Caio Koch-Weser	Ram K. Chopra	
1993	Caio Koch-Weser	Ram K. Chopra	
1994	Caio Koch-Weser	Ram K. Chopra	
1995	Caio Koch-Weser	Ram K. Chopra	
1996	Kemal Dervis	Inder K. Sud	
1997	Kemal Dervis	Inder K. Sud	
1998	Kemal Dervis	Inder K. Sud	
1999	Kemal Dervis	Inder K. Sud	
2000	Jean-Louis Sarbib	Inder K. Sud	
2001	Jean-Louis Sarbib	Joseph Saba	

ANNEX H: GUIDE TO OED'S COUNTRY ASSISTANCE EVALUATION METHODOLOGY

This methodological note describes the key elements of OED's Country Assistance Evaluation (CAE) methodology.¹

CAEs rate the outcomes of Bank assistance programs, not clients' overall development progress

An assistance program needs to be assessed on how well it met its particular objectives, which are typically a subset of the client's development objectives. If an assistance program is large in relation to the client's total development effort, the program outcome will be similar to the client's overall development progress. However, most Bank assistance programs provide only a fraction of the total resources devoted to a client's development by donors, stakeholders, and the government itself. In CAEs, OED rates only the outcome of the Bank's program, not the client's overall development outcome, although the latter is clearly relevant in judging the program's outcome.

The experience gained in CAEs confirms that program outcomes sometimes diverge significantly from the client's overall development progress. CAEs have identified assistance programs that had the following:

- Satisfactory outcomes matched by good client development
- Unsatisfactory outcomes for clients that achieved good overall development results, notwithstanding the weak Bank program
- Satisfactory outcomes for clients that did not achieve satisfactory overall results during the period of program implementation.

Assessments of assistance program outcome and Bank performance are not the same

By the same token, an unsatisfactory assistance program outcome does not always mean that

Bank performance was also unsatisfactory, and vice-versa. This becomes clearer once we consider that the Bank's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the joint impact of four agents: (a) the client; (b) the Bank; (c) partners and other stakeholders; and (d) exogenous forces (for example, events of nature, international economic shocks, and so on). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three and lead to an unsatisfactory outcome.

OED measures Bank performance primarily on the basis of contributory actions the Bank directly controlled. Judgments regarding Bank performance typically consider the relevance and implementation of the strategy; the design and supervision of the Bank's lending interventions; the scope, quality, and follow-up of diagnostic work and other analytic and advisory activities (AAA); the consistency of the Bank's lending with its nonlending work and with its safeguard policies; and the Bank's partnership activities.

Evaluation in three dimensions

As a check on the inherent subjectivity of ratings, OED examines a number of elements that contribute to assistance program outcomes. The consistency of ratings is further tested by examining the country assistance program across three dimensions:

1. A *Products and Services Dimension*, involving a "bottom-up" analysis of major program inputs—loans, AAA, and aid coordination
2. A *Development Impact Dimension*, involving a "top-down" analysis of the principal program objectives for relevance, efficacy, outcome, sustainability, and institutional impact

3. An *Attribution Dimension*, in which the evaluator assigns responsibility for the program outcome to the four categories of actors (see *Assessments of assistance program outcome and Bank performance are not the same*, above).

Rating assistance program outcome

In rating the outcome (expected development impact) of an assistance program, OED gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. Programs typically express their goals in terms of higher-order objectives such as poverty reduction. The Country Assistance Strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute to achieving the higher-order objective. OED's task is then to validate whether the intermediate objectives produced satisfactory net benefits and whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence, and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

Evaluators also assess the degree of client ownership of international development priorities, such as the Millennium Development Goals, and Bank corporate advocacy priorities, such as safeguards. Ideally, any differences in dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the tradeoffs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts or avoided addressing key client development constraints. In either case, the consequences could include a diminution of program relevance, a loss of client ownership, or unwelcome side effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

Ratings scale

OED uses six rating categories for **outcome**,

ranging from highly satisfactory to highly unsatisfactory:

Highly Satisfactory: The assistance program achieved at least acceptable progress toward all major relevant objectives *and* had best-practice development impact on one or more of them. No major shortcomings were identified.

Satisfactory: The assistance program achieved acceptable progress toward all major relevant objectives. No best-practice achievements or major shortcomings were identified.

Moderately Satisfactory: The assistance program achieved acceptable progress toward *most* of its major relevant objectives. No major shortcomings were identified.

Moderately Unsatisfactory: The assistance program did *not* make acceptable progress toward *most* of its major relevant objectives, *or* made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.

Unsatisfactory: The assistance program did not make acceptable progress toward *most* of its major relevant objectives, *and* either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.

Highly Unsatisfactory: The assistance program did not make acceptable progress toward *any* of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

The **institutional development impact (IDI)** can be rated as *high*, *substantial*, *modest*, or *negligible*. IDI measures the extent to which the program bolstered the client's ability to make more efficient, equitable, and sustainable use of its human, financial, and natural resources.

Examples of areas included in judging the IDI of the program follow:

- Soundness of economic management
- Structure of the public sector, and, in particular, the civil service
- Institutional soundness of the financial sector
- Soundness of legal, regulatory, and judicial systems
- Extent of monitoring and evaluation systems
- Effectiveness of aid coordination
- Degree of financial accountability
- Extent of building NGO capacity
- Level of social and environmental capital.

Sustainability can be rated as *highly likely*, *likely*, *unlikely*, *highly unlikely*, or, if available information is insufficient, *nonevaluable*. Sustainability measures the resilience to risk of the

development benefits of the country assistance program over time, taking into account eight factors:

- Technical resilience
- Financial resilience (including policies on cost recovery)
- Economic resilience
- Social support (including conditions subject to safeguard policies)
- Environmental resilience
- Ownership by governments and other key stakeholders
- Institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness)
- Resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

ANNEX I: LIST OF PEOPLE MET ON MISSION IN JORDAN AND SAUDI ARABIA (ISLAMIC DEVELOPMENT BANK) AND WORLD BANK AND INTERNATIONAL MONETARY FUND (IMF) STAFF INTERVIEWED

a. Government Officials, Donors, and Private Sector Representatives

Ministry of Administrative Development

Mohammad Thneibat, Minister

Osamah Jaradat, Director, National Institute of Training

Ministry of Agriculture

Mhamoud Du, Minister

Mahmoud Nejdawi, Director of Planning

A. Hadad, Director of Planning and Studies

Abdel Nabi Firdous, Soil and Irrigation Director General

Ministry of Education

Khaled Toukan, Minister

Omar H. Sober, Director, Buildings and International Projects

Jehad Abu El Shaaar, Manager, Buildings and International Projects

Mamoun Abdel-Kareem El-Ma'aita, Head, Statistics Department

Mohamed Khamis, Director of Training

Ahmad Ayasrah, Head, Subject Matter Training

Nawash H. Nasser, Director, Procurement

Ministry of Energy and Mineral Resources

Dr. Mohamed Batayneh, Minister

Engr. Azmi Al-Said Khreisat, Secretary General

Ministry of Finance

H.E. Michael Marto, Minister

Ministry of Health

Taher Hamdi Abu Elsamem, Director of Planning and Project Management

Mahmoud Rawashdeh, Project Director, Health Reform Project

Manal Anani, Director PIU, Health Reform Project

Muna Issa, Director PIU, Health Management Project

Ministry of Higher Education and Scientific Research

Omar M. Shdeifat, Secretary General

Yousef M. Ahmaed

Ministry of Industry and Trade

Salah Eddin Al-Bashir, Minister

Ministry of Planning

H.E. Bassem I. Awadallah, Minister

Hala B. Lattouf, Secretary General

Nael Al Hajaj, Director, Multilateral Cooperation Department

Hussien El Khateib, Director, Monitoring and Evaluation Unit

Omar Al-Rafie, Manager, Social Productivity Program

Tayseer R. Al-Sumadi, Director, Policies and Studies Department

Adel Basbous, Coordinator, Community Infrastructure Program

Ministry of Water and Irrigation

Hazim El-Naser, Minister

Jordan Central Bank

H.E. Mr. Ummiah Toukan, Governor

Ghassan F. Ifram, Executive Director

Jordan Investment Board

Reem Badran, Director General

**Jordan Poverty Alleviation Program
(Nathan Associates)**

Carmen Nozario, Chief of Party
Perit Hakuz, Information Technology

Jordan University Hospital

Ghassan R. Farah, Professor of Surgery
and Director General
Nizar Y. Qaruoti, Director PIU, Health
Reform Project
Jordan Valley Authority
Eng. Ali B. Al-Adwan, Assistant Secretary
General
Eng. Yousef H. Ayadi, Director of Planning

