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INTERNATIONAL FINANCE CORPORATION

PROGRESS REPORT

ON THE

COUNTRY PARTNERSHIP STRATEGY

FOR THE

HASHEMITE KINGDOM OF JORDAN

FOR THE PERIOD FY12-FY15

June 23, 2014

**Jordan Country Management Unit
Middle East and North Africa Region**

**International Finance Corporation
Middle East and North Africa Region**

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CURRENCY EQUIVALENT

Unit of currency = Jordanian Dinar

1 US\$ = 0.71 JD (as of May 2, 2014)

Fiscal Year

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CPSPR	Country Partnership Strategy Progress Report
CSOs	Civil Society Organizations
DPL	Development Policy Loan
ERFKE II	Second Education Reform for the Knowledge Economy
ESSRP	Emergency Services and Social Resilience Project
ESW	Economic and Sector Work
GCC	Gulf Countries Cooperation
GDP	Gross Domestic Product
GEF	Global Environment Fund
GENTF	Gender Trust Fund
GoJ	Government of Jordan
IBRD	International Bank for Reconstruction and Development
ICT	Information, Communication and Technology
IDF	Institutional Development Fund
IFC	International Finance Corporation
IMF	International Monetary Fund
JSDF	Japan Social Development Fund
MDTF	Multi Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
MNAISA	Middle East and North Africa Transition Fund
MoF	Ministry of Finance
MOPIC	Ministry of Planning and International Cooperation
MSMEs	Micro, Small and Medium Enterprises
MW	Megawatts
NUR	National Unified Registry and Outreach Program
OTF	Ozone Projects Trust Fund
PPP	Public Private Partnership
PRG	Partial Risk Guarantee
SCD	Systematic Country Diagnostic
SPBF	State Peace Building Fund
TA	Technical Assistance
TFSCB	Trust Fund for Statistical Capacity Building
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
WBG	World Bank Group

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COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT (FY12-FY15)

“Adapting to a Changing Context”

TABLE OF CONTENT

I. INTRODUCTION	1
II. COUNTRY CONTEXT	1
III. LEARNING FROM IMPLEMENTATION PROGRESS	4
IV. CHARTING A WAY FORWARD	8
V. MANAGING RISKS	11

Tables

Table 1: Selected macro-economic indicators	3
Table 2: Summary of CPS PR Findings on the FY12-FY15 CPS Results Matrix.....	6

Annexes

Annex I: Original CPS Results Matrix and Progress to Date	13
Annex II: Revised CPS Results Matrix.....	21
Annex III: Specific Progress towards CPS Outcomes	22
Annex IV: World Bank Program for the Period FY12-FY15	27

CAS Annexes

Annex B2: Selected Indicators of Bank Portfolio Performance and Management.....	28
Annex B8a: IBRD Operations Portfolio and Grants.....	29
Annex B8b: Statement of IFC’s Committed and Outstanding Portfolio	30
Annex B8c: Statement of MIGA’s Exposure in Jordan.....	31

Map: IBRD 33424

I. INTRODUCTION

1. **This progress report reviews implementation of the World Bank Group Country Partnership Strategy (CPS) for Jordan for FY12-FY15.** The CPS was discussed by the World Bank's Board of Directors on January 24, 2012 and supports Jordan in its efforts to lay a foundation for inclusive growth through: (i) strengthening fiscal management and increasing accountability to support public financial management; (ii) strengthening the foundation for sustainable growth with a focus on competitiveness; and (iii) enhancing inclusiveness through social protection and local development.

2. **When the CPS was launched in January 2012, the Syrian conflict was just starting to impact neighboring countries but its spillovers had not reached the devastating and potentially long-lasting proportions witnessed since then.** The worsening of the conflict over the last two years has profoundly changed the landscape in neighboring countries, in particular Lebanon and Jordan, in terms of the immediate security, social and fiscal challenges facing the countries and potential impacts on development gains in the medium to long term. In both countries, the large refugee influx from Syria has significantly strained the Governments' capacity to deliver basic services and is putting pressure on social cohesion.

3. **Jordan's ability to adapt to the evolving regional context and move ahead with key reforms will be critical for the country's success in the coming years.** Such adaptability will be necessary for Jordan to turn regional challenges into opportunities and ensure the sustainability of its ongoing efforts as it responds to shocks. Addressing immediate and urgent stresses should not distract the government from undertaking the critical reforms needed to foster job-creating growth and promote social cohesion. The 10-year blueprint for economic development recently announced by King Abdullah II will provide an important integrated framework going forward and is congruent with the World Bank Group's twin goals of reducing poverty and achieving shared prosperity.

4. **While the overall thrust of the CPS remains relevant, the strategy should be adjusted to place a greater focus on the ways Jordan can mitigate the stresses to which it is being subjected.** The analytical work that underpinned the CPS, including challenges and priorities identified in the 2012 Development Policy Review, are still valid. The strategy's original focus on fiscal management and accountability, growth and competitiveness, as well as inclusiveness remains highly relevant and will be carried forward. However, since the strategy was approved, Jordan has been impacted by large exogenous shocks which are expected to persist over the remainder of the CPS period. As such, they need to be built into the Bank's strategy which will accordingly focus on the following three key themes: (i) strengthening resilience to economic shocks; (ii) seeking opportunities to enhance competitiveness and achieve shared prosperity; and (iii) mitigating vulnerability to reduce poverty.

5. **The World Bank Group's engagement in the next two years will also reflect lessons learnt during the first years of implementation.** While progress has been made on key CPS milestones, several factors have negatively impacted the performance of World Bank-financed projects and led to sub-optimal results for a country with Jordan's capacity and previously strong track record. Lessons have been drawn from this experience to maximize chances of success in our future engagement. Key indicators of the CPS Results Matrix have been revised to better reflect intended outcomes.

II. COUNTRY CONTEXT

6. **The regional context has dramatically changed since the CPS was approved, most notably with the exacerbation of the Syrian conflict and its devastating impact on neighboring countries.** The conflict has been raging for over three years with an intensity and scope that are having major, long lasting effects on the region. Lebanon and Jordan are shouldering a particularly heavy economic and social burden. The Syrian conflict has impacted key economic sectors in Jordan and poses a downside

risk to growth. International Monetary Fund (IMF) estimates show a negative impact of about one percentage point on Jordan's real Gross Domestic Product (GDP) growth due to the conflict. Tourism and private investments have been directly impacted by the regional turmoil and the trade balance has deteriorated. Exports have also been hurt as the Syrian crisis resulted in the closure of Syrian export transit routes to Turkey, Lebanon and Europe.

7. **The Syrian conflict has created a large scale population exodus which Jordan is struggling to absorb with significant adverse fiscal and service delivery impacts.** Of the 2.5 million people who have fled Syria since the onset of the conflict, Jordan is hosting 597,328 registered refugees (as of June 2014). Eighty per cent of these refugees live in host communities, thereby driving prices up, especially rents. At about ten percent of Jordan's population, the large influx of refugees is straining the availability and quality of public services, especially in the northern governorates. The additional demand for public services (electricity, water, solid waste management, education, and health) is adding a significant burden to Jordan's already weak public finances¹. While stimulating consumption and investments in the north, the influx of Syrian refugees is having a negative impact on Jordanians working in the informal labor market, both in terms of competition for jobs and downward pressure on wages.

8. **The social and security spillovers from the Syrian conflict are large and growing.** Social tensions between host communities and refugees, and within refugee camps, are mounting. The refugee crisis is characterized by its predominantly urban nature, and the concentration of a large number of refugees in the Northern Governorates is having a significant impact on the well-being of hosting communities. Jordanians have expressed increased frustration with the decline in levels of service delivery, quality of education in schools, competition for jobs and crowding in towns. In addition, tensions in the Zaatari refugee camp have resulted in protests and security incidents as the population in the camp exceeded maximum capacity (Zaatari has become the country's 4th largest settlement and the world's 2nd largest refugee camp). A new refugee camp was opened in April 2014 in Azraq to relieve overflow pressure at Zaatari.

9. **Jordan's economy remains open and relatively well integrated regionally, which makes it ever more vulnerable to changing regional circumstances.** In addition to the effects of the Syrian crisis, the regional political upheaval had a significant impact on Jordan's economy through the sharp drop in gas supplies from Egypt, which forced Jordan to substitute cheap gas with expensive oil imports (at an annual cost of about US\$2 billion). This in turn led to a surge in the country's current account and fiscal deficits. Jordan also depends to a large degree on foreign grants, in particular from Gulf Cooperation Council (GCC) countries whose support is influenced by the regional context. As highlighted in the Development Policy Review (World Bank, 2012) which analyzed key growth and competitiveness challenges for Jordan, the volatility and unpredictability of foreign grants make investment planning and budget management difficult and detract from reform momentum.

10. **Jordan has suffered from multiple, large and successive exogenous shocks that have negatively affected its macro-economic situation.** Since the CPS was presented to the Board, Jordan's macroeconomic performance has deteriorated from an already weak position (see table 1). The global financial crisis and the Arab uprisings have had an adverse impact on growth, the fiscal balance and the balance of payments. Faced with mounting macro-economic vulnerabilities, including a large deterioration in its foreign exchange reserves in large part driven by disruptions to gas inflows from Egypt, Jordan entered into an IMF Stand-by Arrangement in August 2012. Given the magnitude of the vulnerabilities and financing needs of the country, the Stand-by Arrangement required exceptional access from the IMF. In 2013, real GDP growth reached 2.8 percent which was on par with that achieved

¹ A recent study by the United States Agency for International Development estimates the 2014 fiscal cost of the refugees in Jordan to reach 2.4 percent of GDP, up from 1.8 percent of GDP in 2013 (The Fiscal Impact of the Syrian Refugee Crisis on Jordan dated January 5, 2014 produced for USAID).

in 2012 and 2011 but subdued compared to the 2000-2009 average of 6.5 per cent. At 12.6 percent, unemployment remains structurally high, particularly among women and the youth.

11. **In line with consolidation efforts in the public sector, the government has been implementing important structural reforms since 2012.** Subsidies on petroleum products were broadly eliminated in November 2012, and these were replaced with a broad-based cash transfer to households. In 2013 around 70 percent of the population benefitted from the transfers, and efforts are now underway to better target the program. Progress was also made in terms of cancelling tax exemptions and cutting government expenditures. Additionally, as part of a medium-term energy plan to eliminate losses of NEPCO, the national electricity company, by 2017, the government began implementing electricity tariffs on select businesses in 2013 and on households who consume over 600 kilowatt-hours. Similarly increases took place in 2014. Finally, a more progressive income tax law is being considered as a way to raise revenue. Despite this tightening of the public sector fiscal stance, the central government's fiscal deficit widened in 2013 as the Government took over the servicing of NEPCO's debt.