Cities and Villages Development Bank

Ibrahim Msour, Director General
Mohamed Kreishan, Assistant to the Director
General
Shadia Nasser, PIU for Community
Infrastructure Project

**Deutsche Gesellschaft für Technische
Zusammenarbeit (GTZ)**

Andreas Kuck, Deputy Representative
H. Jochen Regner, Project Adviser
Muhammad Kadhim, Team Leader, SPP
Program

European Investment Bank

Rene Perez, Country Officer
John Davis, Projects Directorate
Stephen Wright, Head, Human Capital
Division

Executive Privatization Commission

Sireen Yashruti, Communication Manager
Salem O. Ghawi, Consultant
Robert L. Wagner, World Bank Consultant

National Aid Fund

Khalid A. Goname, Director General
Gasim Y. Al Momoni, Assistant Director
Ziad Bakhit, Ministry of Planning

**National Center for Human Resources
Development**

Munther W. Masri, President and Adviser
Tayseer M. Al-Nhar, Vice President
Firyal Aqel, Implementation Unit Second
Human Resources Development Sector
Investment Loan, NCHRD
Zaidoun Rashdan, Director PIU, Higher
Education Development Project, NCHRD
Khattab M. Abu-Lebdeh, Researcher

Royal Medical Services

Musa T. Ajluni, Director of Planning
Lt. Col. Hashim Irshaid, Director of PIU for
Health Sector Reform Project
Major Ali Madani, Accountant PIU

**United Nations Development Program
(UNDP)**

Seifeldin Abbato, Acting Resident
Representative for UNDP, Representative
for UNFPA
Montaser J. Oklah, Assistant Resident
Representative, UNDP
Iyad Abumoghli, Assistant Resident
Representative, UNDP

**United States Agency for International
Development (USAID)**

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Mr. James Franckiewicz, Director, Water
Resources and Environment
Ms. Mellen D. Tanamly, Director, Population
and Family Health
Mr. Jon D. Lindborg, Director, Economic
Opportunities Office
Mr. Jim N. Barnhart, Deputy Director,
Economic Opportunities Office
Dr. Salwa Bitar Qteit, Senior Project
Management Specialist
Arwa A. Hamdieh, Program Management
Specialist

Private Sector Representatives

Mr. Ella C. Nuqut (Chairman, Nuqut Group of Industries)

Hamdi M.S. Tabba'a (former Prime Minister)

Thabet A. Taher (former Minister of Economy; former MD Jordan Phosphate; Arab Mining; Deputy Chairman, Jordan Businessmen Association)

Fakhri Bilbeisi (Secretary General, Jordan Businessmen Association)

Ali Yousef (Director General, Jordan Businessmen Association)

Ziad Fariz (former Governor, Central Bank of Jordan; former Minister of Planning; CEO, Arab Banking Corp.)

b. World Bank, IMF, and Islamic Development Bank Staff

Joseph P. Saba, Country Director

Inder Sud, then Country Director

Spiros T. Voyadzis, then Country Operations Department Division Chief

John Page, Director, World Bank Poverty Reduction Group

Jayanta Roy, then Country Economist

Fauzia Najam, then Country Officer

Christian Petersen, Lead Economist, Poverty Reduction and Economic Management Unit (ECSPE)

Carlos Silva-Jauragi, Senior Economist, Middle East and North Africa Region Social and Economic Development Group (MNSSED)

T.G. Srinivasan, Senior Economist, MNSSED

Dimitri Vittas, Senior Adviser, OPD

Antonio Furtado, Division Chief, IMF

Osman S. Ahmed, Lead Operations Officer, MNCO2

Regina Maria Bendokat, Sector Manager, Middle East and North Africa Region Human Development Group (MNSHD)

Mae Chu Chang, Lead General Educator, MNSHD

Ayesha Y. Vawda, Education Specialist, Education Group of the Human Development Network

Bassam Ramadan, Lead Operations Officer, MNSHD

Radwan Shaban, Lead Economist, Poverty Reduction and Economic Management Unit (ECSPE)

Bader Elddine Nouioua, Adviser, Operations Evaluation Office, Islamic Development Bank

Mohamed Samater, former Head, Operations Evaluation Office, Islamic Development Bank

Djelloula Saci, Head, Operations Evaluation Office, Islamic Development Bank

Abdel Ouahab Ghzala, Operations Evaluation Office, Islamic Development Bank

ANNEX J: LIST OF WATER MEASURES AND POLICY REFORMS UNDERTAKEN BY THE GOVERNMENT OF JORDAN AND THE MINISTRY OF WATER AND IRRIGATION TO ENHANCE THE WATER SECTOR AND ENSURE FINANCIAL VIABILITY IN ACCORDANCE WITH THE MINISTRY PLANS AND DONORS' REQUIREMENTS

Resource Management Aspects

- The Ministry has recently prepared an Action Plan that represents a valuable initiative. It also effectively identifies the major structural and policy reforms required for a sustainable development of the water sector nationwide. This document provides an excellent basis for common understanding between the Jordanian Government and the various donor agencies on key issues.
- This plan includes the development of appropriate institutional capacity building and legislative framework for water management.
- A strategic plan for the Jordan Valley Authority is being developed with the assistance of the United States Agency for International Development (USAID), followed by support for investment and institutional reforms that would support sustainable growth and improved efficiency.
- Significant improvements in equipping private wells with water meters have been achieved. To date, 93 percent of all wells within the Kingdom have been metered. During the day-to-day fieldwork of the staff, the level of acceptance to get the abstraction from the private wells metered improved. In his decision No. 85/12/1/7788, dated September 6, 1997, the Prime Minister authorized the Ministry of Water and Irrigation to enforce regulations or to close unlicensed wells according to a plan that differentiates procedures according to the location of the wells. In addition, there is the mechanism where owners have to revert back to Water Authority of Jordan (WAJ) for licensing to clean the well, for example, and such authorization will be tied, among other conditions, to settlement of account. In addition to the continuing installment of water meters on the private wells, WAJ also put signs on each well; 2,054 signs were installed on all water basins.
- Groundwater allocations for all purposes in the uplands shall be based on groundwater sustainability principles. The Government of Jordan (GOJ) has made recent policy decisions to stop the abuse of critical water resources and promote better management of those resources. A recent GOJ policy calls for massive reduction in groundwater abstractions to prevent the loss of some highland aquifers.
- The plan included stopping the pumpage of groundwater for urban supply from the Azraq well field during last winter season.
- The irrigated areas in the highlands are limited to 600,000 dunums, whereas in Jordan Valley they are limited to 420,000 dunums.
- The planting of all summer crops has been banned for the summer of 2002 to preserve scarce water resources for urban water supply.
- A reduction of irrigation water of up to 40 percent has been implemented for the summer 2002 for the Jordan Valley through a water rationing program.
- The government has agreed to rent lands from farmers to prevent them from planting any crops.
- In agriculture, greater use is to be made of treated wastewater and brackish water as a substitute for freshwater.
- A study financed by Kreditanstalt für Wiederaufbau (KfW) on wastewater reuse will be launched in November 2002. This study will formulate an action plan for reuse of treated water in agriculture purposes.
- Using modern irrigation techniques in the Jordan Valley to raise efficiency is being

undertaken through pilot projects with support from USAID, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), and France.

- The plan called for implementation of the new regulations related to industrial and commercial wastewater effluent to the public network. Any excess of the certain parameters will be paid for according to a formula.
- The Ministry of Water and Irrigation (MWI) has been implementing a public awareness program. A public awareness campaign through the USAID project/Water Efficiency and Public Information Program is being implemented through media, lectures, interviews, and so forth.

Financial Management Aspects

- An investment program for all sector-related investments was prepared in 1997 and has recently undergone an update in 2002. This program will be reviewed and updated every five years to ensure that the program reflects current realities on an ongoing basis.
- The plan further enhanced efficient financial management, accounting, and controlling tools in the utilities.
- The plan introduced socially acceptable cost recovery tariffs for all types of water use.
- Several measures have been introduced to mobilize PSP in the management of water and wastewater facilities and in urban operations and promotion of users management in irrigation.
- A new tariff for groundwater abstraction for agricultural use has been implemented. This will generate an annual revenue of JD 4.0 million.
- Implementation of additional surcharge on all water bills issued by WAJ of 0.50 JOD for consumption < 20 cum and 1.50 JOD for consumption > 20 cum for all bills issued inside Greater Amman area, and 1.00 JOD for bills issued outside the capital. This will generate an annual revenue of JD 2.723 million.
- Groundwater tariffs for water (private wells) transported by tankers have been increased to 250 fils per cubic meter for municipal and industrial consumption, and 100 fils per cubic

meter for all other nonpotable water. This will generate an annual revenue of JD 1.0 million.

- New tariff for public wells (governmental departments, force army municipalities, 25 fils per cubic meter for agriculture, and 100 fils per cubic meter for other purposes). This will generate an annual revenue of JD 0.6 million.
- A water tariff of 250 fil per cubic meter has been levied on petroleum refinery for its use of groundwater. This will generate an annual revenue of JD 0.60 million.
- The price of water sold by private tankers has been increased to JD 1.75 per cubic meter for water sold outside the capital and JD 2.00 for water sold within the Greater Amman area.
- The price of water sold by WAJ tankers to the consumers has been increased to JD 1.50 per cubic meter. This will generate an annual revenue of JD 0.4 million.
- Treated wastewater of the As Samra wastewater treatment plant will be sold at 100 fils per cubic meter to a new plant for electricity generation to be established by the private sector. The new plant is expected to purchase up to seven MCM per year. This will generate an annual revenue of JD 0.7 million.
- Raw water tariff for industrial usage by the Arab Potash Company in the Mujib and Southern Ghors regions has been increased to 530 fils per cubic meter. The groundwater tariff for water abstracted for the same company have also been increased to 250 fils per cubic meter. This will generate an annual revenue of JD 2.0 million.
- The plan gained agreement with Phosphate Company to substitute freshwater with treated wastewater from newly wastewater treatment plant to be constructed in Aqaba.
- The plan obtained agreement with farmers and other users to use treated wastewater, the tariff set at 10 fils per cubic meter.

Institutional Aspects

- A study of the Assessment of Options for Water Sector Regulatory Reform is currently being undertaken with the assistance of the World Bank.
- New laws and bylaws and consequent organization charts for MWI, WAJ, and NA will be

prepared on the basis of the Regulatory Framework Study findings.

- Ministry personnel have been reduced by 350, where few qualified technical and financial employees have been employed.
- Implementation of a new commercially based Financial Accounting System for Jordan Valley Authority (JVA), and the introduction of similar systems into MWI and WAJ, is under way.
- Autonomous commercialized entities have been established at the governorate level for Irbid and Aqaba.
- Implementation of a new Customer Information System for the entire Kingdom is currently under way.
- Implementation of a new Archiving System for technical and administrative data related to well permits, drilling data, and deposits is under way.
- Implementation of a centralized Geographic Information System to have complete data related to water and wastewater projects is under way.
- Donor coordination is intensified.
- Regional cooperation has been fostered.

Legislative Amendments

- WAJ law has been amended to enhance Private Sector Participation and allow for the establishment—and ownership by the government completely or partially—of private companies.
- Amendments to the same WAS law have recently been adopted to enhance enforcement measures with regard to removing any violations and contraventions of the laws pertaining to illegal use of water resources through the establishment of a Judicial Police.
- A new bylaw for groundwater well usage has been approved and published in the official gazette to reduce and control overdrafting and illegal wells and provide for substantive penalties for illegal use. This bylaw sets a new tariff for all agricultural groundwater wells.
- Bylaws pertaining to wastewater regulations have been amended to allow for the smooth implementation of wastewater networks through private lands and plots.
- Wastewater connection fees are now to be determined and set by WAJ based on criteria from the Council of Ministers to enhance financial viability and cash flows and increase connections rate.
- Enforcement measures regarding illegal drilling have also been strengthened by the recent legal amendments. To date, 28 illegal drilling rigs have been detained and 77 illegal wells have been closed.
- The JVA law has also been amended to reflect and promote greater Private Sector Participation in the Jordan Valley.
- The same law has been modified to allow for the operations under commercial means for all projects in the Jordan Valley except for those related to irrigation and water resources development.
- The laws pertaining to the sale of land in the valley have been restructured to allow for the sale of property in order to allow agriculture farm units to be consolidated up to 250 dunums ensuring enhanced economic viability.

ANNEX K: COMMENTS FROM THE GOVERNMENT OF JORDAN

THE HASHEMITE KINGDOM
OF JORDAN
MINISTRY OF PLANNING
AMMAN



المملكة الأردنية الهاشمية
وزارة التخطيط
عمان

Ref. No. 5/191/4025
Date 1/16/2003

الرقم
التاريخ
الموافق

Mr. R. Kyle Peters
Senior Manager
Country Evaluation and Regional Relations
Operations Evaluation Department
The World Bank
Washington, D.C. 20433
USA

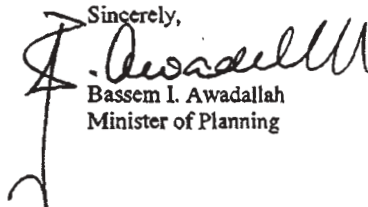
Dear Mr. Peters,

In reference to your letter dated May 1, 2003 and its attachment the draft report on the Hashemite Kingdom of Jordan Country Assistance Evaluation (CAE) prepared by the Operations Evaluation Department (OED) of the World Bank, I would like to thank you for your efforts. Kindly note that there are some notes that need to be taken into account so as to ensure accuracy of the information presented in the report.

I would appreciate it if you thoroughly look over the attached comments and adjust the report so as to reflect changes requested. I look forward to receiving the final report.

Please accept my high esteem and consideration

Sincerely,


Bassem I. Awadallah
Minister of Planning

cc: Mr. Mahdy Al-Jazzaf
cc: Mr. Joseph Saba

Comments on Jordan's Country Assistance Evaluation (CAE)¹

General Notes

Some figures included in the report need to be updated and revised in accordance with the latest available official data, and figures of 2002 must be included in the report.

Measures and policy reforms annexed to the report should be reflected in the executive summary.