Table 1: Selected macro-economic indicators

	2010	2011	2012	2013	2014	2015	2016
	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.
Real sector	(annual percentage change, unless otherwise specified)						
Real GDP	2.3	2.6	2.7	2.8	3.1	3.5	4.0
Prices	(annual percentage change, unless otherwise specified)						
CPI inflation (p.a)	5.0	4.4	4.8	5.6	3.3	3.0	2.7
Government finance	(percent of GDP, unless otherwise specified)						
Revenue (excluding grants and privatisation)	22.7	20.5	21.5	21.7	22.9	23.3	23.3
o/w. tax revenue	15.9	15.0	15.3	15.5	16.1	16.4	16.4
Foreign Grants	2.1	5.9	1.5	2.7	3.4	3.1	3.2
Total expenditure and net lending	30.4	33.2	31.9	37.0	37.4	33.0	30.0
Capital & NL	5.1	5.2	3.1	3.7	4.4	4.8	3.9
Overall balance (deficit (-), excl. grants)	-7.7	-12.7	-10.4	-15.3	-14.5	-9.7	-6.7
Overall balance (deficit (-), incl. grants)	-5.6	-6.8	-8.9	-12.6	-11.1	-6.6	-3.5
External sector	(in million US\$, unless otherwise specified)						
Current Account	-1,887	-3,477	-5,376	-3,649	-4,536	-3,353	-3,016
Net Private Investments (FDI and Portfolio)	2,399	1,736	1,787	2,748	2,748	2,987	2,987
Gross Reserves (Months of Imports GNFS)	8.4	6.3	4.1	6.4	6.4	6.2	6.1
Current Account balance (% of GDP)	-7.1	-12.0	-17.3	-10.6	-12.3	-8.5	-7.2
Total Debt	(in million US\$, unless otherwise specified)						
Total Debt Stock	17,778	20,450	24,864	29,543	34,055	36,841	38,382
Debt to GDP Ratio (%)*	67.1	70.7	80.2	85.9	92.6	93.3	91.3
Memorandum Items							
Nominal GDP (Billion JD)	18.8	20.5	22.0	24.4	26.0	28.0	29.8
GDP (in million US\$)	26,492	28,913	31,015	34,390	36,768	39,473	42,024

Source: Government Data and World Bank Staff Calculation

* Government and guaranteed gross debt

12. **Jordan's high degree of regional integration presents major opportunities for the country.** As one of the most open economies in the region, Jordan is relatively well integrated with its neighbors through trade, remittances, foreign direct investment, tourism, and has especially strong links to the GCC economies. Jordan's relative stability in a tumultuous region is an advantage which the country could further build upon to enhance its position as a hub in key areas such as tourism, regional trade and FDI.

The country's successes are to some degree contingent on its ability to turn regional challenges into opportunities, position itself *vis-à-vis* other players, carry through with structural reforms and draw on its comparative advantages, including human capital, to strengthen its position in the region.

13. **The substantial level of grants received from the GCC countries represents an opportunity to spur growth, but implementation will be critical to realize this opportunity.** GCC countries (Kuwait, Saudi Arabia, United Arab Emirates and Qatar) have pledged a total of US\$5 billion in grants (US\$1.25 billion from each country) to support the government's capital investment projects over a five-year period. These grants have a known disbursement schedule (annually starting in 2012) and time horizon (2012-2016) which enable integration with Jordan's budget and investment plans. Wise investment choices and speedy implementation of these projects will be crucial to stimulate growth and employment and make the most out of a rare opportunity.

14. **On the political front, popular demands stemming from the Arab uprising have prompted some initial reforms.** A new Parliament was elected in January 2013. These were the first elections in Jordan since the beginning of the Arab upheavals and there was a significant voter turnout. Contrary to past practice, Parliament now plays a role in naming the Prime Minister. In August 2013, the country also held local elections for mayor and municipal councils. The cabinet was recently re-shuffled (February 2014) to include eight additional Ministers, including two women. A number of independent bodies were created (Constitutional Court, National Center for Human Rights) and some initial measures were taken to fight corruption². An independent committee was also formed to evaluate Jordan's privatization experience, and its findings were recently made available to the public to stimulate and broaden the policy debate.

15. **As Jordan copes with various and complex shocks which are likely to persist in the long run, it is all the more critical for the country to continue to address underlying stress factors through two types of reforms:** (i) social and political reforms to respond to citizen demands for greater voice, accountability, better services and representation. King Abdullah recently stressed that deepening citizens' participation in the decision making process is a key priority; (ii) economic reforms to enable growth, job creation and economic opportunities for all. According to the World Bank's most recent regional economic update³, Middle East and North Africa countries will benefit from stronger external demand in the near term as the global economy is set for a rebound in 2014. Jordan should seize this window of opportunity – while the outlook is positive – to continue pursuing longstanding structural reforms which will allow the economy to move to a higher and more sustainable growth path.

III. LEARNING FROM IMPLEMENTATION PROGRESS

CPS envelope and current portfolio

16. **The original indicative IBRD envelope of US\$500-US\$650 million for the CPS period was increased to approximately US\$1 billion to address emerging needs.** A total of US\$720 million in new IBRD lending has been approved since the beginning of the CPS period. This includes: (i) a programmatic series of two Development Policy Loans (DPLs) of US\$250 million each which aim to mitigate the impact of the fiscal crisis and support private sector growth, governance and spending efficiency; (ii) a US\$70 million loan to improve access to finance for Small and Medium Enterprises; and (iii) an emergency fast-disbursing loan of US\$150 million to help GoJ maintain access to essential healthcare services and basic household needs in response to the Syrian refugees influx. The latter was complemented by a US\$50 million grant-financed municipal services project that leveraged funding

² Formation of Royal Committee for Enhancing the National Integrity System and launch of Charter on National Integrity

³ 'Harnessing the Global Economy, A Tough Road Ahead', World Bank Middle East and North Africa Region, Regional Economic Update, April 2014

from bilateral donors (Canada, Switzerland, and the United Kingdom) and from the World Bank-administered State and Peacebuilding Fund. The project is helping municipalities strengthen their service delivery capacity, support local economic development and foster social cohesion in communities hosting Syrian refugees.

17. **As of May 2014, the World Bank's active portfolio in Jordan consisted of thirty five projects valued at US\$670.5 million (loans and grants).** The portfolio comprises investments in the Urban Development, Education, Energy, Environment, Local Development and Inclusion, Public Sector Governance, Public Administration, Social Services, and Finance/Private Sectors. A comprehensive technical assistance program covers poverty analysis and strategy formulation, subsidy reform, employment strategy formulation, competitiveness, and innovation.