Specific Comments

- **Page iii, Para. 2**, states that the population of Jordan is approximately 5 million, and that the per capita income is \$1,750. However, it should be noted that the population of Jordan in 2002 was 5.329 million, and that the per capita income was \$1,745. Moreover, in the last three years, Jordan's economic growth rate has exceeded the population growth rate, resulting to an increase in the per capita income.
- **Page iv, Para. 1**, states that the gains achieved with regards to the Millennium Development Goals took place in an inefficient manner and that the cost in terms of public expenditures has been relatively high. This statement needs to be verified, since gains cannot be achieved in absolute inefficiency.
- **Page 1, Para. 1.2**, states that the National Assembly consists of 104 members in the Chamber of Deputies, and 52 members of Senate. However, the number of elected members in the Chamber of Deputies will be 104, in addition to 6 women under the new parliamentary quota system (i.e., total of 110 members). Subsequently, the number of Senate members will be 55, due to the fact that it must include half the number of members in the Chamber of Deputies.
- **Page 4, Para 1.9**, states that women have low participation in economic activity and community leadership due to social norms and discriminatory practices. This is a misleading and incorrect statement. With regards to women's participation, the Jordanian electoral law was amended to include a quota of 6 seats in the lower House of Parliament to guarantee Jordanian women's participation in the political life. The Jordanian government is exerting efforts to protect women from discriminatory practices. Article 340 of the Jordanian Penal Code was amended.
- **Page 4, Para. 1.10**, discusses Jordan's external debt and assistance by referring to the ratio of total debt to GDP, which stood at 105 percent in 2000. However, this figure refers to the sum of both external and internal debt, whereby external debt alone amounted to 84 percent of the GDP in 2000.
- **Page 6, Para. 2.2**, states that Government expenditures allocated to wages, pensions and interest payments amounted to 7 percent, 5 percent and 4 percent of GDP respectively in the year 2000. Jordanian official figures to these items were 6 percent, 4.6 percent, and 3.5 percent of GSP respectively in that same year.
- **Page 7, Para. 2.3**, please note the following:
 - The agricultural consumption is 66 percent instead of the stated 70 percent.

- Cost recovery reached 125 percent of the operation and maintenance cost in year 2002, and the UFW has been decreased to less than 50 percent.
 - Underground Control By-law no. 85/2002 concerning agricultural water use of groundwater nationwide is being implemented as of April 1st, 2003. Subsequently, water is no longer free of charge, as farmers have to pay for water consumption according to the metered amount on a progressive basis.
- **Page 15, Para. 3.19**, states that although the Amman water and sanitation project is still under implementation, the indications are that the management contractors are yielding benefits. It is recommended that this paragraph emphasize the Government's commitment and policies to the success of this project. However, the following comments are recommended in this paragraph:
 - It is worth noting that since October 2001, the tariff costs for wastewater was increased by 12 percent for the Governorates of both Amman and Zarqa, in order to assure cost recovery due to the implementation of Al-Samra Wastewater treatment plant on a BOT basis.
 - The management contractor is provided with great flexibility to perform. However, due to the various managerial problems facing the management side, progress in some fields was lacking.
 - **Page 17-18, Para. 4.8**, indicates that the fiscal deficit (including grants) remained above 4 percent of GDP through 2001. However, the official data indicates that the deficit ratio in 2001 was 2.5 percent on cash basis, and 3.8 percent on accrual basis.
 - **Page 18, Para. 4.8**, indicates that household surveys in Jordan are infrequent. However, household expenditure surveys are conducted every five years by the Department of Statistics. Moreover, it should be noted that Jordan is in fact committed to building national consensus on poverty issues based on the information provided by the 2002 Household Expenditure and Income Survey (HEIS).
 - **Page 21, Para 4.16**, the cost estimate for the DISI Project is approximately US\$600 million, and not US\$800 million as stated in the report. Moreover, the forecasted water demand tables for the years 2005-2020, jointly calculated by the Ministry of Water and Irrigation (MoWI) and the WB, reveal that despite all the measures taken towards demand management, rehabilitation of municipal networks, reduction of losses and the implementation of MoWI projects listed in the Investment Program for the years 2002-2011, including Disi and excluding the Red-Dead Canal Project, Jordan will continue to face problems of water deficit in the range of 25-30 percent. Accordingly, the whole Para should be revised.
 - **Page 27, Para. 6.2**, The report recommends engagement with the Bank's counterparts to reach a common understanding on the incidence of poverty in Jordan and a broad-based consensus of future poverty reduction programs. It should be noted that the Government of Jordan welcomes this initiative. However, this should be done within the framework of the Poverty Alleviation Strategy in coordination with the Ministry of Planning and the Ministry of Social Development.

- **Page 39, Annex table 2h.** With regards to the health sector report, it was recommended to conduct population-based surveys determining, among other things, expenditure on health. Accordingly, please note the Ministry of Health has started implementing a USAID-funded project entitled “Partnership for Health Reform Plus,” for the period (2001-2005), which has a major component in this regard.

ANNEX L: MANAGEMENT ACTION RECORD

Major Monitorable OED Recommendations Requiring a Response	Management Response
<ul style="list-style-type: none"> The Bank should focus its assistance on reducing government expenditures and improving the efficiency and quality of expenditures, especially rationalizing those social expenditures that previous public expenditure reviews have identified as being poorly managed. 	<p>Bank assistance for improved efficiency in public expenditure will be the focus of the Third Public Sector Reform Loan (PSRL III), scheduled for FY04. We also plan to conduct a Public Expenditure Review, with focus on social sectors, in FY04. The Public Expenditure Review (PER) is expected to underpin future policy dialogue in this area.</p>
<ul style="list-style-type: none"> The Bank should conduct a collaborative poverty assessment to reach a consensus on the incidence of poverty and to ensure a sound basis for future poverty reduction programs. Given the high and persistent unemployment, a study of the labor market is needed to provide the basis for measures to reduce unemployment and alleviate poverty. 	<p>We plan to do a Poverty Assessment in FY04 and a Labor Study in FY05 as part of our Economic and Sector Work (ESW) program.</p>
<ul style="list-style-type: none"> The Bank should support, in coordination with other donors, a comprehensive water resources management strategy: promoting incentives for more efficient use of water, upgrading infrastructure to reduce costs and high levels of unaccounted-for-water, and facilitating efficient investments. 	<p>We plan to support the government in this area through a programmatic ESW over the next three years. This multiyear program should enable the Bank to sustain support for policy reform in water sector management, implementation, and institutional development. We plan to work closely with other donors active in the water sector.</p>

ANNEXES

Islamic Development Bank

ANNEX M: IDB LIST OF ORGANIZATIONS AND INDIVIDUALS MET

Ministry of Planning

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Royal Medical Services

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National Aid Fund

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Jordan Magnesia Company

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ANNEX N: SUMMARY OF IDB PROJECT PORTFOLIO FOR ORDINARY OPERATIONS IN JORDAN

Table N.1

Summary of IDB Project Portfolio for Ordinary Operations in Jordan, 1976-02

I. Portfolio by Sector									
Sl. No.	Project code	Project name	Year of approval	Approved amount		Disbursements ID million	Repayments ID million	Implementation status	Post-evaluation year
				ID million	US\$ million				
Agriculture, fishing, & forestry									
1	JO 0038	Zarqa River Basin	1986	5.000	5.400	2.532	1.561	Completed	No
2	JO 0084	F.S. & E.D. for Jordanian Agricultural Investment in Sudan	1999	0.296	0.400	0.143	0.000	Ongoing	No
<i>Subtotal</i>				<i>5.296</i>	<i>5.800</i>	<i>2.675</i>	<i>1.561</i>		
Industry & mining									
3	JO 0003	Jordan Petroleum Refinery	1976	7.450	9.300	7.941	0.000	Completed	No
4	JO 0004	Jordan Phosphate Mines Company Ltd, (ex-Jordan Fertiliser Industries)	1978	4.300	5.240	4.300	0.000	Completed	No
5	JO 0005	Arab Potash Company	1978	9.290	12.000	10.402	0.896	Completed	No
6	JO 0025	Jordan Phosphate Mines Company	1986	1.506	1.822	1.510	0.000	Completed	No
7	JO 0029	Jordan Foundry	1986	10.600	11.600	7.073	4.684	Completed	No
8	JO 0040	Feasibility Study of Dead Sea Chemical Complex	1988	0.780	1.050	0.780	0.659	Completed	No
9	JO 0042	Jordan Phosphate Mines Company Ltd (ex-Jordan Fertiliser Industries)	1981	1.730	2.100	1.730	0.000	Completed	No
10	JO 0044	Jordan Cement Factories	1988	1.250	1.620	1.552	0.071	Completed	No
11	JO 0046	Arab Potash Company	1986	6.820	8.000	6.793	1.331	Completed	No
12	JO 0047	Al-Shidiyah Phosphate Mine	1989	8.100	11.000	5.968	6.550	Completed	No
13	JO 0049	Arab Potash Production Expansion	1991	12.169	17.053	11.890	1.376	Completed	Yes (1419)
14	JO 0063	Arab Potash Company (Additional I)	1994	0.761	1.106	0.751	0.000	Completed	No
15	JO 0070	Top Grade Dead Burned Magnesite (TDBM)	1997	20.000	28.035	20.153	0.000	Ongoing	No
16	JO 0082	Potassium Nitrate (NOP) & Di-Calcium Phosphate (DCP)	1999	20.000	27.000	14.134	0.000	Completed	No
17	JO 0085	Bromine & Bromine Derivatives	1999	21.800	29.000	14.155	0.000	Completed	No
<i>Subtotal</i>				<i>126.556</i>	<i>165.926</i>	<i>109.131</i>	<i>15.567</i>		
								<i>Continued on next page</i>	

Table N.1 Summary of IDB Project Portfolio for Ordinary Operations in Jordan, 1976-02
 (Continued)

Sl. No.	Project code	Project name	Year of approval	Approved amount		Disbursements ID million	Repayments ID million	Implementation status	Post-evaluation year
				ID million	US\$ million				
Transport, communication, & storage									
18	JO 0007	Aqaba Industrial Jetty	1980	7.000	9.225	6.303	7.025	Completed	Yes (1413)
19	JO 0008	Thirteen Locomotives to Aqaba Railway Corporation (ARC)	1980	7.942	10.257	7.939	11.838	Completed	Yes (1412)
20	JO 0043	Ninety Wagons to ARC	1984	8.738	9.000	4.029	1.347	Completed	No
21	JO 0055	Second-Hand Multipurpose Vessel	1992	7.700	10.000	4.330	0.834	Completed	No
22	JO 0057	Telecommunication Program (Phase-1)	1992	10.720	15.000	9.911	11.691	Completed	Yes (1420)
23	JO 0058	F.S & Eng Design of Al-Shidiyah Railway Link	1993	0.345	0.480	0.170	0.092	Completed	No
24	JO 0067	Expansion of Telecom Network of Al-Aqaba City	1996	5.900	8.840	2.033	0.666	Completed	No
25	JO 0087	Aqaba Coastal Highway	2000	19.000	25.300	0.695	0.000	Ongoing	No
<i>Subtotal</i>				<i>67.345</i>	<i>88.102</i>	<i>35.409</i>	<i>33.493</i>		
Public utilities									
26	JO 0020	Zarqa Water Supply & Sewerage (Phase I)	1982	7.000	7.800	6.034	6.864	Completed	Yes (1414/1415)
27	JO 0061	Al-Risha & Rehab Power Plant Expansion	1994	11.300	15.550	10.593	11.057	Completed	Yes (1420)
28	JO 0062	F.S. for Deep Groundwater Aquifer of Wadi Araba	1994	0.200	0.280	0.187	0.000	Completed	No
29	JO 0065	Aqaba Thermal Power Station Extension & 400 KV S/S	1995	14.630	21.500	8.474	4.601	Completed	No
30	JO 0066	Rehab Power Station	1995	17.500	26.240	17.692	13.680	Completed	No
31	JO 0081	Southern Ghors and Eastern Shores of the Dead Sea	1998	18.500	25.000	1.086	0.000	Ongoing	No
<i>Subtotal</i>				<i>69.130</i>	<i>96.370</i>	<i>44.067</i>	<i>36.202</i>		
Social services									
32	JO 0028	Eight Secondary Schools	1985	9.800	9.700	7.315	3.437	Completed	Yes (1418)
33	JO 0036	Jordan University of Science and Technology	1985	9.100	9.000	6.544	10.418	Completed	Yes (1416)
34	JO 0052	Al-Amal Cancer Centre	1991	4.000	5.000	4.068	1.825	Completed	Yes (1421)
35	JO 0059	King Abdullah Hospital at Irbid	1993	1.715	2.400	1.716	0.790	Completed	No
36	JO 0060	King Abdullah Hospital at Irbid	1993	6.570	9.200	6.710	2.201	Completed	No
37	JO 0068	New Central Library at Yarmouk University, Irbid	1996	3.410	4.780	3.334	0.578	Completed	No
38	JO 0069	National Centre for Diabetes, Endocrine, & Inherited Diseases	1997	0.200	0.280	0.159	0.000	Ongoing	No

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Table N.1 Summary of IDB Project Portfolio for Ordinary Operations in Jordan, 1976-02
(Continued)

Sl. No.	Project code	Project name	Year of approval	Approved amount		Disbursements ID million	Repayments ID million	Implementation status	Post-evaluation year
				ID million	US\$ million				
39	JO 0072	Capacity Building for Library Expansion of Royal Statistical Society	1998	0.152	0.209	0.128	0.000	Ongoing	No
40	JO 0073	Social Safety Network	1998	3.704	5.000	2.715	0.000	Ongoing	No
41	JO 0074	Social Safety Net Package	1998	3.704	5.000	3.285	0.116	Ongoing	No
42	JO 0075	Social Safety Net Package	1998	0.741	1.000	0.045	0.034	Ongoing	No
43	JO 0076	Medical Equipment for King Abdulla Hospital	1998	14.820	20.000	11.102	0.000	Ongoing	No
44	JO 0077	Expansion of Queen Alia Heart Institute	1998	3.330	4.500	1.539	0.133	Ongoing	No
45	JO 0078	Expansion of Queen Alia Heart Institute	1998	6.000	8.100	0.175	0.000	Ongoing	No
46	JO 0079	F.S. & Prep of New Library Building for Jordan University	1998	0.185	0.240	0.146	0.000	Completed	No
47	JO 0083	Establishment of Vocational Training Centre for Muslim Girls	1999	0.053	0.070	0.042	0.000	Ongoing	No
48	JO 0088	Technological Literacy Centres	2001	0.200	0.270	0.000	0.000	Ongoing	No
49	JO 0089	New Central Library Building of University of Science & Technology	2002	7.000	8.790	0.000	0.000	Ongoing	No
<i>Subtotal</i>				<i>74.684</i>	<i>93.539</i>	<i>49.021</i>	<i>19.532</i>		
Miscellaneous									
50	JO 0009	F.S. on Commercial Complex for Ministry of Awkaf	1984	0.485	0.500	0.438	0.479	Completed	No
51	JO 0090	Capacity Building for the Ministry of Planning	2001	0.108	0.140	0.005	0.000	Ongoing	No
<i>Subtotal</i>				<i>0.593</i>	<i>0.640</i>	<i>0.443</i>	<i>0.479</i>		
Grand total				343.604	450.377	240.746	106.834		

Source: IDB data.