18. **The International Finance Corporation (IFC) has scaled-up its program in Jordan since the beginning of the CPS period.** The total committed portfolio is close to US\$1.2 billion as of April 2014 (US\$688 million IFC own account and US\$547 million in B-loans, parallel loans, and other forms of mobilization). The portfolio is mostly concentrated in the chemical and pharmaceutical sectors, followed by the transportation, power and financial sectors. From FY12 to FY14 to date, IFC committed a total of US\$557 million in microfinance, manufacturing, renewable power, and trade finance to support growth and inclusion. In addition, IFC has provided a range of Advisory services to strengthen financial infrastructure (credit bureau, secured lending), build the capacity of microfinance institutions, improve corporate governance, simplify business inspections, and advance energy efficiency.

19. **In FY 2013, the Multilateral Investment Guarantee Agency (MIGA) issued guarantees of US\$13.1 million for the AS-Samra Wastewater Treatment Project in Jordan.** The project involves the expansion of the existing wastewater treatment plant at AS-Samra on an extended 25-year build-operate-transfer basis and will include the addition of two more treatment lines to the existing four treatment lines. The total investment for the expansion is about US\$205 million. The project will increase the wastewater treatment capacity by some 37 percent to meet the needs of Jordan's population. The project is aligned with MIGA's strategic priority of supporting investments in complex infrastructure projects and with the Agency's commitment to support investments in the Middle East and North Africa region during this time of transition. MIGA's outstanding gross exposure in Jordan stood at US\$212.9 million as of May 31, 2014. MIGA and the Bank will support the country's objective of attracting FDI by seeking to provide mitigation for non-commercial risks and support PPPs in infrastructure projects aligned with Jordan's priorities.

Progress towards CPS outcomes

20. **Progress has been made towards achieving CPS outcomes but the World Bank needs to sharpen its focus on key areas.** While most CPS milestones were adequately selected and have been partially achieved (see below summary table), a number of outcomes and indicators have lost their relevance given the magnitude and multiplicity of shocks that Jordan has faced since the CPS was approved. The results framework has been simplified and indicators made more directly attributable to World Bank Group (WBG) engagement. Specific progress under each pillar is described in Annexes I and III.

Table 2: Summary of CPS PR Findings on the FY12-FY15 CPS Results Matrix
(On the basis of original CPS pillars, outcomes and indicators)

Pillar 1 Strengthen fiscal management and increase accountability	Pillar 2 Strengthen the foundation for sustainable growth with a focus on competitiveness	Pillar 3 Enhance inclusion through social protection and local development
<p>1.1 Improve public financial management, increase efficiency of public expenditure, and Strengthen Accountability ●</p> <ul style="list-style-type: none"> - Improved targeting of subsidies - Modern internal audit function established in line ministries in accordance with international good practice - Increased effectiveness of Access to Information Law (ATI), in line with international best practice 	<p>2.1.1: Support selected priority infrastructure (energy, transport) ●</p> <ul style="list-style-type: none"> - New electricity generation capacity developed to meet growing demand - Scale-up in implementation of renewable energy and energy efficiency activities - Efficient transport and logistics services supported by removing key infrastructure bottlenecks <p>2.1.2: Support selected priority infrastructure (waste management, environmental sustainability) ●</p> <ul style="list-style-type: none"> - Better urban environment within the Greater Amman Region - Increased contribution of Jordan to the climate change mitigation agenda - Better conservation and harnessing of values from natural ecosystems <p>2.2: Improve the business environment to enhance competitiveness and attract investment ●</p> <ul style="list-style-type: none"> - Streamlined regulatory environment and more equitable enforcement of rules - SME financing facilitate through support to legal and institutional reforms - Suitable legal environment to regular PPPs <p>2.3: Improve education quality, develop skills and address labor market constraints ●</p> <ul style="list-style-type: none"> - Learning environment improved - Improved response to labor market and employers' requirement of labor skills - Enrollment in post-secondary technical training enhanced - Effective operation and financial coverage by the Jordan Student Aid Fund 	<p>3.1: Enhance social protection ○</p> <ul style="list-style-type: none"> - Adopt improved targeting mechanism by the National Aid Fund (NAF) that reaches higher number of the poor - Better access to and quality of social care services - Expanded access to Social Security Coverage <p>3.2: Pursue local development and address poverty pockets ●</p> <ul style="list-style-type: none"> - Enhanced operational performance and project implementation practices in municipalities other than Amman - Improved local development in four historically and culturally important cities – Jerash, Karak, Madaba, Salt, and Ajloun region - through increased tourism activities - Implementation of an action plan (including institutional set up and mechanisms) to address poverty pockets

● Achieved ● Partially achieved ○ Not achieved

21. **The WBG has supported Jordan in improving gender equality.** A Country Gender Assessment was conducted to understand why progress in human development indicators in Jordan over the last decades has not translated into progress in women's economic, social and political participation. A follow up Action Plan was developed to improve women's labor force participation, agency and access to justice. The Bank is working with GoJ and civil society organizations (CSOs) to build capacity to collect and analyze gender data, and perform monitoring and evaluation of gender-related programs⁴. In addition, IFC investments and advisory services engagements in leading microfinance institutions in Jordan are helping promote inclusive growth by providing access to finance to low income entrepreneurs, especially women. A study on Gender Diversity in Jordanian Boards⁵ was launched to

⁴ An impact evaluation of civil legal aid services on poor women has just been launched.

⁵ This IFC study is expected to be finalized and published by June 2014.

raise awareness on the value of such diversity and its influence on the performance of organizations across a variety of different types of businesses – including SMEs and these that are family-owned.