Table N.2

Summary of IDB Project Portfolio for Ordinary Operations in Jordan, 1976-02

Sl. No.	Project code	Project name	Year of approval	Approved amount		Disbursements ID million	Repayments ID million	Implementation status	Post-evaluation year
				ID million	US\$ million				
Leasing									
1	JO 0008	Thirteen Locomotives to Aqaba Railway Corp (ARC)	1980	7.942	10.257	7.939	11.838	Completed	Yes (1412)
2	JO 0028	Eight Secondary Schools	1985	9.800	9.700	7.315	3.437	Completed	Yes (1418)
3	JO 0029	Jordan Foundry	1986	10.600	11.600	7.073	4.684	Completed	No
4	JO 0043	Ninety Wagons to ARC	1984	8.738	9.000	4.029	1.347	Completed	No
5	JO 0049	Arab Potash Production Expansion	1991	12.169	17.053	11.890	1.376	Completed	Yes (1419)
6	JO 0055	Second-Hand Multipurpose Vessel	1992	7.700	10.000	4.330	0.834	Completed	No
7	JO 0060	King Abdullah Hospital at Irbid	1993	6.570	9.200	6.710	2.201	Completed	No
8	JO 0061	Al-Risha and Rehab Power Plant Expansion	1994	11.300	15.550	10.593	11.057	Completed	Yes (1420)
9	JO 0065	Aqaba Thermal Power Station Extension & 400 KV S/S	1995	14.630	21.500	8.474	4.601	Completed	No
10	JO 0066	Rehab Power Station	1995	17.500	26.240	17.692	13.680	Completed	No
11	JO 0070	Top Grade Dead Burned Magnesia (TDBM)	1997	20.000	28.035	20.153	0.000	Ongoing	No
12	JO 0076	Medical Equipment for King Abdullah Hospital	1998	14.820	20.000	11.102	0.000	Ongoing	No
13	JO 0082	Potassium Nitrate (NOP) & Di-Calcium Phosphate (DCP)	1999	20.000	27.000	14.134	0.000	Completed	No
14	JO 0085	Bromine & Bromine Derivatives	1999	21.800	29.000	14.155	0.000	Completed	No
<i>Subtotal</i>				<i>183.569</i>	<i>244.135</i>	<i>145.588</i>	<i>55.055</i>		
Installment sale									
15	JO 0036	Jordan University of Science and Technology	1985	9.100	9.000	6.544	10.418	Completed	Yes (1416)
16	JO 0046	Arab Potash Company	1986	6.820	8.000	6.793	1.331	Completed	No
17	JO 0047	Al-Shidiyah Phosphate Mine	1989	8.100	11.000	5.968	6.550	Completed	No
18	JO 0057	Telecommunication Program (Phase-1)	1992	10.720	15.000	9.911	11.691	Completed	Yes (1420)
19	JO 0067	Expansion of Telecom Network of Al-Aqaba City	1996	5.900	8.840	2.033	0.666	Completed	No
20	JO 0078	Expansion of Queen Alia Heart Institute	1998	6.000	8.100	0.175	0.000	Ongoing	No
21	JO 0081	Southern Ghors & Eastern Shores of the Dead Sea	1998	18.500	25.000	1.086	0.000	Ongoing	No
<i>Subtotal</i>				<i>65.140</i>	<i>84.940</i>	<i>32.509</i>	<i>30.656</i>		
Equity									
22	JO 0003	Jordan Petroleum Refinery	1976	7.450	9.300	7.941	0.000	Completed	No
23	JO 0004	Jordan Phosphate Mines Company Ltd (ex-Jordan Fertiliser Ind)	1978	4.300	5.240	4.300	0.000	Completed	No
24	JO 0005	Arab Potash Company	1978	9.290	12.000	10.402	0.896	Completed	No
25	JO 0025	Jordan Phosphate Mines Company (JPMC)	1986	1.506	1.822	1.510	0.000	Completed	No
26	JO 0042	Jordan Phosphate Mines Company Ltd (ex-Jordan Fertiliser Ind)	1981	1.730	2.100	1.730	0.000	Completed	No

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Table N.2 Summary of IDB Project Portfolio for Ordinary Operations in Jordan, 1976-02
(Continued)

Sl. No.	Project code	Project name	Year of approval	Approved amount		Disbursements ID million	Repayments ID million	Implementation status	Post-evaluation year
				ID million	US\$ million				
27	JO 0044	Jordan Cement Factories	1988	1.250	1.620	1.552	0.071	Completed	No
28	JO 0063	Arab Potash Company (Additional I)	1994	0.761	1.106	0.751	0.000	Completed	No
<i>Subtotal</i>				26.287	33.188	28.186	0.967		
Istisna'a									
29	JO 0073	Social Safety Network	1998	3.704	5.000	2.715	0.000	Ongoing	No
30	JO 0087	Aqaba Coastal Highway	2000	19.000	25.300	0.695	0.000	Ongoing	No
<i>Subtotal</i>				22.704	30.300	3.409	0.000		
Loan									
31	JO 0007	Aqaba Industrial Jetty	1980	7.000	9.225	6.303	7.025	Completed	Yes (1413)
32	JO 0020	Zarqa Rusaifa Water Supply & Sewerage (Phase-I)	1982	7.000	7.800	6.034	6.864	Completed	Yes (1414/1415)
33	JO 0038	Zarqa River Basin	1986	5.000	5.400	2.532	1.561	Completed	No
34	JO 0052	Al-Amal Cancer Centre	1991	4.000	5.000	4.068	1.825	Completed	Yes (1421)
35	JO 0059	King Abdullah Hospital at Irbid	1993	1.715	2.400	1.716	0.790	Completed	No
36	JO 0068	New Central Library at Yarmouk University, Irbid	1996	3.410	4.780	3.334	0.578	Completed	No
37	JO 0074	Social Safety Net Package	1998	3.704	5.000	3.285	0.116	Ongoing	No
38	JO 0077	Expansion of Queen Alia Heart Institute	1998	3.330	4.500	1.539	0.133	Ongoing	No
39	JO 0089	New Central Library Building of University of Science & Technology	2002	7.000	8.790	0.000	0.000	Ongoing	No
<i>Subtotal</i>				42.159	52.895	28.811	18.892		
Technical assistance									
40	JO 0009	F.S. on Commercial Complex for Ministry of Awkaf	1984	0.485	0.500	0.438	0.479	Completed	No
41	JO 0040	F.S. of Dead Sea Chemical Complex	1988	0.780	1.050	0.780	0.659	Completed	No
42	JO 0058	F.S. & Engineering Design of Al-Shidiyah Railway Link	1993	0.345	0.480	0.170	0.092	Completed	No
43	JO 0062	F.S. for Deep Groundwater Aquifer of Wadi Araba	1994	0.200	0.280	0.187	0.000	Completed	No
44	JO 0069	National Centre for Diabetes, Endocrine, & Inherited Diseases	1997	0.200	0.280	0.159	0.000	Ongoing	No
45	JO 0072	Capacity Building for Library Expansion of Royal Statistical Society	1998	0.152	0.209	0.128	0.000	Ongoing	No
46	JO 0075	Social Safety Net Package	1998	0.741	1.000	0.045	0.034	Ongoing	No
47	JO 0079	F.S. & Preparation of New Library Building for Jordan University	1998	0.185	0.240	0.146	0.000	Completed	No

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Table N.2 Summary of IDB Project Portfolio for Ordinary Operations in Jordan, 1976-02
(Continued)

Sl. No.	Project code	Project name	Year of approval	Approved amount		Disbursements ID million	Repayments ID million	Implementation status	Post-evaluation year
				ID million	US\$ million				
48	JO 0083	Establishment of Vocational Training Centre for Muslim Girls	1999	0.053	0.070	0.042	0.000	Ongoing	No
49	JO 0084	F.S. & E.D. for Jordanian Agricultural Investment in Sudan	1999	0.296	0.400	0.143	0.000	Ongoing	No
50	JO 0088	Technological Literacy Centres	2001	0.200	0.270	0.000	0.000	Ongoing	No
51	JO 0090	Capacity Building for the Ministry of Planning	2001	0.108	0.140	0.005	0.000	Ongoing	No
<i>Subtotal</i>				<i>3.745</i>	<i>4.919</i>	<i>2.241</i>	<i>1.264</i>		
Grand total				343.604	450.377	240.746	106.834		

ANNEX O: SUMMARY, IDB POST-EVALUATED PROJECTS IN JORDAN, 1991–02
(1412h–1423h)