22. **The cross-cutting theme of transparency, accountability and participation has remained an important feature of the CPS.** The World Bank has helped promote transparency and accountability of public institutions and efficiency in the use of public resources through, *inter alia*, the DPL Programmatic Series and support for access to information, an ongoing engagement with the Anti-Corruption Commission and the Ombudsman Bureau as well as support to governance/public sector reform. Progress in these areas is taking place but remains slow with some setbacks on access to information, and attitudes towards transparency are evolving rather gradually. The World Bank has also engaged with various CSOs, in particular legal aid CSOs, to strengthen access to justice for the poor. In addition, the Affiliated Network of Social Accountability – Arab World has served as an important regional platform to strengthen capacity of non-governmental organizations in social accountability and the demand side of good governance. IFC's Advisory has also helped relevant market institutions and regulators create a robust corporate governance framework⁶.

23. **The World Bank and IFC have closely collaborated in a number of strategic areas, including investment climate and MSME support,** in order to promote a more competitive private sector which is critical to Jordan's long-term sustainable growth. In the context of the World Bank's Second DPL, a number of important steps have been taken, in particular the adoption of the public private partnership (PPP) and Secured Lending draft laws and amendments by the Council of Ministers, as well as the establishment of a PPP Unit. Other important institutional changes which the World Bank and IFC have jointly supported include the planned establishment of One Stop Shops at the reorganized Jordan Investment Board. Joint work is also ongoing to increase access to finance through the MSME facility, and IFC has been leading some of the reforms to strengthen the financial infrastructure.

Portfolio performance and lessons learnt

24. **Jordan's portfolio performance has declined but the bulk of problem projects have closed.** The country used to be amongst the top performers in the region but portfolio performance started to deteriorate in 2010. As of June 2014, 7 IBRD projects had closed, 6 of which with unsatisfactory final outcome ratings. However, IBRD's currently active portfolio (4 projects) and IFC's portfolio are performing relatively well. The Ministry of Planning and International Cooperation (MOPIC) and the World Bank share a common desire to ensure that Jordan has a well performing portfolio and to examine candidly key constraints impeding project performance. In this context, this Country Partnership Strategy Progress Report (CPSPR) is a useful tool to draw lessons from project implementation. Some IFC clients have been affected by regional crisis, and IFC teams are working with them to see how to possibly restructure the projects as needed.

25. **The World Bank and GoJ have identified a number of reasons for mixed portfolio performance.**

- Global slowdown of 2009/2010 and fiscal crunch brought on by slower growth and increased current spending;
- Relatedly, lack of planning *vis-à-vis* the annual budget and line ministry spending ceilings (which resulted in IBRD disbursements being held back);
- Uneven implementation capacity in line Ministries and challenges of inter-ministerial coordination, including lack of a defined implementation and accompanying resource plan, as well as communication strategy;

⁶ In partnership with the Jordanian Ministry of Industry and Trade's Companies Control Department, the first corporate governance code for SMEs was introduced based on a comply-or-explain principle. A corporate governance scorecard for listed companies was also launched with the Jordan Securities Commission.

- Overly ambitious targets;
- Complex project design limiting common understanding of reform activities;
- Insufficient agility to restructure and adapt project design to changing circumstances during implementation (on both the World Bank and Government sides); and
- Turn over (on both the World Bank and Government sides).

26. **With the bulk of the IBRD investment program having closed, and a new, more selective program being contemplated, the CPS PR is an opportunity for the World Bank and GoJ to reflect on how they will work together differently.** In this context, it will be critical to zoom in on key ingredients for success of the future portfolio, building on lessons learnt from past experience and with a view to maximizing development results. Key priorities moving forward will be to:

A. ***Focus on fewer projects that are aligned with the Government’s overall plan and line ministries’ priorities, are included in the budget and have clear champions in the government;***

- *Engage in fewer projects:* The World Bank and GoJ will consolidate their portfolio and ensure selectivity in the number of projects prepared;
- *Hold early discussions with MoPIC, Ministry of Finance (MoF) and line Ministries on priorities and budget:* The World Bank and government counterparts will work together to ensure that: (i) new project demands emanate from, and are fully owned by, line Ministries; (ii) realistic and credible spending/disbursement project profiles are developed with a view to ensuring that corresponding allocations can be made by MoF;
- *Build on projects and design that have proven successful:* Use approaches that demonstrate clear ownership and prioritization within line ministries’ budgets and work programs; and
- *Adopt a coordinated, programmatic approach to reform planning:* Instead of supporting isolated reform initiatives, the WBG will seek a more systematic approach to identifying common reform objectives and engage all stakeholders through public-private dialogue.

B. ***Ensure realism and be ready to restructure as needed;***

- *Ensure flexibility and agility to restructure and adapt to changing country circumstances:* The World Bank and GoJ will consider restructurings as early as necessary in the project’s life. IFC will continue to engage in active portfolio management and work with clients to restructure projects and repayments terms;
- *Avoid complex design and provide hands on implementation support:* The World Bank and GoJ will focus on simple project design that can deliver results, while supporting as needed implementation capacity within line Ministries. An early warning system will be set up to identify problem projects that require extra attention, and hands-on implementation support will be provided to project teams; and
- *Ensure maximum staff continuity within Ministries and World Bank Team Leaders:* When this is not possible, require that departing staff provide incoming staff with key successes/challenges on current project (beyond basic hand over) to avoid losing precious implementation time.

IV. CHARTING A WAY FORWARD

27. **The proposed new CPS framework builds on the World Bank Group’s current engagement but its pillars have been adjusted to reflect the evolving country context and to link with the World Bank Group’s twin goals.** Strengthening its resilience to respond to shocks on the economic front will be critical for Jordan in order to ensure the economy can grow in this challenging period (*Pillar 1*). Seeking opportunities to enhance the underpinnings of competitiveness could considerably strengthen the country’s position as a regional hub in a troubled regional context and contribute to achieving shared prosperity (*Pillar 2*). Mitigating vulnerabilities at the central and local

level will be crucial for Jordan to help reduce poverty (*Pillar 3*). The Syrian crisis and complex pressures Jordan is subject to make structural challenges even more acute, the need for World Bank support as proposed in the original strategy even more critical, and the need for reforms even more urgent. The program will be more selective, zooming in on critical growth-enhancing sectors while responding to the challenges facing the country as a result of the Syrian crisis.

28. **Jordan is faced with a unique set of challenges but also with a unique opportunity it should urgently seize to undertake long-standing reforms.** Challenges stemming from the influx of Syrian refugees in Jordan, in particular increased demand for public services, stretched public finances, competition for jobs and heightened social tensions are to be addressed with urgency, and the international community has stepped up its assistance to help Jordan weather the impact of the crisis. This engagement has allowed the government to safeguard a space to move ahead on its reform agenda in order for the economy to grow. Specifically, Jordan benefits from strong support from the international community, in particular the United States and GCC countries. This support, combined with positive external growth and demand prospects, should not be seen as a substitute for structural reforms but on the contrary as a unique opportunity to move ahead while the outlook is positive.

29. **The WBG will support Jordan move forward in critical reform areas.** Looking ahead, the Bank will focus on some of the most important sectors to reform for the country's economy and growth prospects, in particular energy (energy supply diversification), water (efficiency in use of scarce water resources) and transport (tariffs, highway rehabilitation and transport corridors). Sector DPLs and Policy-Based Guarantees could help focus the Bank's support on a specific set of reforms with potential transformational impact. Close follow up on the implementation of the First and Second DPL over the coming 18 months will be critical to turn around initial slow progress and pave the way for further policy-based engagement. Such reform-oriented support would be informed by an important program of Analytical and Advisory Assistance and combined with investment lending to maximize short and long term impact in these sectors. Ongoing work on access to finance and inclusion, business legislation, and transparency and accountability of public institutions will also be carried forward.

30. **These activities will be complemented by IFC's program which will support Jordan's private sector increase its competitiveness and promote more inclusive growth.** IFC will continue to strengthen the financial infrastructure (e.g. secured lending, credit information, leasing), provide technical assistance to banks and microfinance institutions to better serve their clients as well as provide capacity building to SMEs through training, corporate governance and risk management support. IFC will build on its early engagements through its E4E Initiative for Arab Youth, aimed at better employability of youth in the region, including increasing vocational training and strengthening quality assurance frameworks across sectors. IFC will focus on addressing infrastructure gaps, through public private partnerships (PPP) and investments in renewable energy (solar and wind), ports and logistics, and water. IFC will continue supporting investment climate reforms and help create an efficient and modernized business inspection management system. IFC will also continue to mobilize South-South investments from regional and international investors.

31. **The World Bank will continue to help Jordan respond to the impact of the Syrian crisis.** In order to address challenges stemming from the large influx of refugees, the World Bank will continue to support implementation of two recently approved emergency projects (see paragraph 16) and will explore options to respond to additional demands. In collaboration with the United Nations High Commissioner for Refugees (UNHCR) and the European Union (EU), the World Bank also plans to conduct rapid household surveys in impacted communities to understand better the characteristics of refugees and host communities with a view to better inform policy making.

32. **In addition, the World Bank is reviewing other ongoing projects to respond to the changed realities presented by the crisis.** The portfolio is being examined with a view to factoring the refugee

crisis into existing programs, for instance by building on the education flagship project (ERFKE II) to address additional pressure on Jordanian schools and by using established vehicles such as the Regional and Local Development project to continue supporting southern governorates as a way to address equity issues presented by the focus of some recent programs on the north.

33. The World Bank will sharpen its focus on the key outcomes that are relevant to the evolving context and can realistically be targeted in the remaining CPS implementation period.

The result framework has been revised to include indicators focusing on the Syrian crisis response in Jordan. It has also been simplified and made more selective to reflect the closing of a number of projects and zoom in on critical indicators for the remainder of the implementation period. Specific indicators for the Bank's prospective policy-based engagement in the water, energy and transport sectors will be determined in the coming months as these potential new operations are designed.

34. The design and implementation of new projects will respond to government priorities⁷ and reflect challenges and opportunities stemming from evolving regional dynamics. For instance, the World Bank and GoJ will aim to contribute to trade and regional integration through the rehabilitation of roads and transport corridors between Jordan and Iraq, support transformational change and local economic development needs for the Greater Amman Municipality, and explore agriculture modernization and irrigation.

35. The World Bank will support the government's efforts in mobilizing support for its National Resilience Plan and act as a catalyst for other donor engagements. Opportunities for leveraging further grant financing to help mitigate the impact of the Syrian crisis will be explored, following the successful model of the Emergency Services and Social Resilience Project. The World Bank will continue to participate in government-led coordination mechanisms aimed at harmonizing donor activities on the Syrian crisis response, such as the Host Community Support Platform.

36. The humanitarian-development nexus will remain critical in ensuring that all actors adopt comprehensive, integrated approaches to helping Jordan mitigate the impact of the Syrian crisis.

The protracted nature of the conflict constitutes a significant challenge for neighboring countries but also presents an opportunity for international actors to think through how to maximize synergies between humanitarian and development responses in a context where they can no longer be approached in a linear manner⁸. The Bank will continue to work hand in hand with UN partners to build the foundations for sustainable development into the current humanitarian response and help Jordan put in place sustainable service delivery mechanisms to address the medium and long-term needs.

37. The existing cross-cutting theme of increasing transparency, accountability and participation will remain a priority across the portfolio.