Sl. No.	Project name	Sector	Year of post-evaluation	Performance rating	Lessons learned
1	Aqaba Railway Corporation	Public utility	1991 (1412H)	Not successful	<p>Whenever an integrated project is involved, the evaluation approach should also take account of each of its components.</p> <p>The financing beneficiary's maintenance abilities should be thoroughly assessed to determine the installed capacities of the project in terms of availability and utilization.</p>
2	Aqaba Industrial Jetty	Industry	1992 (1413H)	Partly successful	<p>The Bank's participation in the project at a later stage enabled the executing agency to use disbursements for repayment purpose. Subsequently, due to the intervention of third parties (Ministry of Finance and the Central Bank) it was possible to extend the effective payment to the executive agency by the Bank.</p> <p>Completion reports should have been prepared by the Bank to make post-evaluation less toilsome.</p>
3	Zarqa Ruseifa Water Supply	Public utility	1993-94 (1414-15H)	Partly successful	<p>The unaccounted-for-water (UFW) rate is a key issue to be considered in assessing the operational performance of any water supply project. Future appraisal of similar projects should focus on ways to improve its command.</p>
4	Jordan University of Science and Technology	Education	1995 (1416H)	Partly successful	<p>For any change in the executing agency, the Bank should ensure whether the original objectives and scopes of the project have been revised. Any such change should be reflected in the amended Financing Agreement to be signed.</p>
5	Secondary Schools	Education	1997 (1418H)	Successful	<p>The success of the project was mainly attributed to the priority accorded to education and training in Jordan.</p> <p>Using prototype school designs did not account for physical constraints and demographic characteristics of the areas, resulting in the possibility of additional costs or wastage of resources.</p>

Sl. No.	Project name	Sector	Year of post-evaluation	Performance rating	Lessons learned
6	Arab Potash Production Expansion	Industry	1998 (1419H)	Successful	<p>The eventual success of the project was due to the efforts made on promoting the company's managerial and technological capabilities.</p> <p>The provision for separate production unit of spare parts within the plant substantially reduced its operating costs.</p>
7	The First Tele-communication	Communications	1999 (1420H)	Successful	<p>The quality and continuity of technical staff employed by the executing agency enhanced the implementation of the project. This also improved communication between the Bank and the executing agency.</p> <p>The company has a sound and healthy financial situation and its shares could be of interest to potential investors in member countries.</p>
8	Rehab & Risha Power Stations Extension	Industry	1999 (1420H)	Successful	<p>The feasibility study on the project was not available, which could have better clarified its viability and improved the quality of the appraisal report prepared by the Bank.</p> <p>The Bank embarked on the appraisal and subsequent approval of the project after its turnkey contract was signed. This did not give the Bank a chance to critically review and clear all the tender documents. This could have led to an enlarged project scope and cost.</p>
9	Al-Amal Cancer Centre	Health	2000 (1421H)	Partly successful	<p>A government entity was designated as the executing agency of the project at appraisal whereas, according to the post-evaluation mission, a nongovernmental organization should have been assessed as to the selection of an appropriate executing agency.</p> <p>For sustainability purpose and to ensure adequate funds to meet operations and maintenance costs of the project, careful consideration should be given to the cost recovery aspects when designing future health projects.</p>

ENDNOTES

Chapter 1

1. Per capita GDP growth rates were -1.4 , -0.2 , -0.2 , 0.0 , and 1.3 percent for the years 1996 to 2000, respectively.

2. The Minister of Planning has advised that, "The reduction in capital expenditures was due to an agreement with the World Bank and IMF, accompanied with the rationalization of current expenditures."

3. The Minister of Planning has advised that "Poverty in Jordan is related more to low wages rather than to unemployment."

4. For example, Al-Khasawneh, Al-Naiematlan, and Rawdhan (1998) found a poverty rate of 26 percent of households in 1996, relying on the 1996 Survey of Labor, Unemployment, Unemployment, and Income. The Mrayyan and Kamal study (1997) concluded that 21 percent of households were poor in 1995, using the 1995 Jordan Living Conditions Survey. An earlier study, based on the 1992 Income and Expenditure Survey, found that the fraction of poor households was 21.3 percent in 1992 (Al-Saqour and others 1993). Mohamed Baqer (1999) estimated the incidence in 1992 at 21 percent and 33 percent in 1997.

5. The human development index measures a country's achievements in terms of life expectancy, educational attainment, and adjusted real income. The index ranks Algeria, Egypt, Morocco, and Tunisia 100th, 105th, 112th, and 89th, respectively.

6. The Minister of Planning notes that, "the Jordanian electoral law was amended to include a quota of six seats in the lower House of Parliament to guarantee Jordanian women's participation in the political life. The Jordanian government is exerting efforts to protect women from discriminatory practices. Article 340 of the Jordanian Penal Code was amended." See Annex K.

7. The 1997 parliamentary elections had only 17 female candidates (3 percent).

8. Successful debt rescheduling was concluded in March 1992, July 1994, May 1997, May 1999, and July 2002, through the Paris Club, a debt and debt-service reduction operation with the London Club, and a debt-buyback arrangement with the former Soviet Union. During the same period, official bilateral debt reductions were granted by several creditors (United States, United Kingdom, Germany, and France) on the order of \$1.2 billion.

9. According to the most recent World Bank country strategy, Jordan's external debt amounted to \$8 billion and total debt-service payments were \$823 million in 1999. However, the Bank Debt Reporting System (DRS) revealed major problems with debt numbering and consistencies between stock and flows in its 2000 report.

10. A measure of the inflexibility of debt service is the preferred creditors (e.g., Bank, IMF, European Bank for Reconstruction and Development) share of debt service. This share exceeded the Bank's guideline threshold of 35 percent in 2000 and 2001 and is also projected to exceed the threshold in the medium term. More important, Jordan's debt-service burden will increase when the payments on rescheduled principal and interest fall due in 2007.

11. U.S. assistance to Jordan has totaled \$1.2 billion since 1990, with a major increase in the second half of the 1990s, ranking the country among the half-dozen largest recipients of U.S. grants worldwide.

Chapter 2

1. The IMF (2000) shows that government expenditures of even Morocco and Turkey (with large militaries and bloated civil services) are around 30 percent of GDP. Jordan spends almost 10 percent of GDP on its military, and some of this is obtained through tied aid.

2. The 150,000 government employees are put in four grades (each with further steps), with the bulk in grades 2 (42,000), 3 (43,000), and 4 (56,000). The government pays grade 4 staff an average of JD 200/month, about 15 percent more than those in the private sector. In addition, there are 20,000 employed at day rates. These numbers do not include those employed as teachers, police, and military, and in the "autonomous" agencies. Teachers' salaries are substantially higher (more than double) than for those employed by private schools.

3. There are some 500,000 foreign workers (250,000 Egyptians in agriculture in the Jordan Valley, and an additional 150,000 in construction) who may not all be legally authorized to work and so are not subject to the minimum wage or social security taxes.

4. Per capita freshwater availability in Jordan is 170 cubic meters annually, a sixth of that available in Egypt and a tenth of that available in Syria (World

Bank internal data). Jordan is one of the 22 countries that the World Bank identifies as below the water poverty line of less than 1,000 cubic meters per capita per year.

5. The Minister of Planning notes that, “Underground Control Bylaw No. 85/2002 concerning agricultural water use of groundwater nationwide is being implemented as of April 1, 2003.”

6. For instance, the 1997 poverty incidence consistently dropped with increased educational level of household head, from a high 21.2 percent for illiterate heads to a low of 6.0 percent for heads with a secondary education (Shaban and others, 2001, p. 48).

7. In addition, women in the reproductive age group comprise 18 percent of total population, implying that almost 6 out of 10 Jordanians are potential recipients of child health and maternal services.

Chapter 3

1. The objectives of the plan included achieving a growth rate of 6 percent by 2003 as well as reducing unemployment to 10 percent, the poverty rate from 20 to 15 percent of the households, and the population growth rate by 0.1 percent annually.

2. Some poorly directed spending was curtailed—for example, nontargeted food subsidies, amounting to 1.7 percent of GDP (World Bank 1999 data).

3. These trends are similar to those in other MNA countries at similar income levels (Annex C).

4. Most of Jordan’s exposure ratios are at the high end of the spectrum of IBRD borrowers. Jordan has one of the highest ratios of IBRD debt to gross national income (about 9.5 percent), of IBRD debt to exports of goods and services (around 13.5 percent), and of IBRD debt service to exports (about 2 percent). Jordan’s IBRD debt per capita is also one of the highest among IBRD borrowers.

5. OED audited the loan in 1995 and rated outcome as satisfactory, institutional development as substantial, and sustainability as likely.