The Arab uprisings have triggered social aspirations and demands for greater voice and improvements in living conditions in Jordan. These are deep rooted and will constitute an important area for engagement. The World Bank will seek to help Jordan enhance inclusion, in particular for women and youth, increase good governance and accountability including by leveraging tools for strengthening citizen engagement at the project level and focusing on the demand side of governance, strengthening equal access to economic opportunities and service delivery as well as promoting transparency and accountability of public institutions⁹.

⁷ As outlined in the Government Work Plan 2013-2016 and the new Economic vision for Jordan for the next 10 years

⁸ The Government's National Resilience Plan (2014-2016), UNOCHA's Comprehensive Regional Strategic Framework and UNHCR's Syria Regional Response Plan (RRP6) provide useful platforms on which development actors can build as they design their strategies and programs. Collaboration in these areas will also be fostered by the joint UN-World Bank Syria Information and Research Initiative.

⁹ The new Multi-donor Trust Fund on governance for quality education and health which focuses on demand-side governance and citizen voice to improve quality of services will be an important tool to support these priorities.

38. **This report proposes to leverage the World Bank’s financial and technical resources through a variety of instruments in order to scale up its engagement.** Indicative financing options for the remainder of the CPS period include additional lending of up to US\$700 million in investment projects or US\$200 million in policy-based operations, depending on the mix of instruments. This support is subject to IBRD lending capacity, demand from other borrowers, Jordan's performance and priorities and global economic developments. Sector DPLs and Policy Based Guarantees could help drive policy reforms in key sectors with a potential transformational impact while bringing down Jordan’s borrowing costs and optimizing its use of World Bank financial instruments.

39. **Looking ahead, the World Bank will start preparing for a new set of country partnership instruments.** In line with ongoing WBG reforms, a Systematic Country Diagnostic (SCD) and a Country Partnership Framework (CPF) will be developed with Jordan between now and 2016. The SCD will be a robust diagnostic of where Jordan stands with respect to the twin goals of eradicating poverty and boosting shared prosperity. The CPF will draw its priorities from this diagnostic as well as from the government’s own development priorities and the comparative advantage of the WBG. It will feature more selectivity in sectoral engagements in alignment with the twin goals.

40. **Reducing poverty and achieving shared prosperity will be a priority.** While according to annual official estimates, 14.4 percent of the population in Jordan lived in poverty during 2010, a recent World Bank study of a within-year profile of poverty indicates that an estimated one-third of the population in Jordan lived below the poverty line in at least one quarter of the year. In other words, 18.6 percent of the entire population, which is classified as non-poor based on annual poverty estimates, experienced spells of poverty or transient poverty. A majority of those experiencing transient poverty are in the bottom 40 percent of population (in terms of per capita consumption). Jordan conducts household surveys on a regular basis which can form the basis for a more thorough analysis of the bottom 40 percent of the population, and the forthcoming SCD for Jordan will serve this purpose.

41. **Synergies between these instruments and the King’s proposed economic blueprint will be sought.** The 10-year blueprint for economic development is meant to provide a comprehensive, integrated framework targeting fiscal and monetary policies, economic competitiveness, productivity and self-reliance with an overarching goal of achieving comprehensive development and ensuring Jordanians a ‘decent living and hope for a better future’. The analytical work that will underpin this vision will be similar to the process leading to the SCD, and subsequently to the CPF. The World Bank will be ready to support GoJ’s analysis as this vision is being developed.

V. MANAGING RISKS

42. **Regional context.** The volatility of the region and Jordan’s high degree of integration with its neighbors remain a major risk to the country. Developments in the Israeli-Palestinian conflict could also have important repercussions on Jordan. Similarly, the conflict in Syria, if exacerbated or prolonged, could significantly destabilize the country and negatively impact its economy. The recent escalation of violence in Iraq also adds another layer to the regional instability and further compounds the risks to Jordan. Finally, oil and gas supplies from Egypt and Iraq have proved unreliable and have increased the country’s vulnerability. While these risks are beyond the control of the World Bank, staff and management will remain informed about evolving political dynamics in the region in order to ensure proper decision making drawing from just-in-time analysis and the most up-to-date information.

43. **Political and domestic risks.** Domestic unrest is unlikely to abate in the medium term given tensions on both economic and political fronts, including chronic high unemployment and popular expectations. This could lead to further erosion of political commitment for needed structural reforms. Acknowledging that there are many social and political forces at play, the World Bank can support the process of reform, even in a difficult environment, by continuing to perform its role as a relevant, trusted

interlocutor, and by continuing to engage with a range of stakeholders (including parliament, civil society and academia) on the trade-offs involved in the critical policy choices that lie ahead.

44. **Portfolio performance.** In order to address underlying factors that have negatively impacted portfolio performance in the last few years, the World Bank and GoJ will ensure that the above-mentioned lessons (paragraphs 25-26) inform the design of all new operations and the implementation of the ongoing portfolio. In addition, the World Bank will keep in constant touch with MoPIC and other counterparts to determine which projects require enhanced implementation support, identify political obstacles hindering progress at the technical level, help resolve bottlenecks, and support its client make day-to-day progress on difficult projects and stay the course on structural reforms.