6. The ASAL was first suggested in 1990 when the Bank’s strategy for the agriculture sector recognized that a series of adjustments was needed to make more efficient use of water.

7. Accordingly, the Bank asked the Board to waive the proposed increase of water charges to 25 fils/m³ because of widespread political opposition and farmer opposition in the Jordan Valley as a result of substantial price adjustments in the economy.

8. Several reasons were given for this shift. Jordan’s own experience with the 1993 ESAL tranche conditions and the controversies generated by the cancellation of the Egypt Structural Adjustment Loan (handled by the same department in the Bank) led to the growing view in the country department that single-tranche loans were easier to prepare and to manage. Seizing on the idea that reform cannot be planned years in advance, the Bank shifted from multi-tranche loans to multiple, single-tranche adjustment loans. It was argued that single-tranche loans gave government reformers the flexibility to quickly change tack to bypass domestic opposition and that Bank staff could manage their task more efficiently.

9. The term privatization is sometimes used loosely, that is, in situations where less than controlling shares were sold or where there are leasing or management contract arrangements. The Housing Bank, for example, was “privatized” by transferring the government’s 15 percent stake to the social security fund. The Water Authority of Jordan signed a management contract for Amman water supply with Credit Lyonnais des Eaux/Arabtech Jarnaeh.

10. The newly created Ministry of Administrative Affairs plans to mandate training for civil servants in the English language and computers; this could prove costly and ineffective because there is no system to evaluate effectiveness built into the training program. Judiciary reforms require hiring more judges and training them in English and computers. No changes were contemplated in the rest of the legal system (for example, the curriculum for lawyers and the system of notaries) because these are not within the purview of the Ministry of Justice.

11. A 1999 OED assessment (OED 2000) of the Education and Human Resource Development Sector Investment Loan noted that the prolonged failure to establish a modern management information system in the Ministry of Education has had serious effects on the ministry’s capacity to monitor the progress, contain costs, manage strategically, and hold itself accountable for results and expenditures.

Chapter 4

1. The authorities disclosed in late 1998 that the economy was not growing at the 5–6 percent that many had been led to believe. Consequently, the budget deficit (before grants) was closer to 8–9 percent of GDP, not the 4 percent that was forecasted.

2. Some Bank staff thought this was justified because this was Jordan's "historic" growth rate in the 1980s (ignoring the subsequent fall in investment rates), others thought that they could only use numbers that the IMF used, while some senior staff claimed that they knew all along how unrealistic this was, but defended their use lest lower projections deter investors. Whatever the reason, such Bank analysis has little value and erodes its credibility.

3. A 2001 OED internal assessment of the three Economic Reform and Development Loans (ERDLs) noted that the government and the private sector 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. The Bank carried out an internal study in 2001 of sources of growth, where various industries' prospects were outlined (with cross-country cost comparisons) without clearly distinguishing between what the government could do and what is best left to the private sector.

4. Jordan attracted a small and volatile amount of foreign direct investment inflows during 1990–98, averaging 0.7 percent of GDP annually, compared with large and more stable average inflows to Tunisia (2.0 percent of GDP), Morocco (1.1 percent of GDP), and Egypt (1.1 percent of GDP) (Dabour 2000).

5. With the exception of Tunisia's head count index of 7.6 percent, Algeria (14.1 percent), Egypt (23.5 percent), Morocco (19 percent), and the West Bank and Gaza (23.2 percent) have higher poverty rates than Jordan. Also, Jordan's level of inequality is typical for other MNA countries: The Gini coefficient for Tunisia (0.40) and Morocco (0.39) show greater inequality, while Algeria (0.35) and Egypt (0.32) seem to be more egalitarian.

6. The SPP included an ongoing Bank-supported Community Infrastructure Project aimed at refugees, other poor groups and municipalities, and also a Training and Employment Support Project designed to assist employers to train potential employees who need to gain skills. USAID provided small and microenterprise support and the IDB provided technical assistance.

7. However, there were concerns about the quality of vocational training, which could not be shown to be relevant to the demand for skills, and, therefore,

had little impact and the Bank's support for vocational training was ultimately abandoned.

8. The United Nations Development Program (UNDP), USAID, and other donors addressed fertility, mortality, immunization, and population issues.

9. Support for the Bank's water and agricultural policy was strengthened in the MNA Region through the impact of *A Strategy for Managing Water in the Middle East and North Africa* (World Bank 1994c). Subsequently, the issues raised were expanded by the Bank in *From Scarcity to Security—Averting a Water Crisis in the Middle East and North Africa* (World Bank 1995b). The key message was that the MNA Region had a looming water crisis: "Unless there was a fundamental change in the way in which water resources are managed and used, the region as a whole will experience a worsening crisis of water scarcity and economic decline."

10. Until 1991, the Bank was the second-largest donor; however, the Bank's contribution to the water sector declined in 2002 to 6 percent (about \$100 million) of total external assistance, with USAID and Germany accounting for one-third, or about \$550 million.

11. The Minister of Planning notes that "despite all the measures taken toward demand management, rehabilitation, and reduction of losses and the implementation of new projects for the years 2002–11, including Disi, Jordan will continue to face problems of water deficit in the range of 25–30 percent." See Annex K.

12. The \$5 billion master plan of water sector planning and its associated investment program of 53 projects is expected to yield an additional 400 million cubic meters of water a year.

13. This approach would view water as a single resource with many uses and interlinkages with the ecological and socioeconomic system.

14. A Regional water management model has been developed to efficiently allocate water resources among the MNA countries (Fisher and Askari 2001). The model also provides a powerful tool for analyzing the costs and benefits of water-related infrastructure, such as pipeline, desalination, leakage reduction, and estimating the economic gains from efficient water allocation in both a single country and from cooperation among a number of countries. The model is being further refined to incorporate temporal interdependence, seasonal variations, and treatment of water quality.

15. As Fisher and others (2000) emphasized, none of the governments has yet committed itself to the use of such optimization models for regional cooperation in water.

Chapter 5

1. An OED internal evaluation of the ASAL confirms this view. “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.”

2. The agricultural lobby (made up of traditional landowners) has disproportionate political influence, although agriculture has shrunk to about 4 percent of GDP. At its height, opposition to higher water tariffs included occupation of the Parliament floor, which required the intervention of His Majesty, the King.

3. Some thought that the alternative of greater engagement through modest freestanding packages and well-intentioned and sound advice, rather than money, might be effective. Others pointed out that the Bank should have used its considerable experience to explore alternative strategies, which satisfy both water management and social concerns. Some indicated that a three-tranche operation would be more acceptable as it would allow a gradual increase in water charges.

4. Only the Bank’s West Bank and Gaza (WB&G) program mobilized more resources than Jordan. During FY94–01 the WB&G program secured \$541 million in cofinancing/parallel funding against \$326 million in Bank commitments—a ratio of \$1.66 on every Bank dollar.

5. For example, the JVA implemented rationing because higher-priority water allocation to citrus farmers and transfers to Amman left 3,500 hectares of vegetable with no water. The JVA paid these farmers the imputed return of crops foregone (JD 500/farm). Similarly, a 40 percent reduction of irrigation water for summer crops in the Jordan Valley was implemented in 2002.

6. This was particularly irksome for those partners who had continued with significant capacity building and infrastructure investment programs, in particular in water subsectors, as they had specialist insight and knowledge, which they believed was vital to sound policy evaluation and project design, but which they felt was ignored.

Chapter 6

1. H refers to Islamic (lunar) year.

2. *Istisna’a* is an Islamic mode of financing used during manufacturing or construction phase.

Chapter 8

1. The Minister of Planning has advised that, “a broad-based consensus for future poverty reduction should be done within the framework of the Poverty Alleviation Strategy in coordination with the Ministry of Planning and the Ministry of Social Development.” See Annex K.

Annex H

1. In this annex, *assistance program* refers to products and services generated in support of the economic development of a client country over a specified period of time, and *client* refers to the country that receives the benefits of that program.

Annex K

1. All page and paragraph references refer to an earlier version of this evaluation.

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