Annex I: Original CPS Results Matrix and Progress to Date

PILLAR 1 – STRENGTHEN FISCAL MANAGEMENT AND INCREASE ACCOUNTABILITY

Results Area 1.1: Improve Public Financial Management (PFM), Increase Efficiency of Public Expenditure, and Strengthen Accountability

Original CPS Outcomes and Indicators <i>(Status update in italic)</i>	Milestones	Progress to Date on Milestones	CPS Instruments
<p><u>Improved targeting of subsidies</u> Indicator: Food, oil and water subsidies retargeted to poor and lower middle class Baseline: Food, oil and water subsidies are universal (2010) Target: Food, oil and water subsidies primarily benefit the poor and lower middle class (2015)</p> <p><i>Outcome remains relevant but indicator will be changed to focus on current WBG support to the National Unified Registry.</i></p> <p><u>Modern Internal Audit function established in line ministries in accordance with international good practice</u> Indicator: PEFA indicators P-20 on Internal Control and P-21 on Internal Audit Baseline: P-20 was C [2009]; P-21 was B [2009] Target: P-20 rated B or higher [2013]; P-21 rated A [2013]</p> <p><i>Outcome remains relevant but will be simplified. There is no updated PEFA assessment available and it is unlikely that the CPS targets on PEFA scores related to modernizing the internal control and audit functions will be met so indicator will be replaced (new indicator related to DPL II).</i></p> <p><u>Increased effectiveness of Access to Information Law (ATI), in line with international best practice</u> Indicator: Global Integrity Country Score for Jordan Baseline: 55 out of 100 in 2010 Target: 60 out of 100 or higher by 2013 <i>Outcome and indicator remain relevant but will be simplified and updated (new indicator related to DPL II).</i></p>	<p>Adoption of new targeting mechanism that enhances poverty impact of the National Aid Fund (NAF)</p> <p>Undertake study that clarifies appropriate balance between ex-ante and ex-post controls and the organization required for such arrangement</p> <p>Adopt draft amendment to Access to Information Law in view of making it more effective</p>	<p>No decision was made to adopt the new targeting methodology for NAF as proposed under the Bank financed project. However, the government is moving ahead from universal fuel subsidy to targeted cash assistance. To date the government has distributed cash compensation for fuel price increases four times to about 70% of population with no significant opposition. Building blocks of the NUR are being put in place. Partially achieved.</p> <p>Steps have been taken towards strengthening internal controls:</p> <ul style="list-style-type: none"> - Developing a unified financial controls by-law that is applied to all government institutions; - A new Audit Bureau Law - An MoU between MoF and the Audit Bureau that articulates a road map to strengthen the capacity of internal control units in the line ministries and agencies to allow the Audit Bureau to withdraw from ex-ante control activities (pre-audit) and focus on ex-post audits. <p>These measures are clear steps in the right direction but implementation is complex and will take more time than initially anticipated. Partially achieved.</p> <p>The GoJ issued amendments to the by-laws governing the work of the Legislative Bureau. The amendments have been adopted by the CoM. As a result, all draft laws and by-laws have to be published on the LOB website for a minimum period of ten days for public consultation. The LOB has started implementing the by-law in February 2013. Achieved.</p>	<p>Completed Activities:</p> <ul style="list-style-type: none"> • First Programmatic DPL • Ombudsman Capacity Building Support (IDF) • Governance Reform TA • Fiscal Consolidation Study (ESW) • Distributional Analysis (ESW) <p>Ongoing Activities:</p> <ul style="list-style-type: none"> • Second Programmatic DPL • Anti-Corruption Commission Case Management Improvement (IDF) • Strengthening Capacity & Efficiency of Jordan Supreme Audit (IDF) • Statistical Capacity Building (TFSCB) • Public Procurement Reform (IDF) • Regional Program on Public Sector Complaints Mechanisms TA

PILLAR 2 – STRENGTHEN THE FOUNDATION FOR SUSTAINABLE GROWTH WITH A FOCUS ON COMPETITIVENESS

Results Area 2.1.1: Support selected priority infrastructure (Energy, Transport)

Original CPS Outcomes and Indicators <i>(Status update in italic)</i>	Milestones	Progress to Date on Milestones	CPS Instruments
<p><u>New electricity generation capacity developed to meet growing demand</u> Indicator: Added power generation capacity Baseline: 2603 MW [2011] Target: Minimum of 400 MW of new generation capacity under construction [2014]</p> <p><i>Outcome will be merged with renewable energy.</i></p>	<p>Thermal IPP3 tender is concluded with selecting of a winning bidder and financial closure by end 2012</p>	<p>The IBRD Partial Risk Guarantee for IPP3 which was originally foreseen was eventually not included in the project financing plan of the preferred bidder (Korea Electric Power Corporation) so the activity was dropped by the Bank, but the milestone was achieved regardless. Achieved.</p>	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Amman Development Corridor • Energy Efficiency Investment Support (GEF) • Energy Sector TA • Smart Grids for Green Growth TA
<p><u>Scale-up in implementation of renewable energy and energy efficiency activities</u> Indicator: Added renewable power generation capacity Baseline: 1.4 MW¹⁰ [2011] Target: Minimum of 70 MW of New Generation Capacity from renewable sources under Construction [2015]</p> <p><i>Outcome and indicator remain relevant and will be merged with above.</i></p>	<p>Fujej Wind IPP tender is concluded with selecting a winning bidder and financial closure by end 2013</p>	<p>The government still has not yet awarded the contract for Fujej Wind IPP. The preferred bidder and its lenders want the government to share more responsibilities related to bird migration risks at the project site. The Ministry of Energy is awaiting a cabinet decision before proceeding further with this project. However, another project Tafila Wind IPP was awarded and will start construction during 2014. IFC is a lender for Tafila Wind IPP. Partially achieved.</p>	<p>Ongoing Activities:</p> <ul style="list-style-type: none"> • Amman East Power Plant (PRG) • Promotion of a Wind Power Market (GEF) • IFC Tafila: total financing package of \$221 million with included a mix of A, B and C-loans
<p><u>Efficient transport and logistics services supported by removing key infrastructure bottlenecks</u> Indicator: Travel time GAM to Zarqa improved through use of Amman Ring Road Baseline: Travel Time to Zarqa 60 minutes [2010] Target: Travel time to Zarqa 40 minutes [2014]</p> <p><i>Outcome and indicator remain relevant but will be simplified and merged with other infrastructure services provided, notably energy.</i></p>	<p>Partial Opening of Amman Ring Road for Public Traffic</p>	<p>Sections 2 and 3 are 100% completed. Section 1 is 65% completed. Achieved.</p>	

¹⁰ Grid connected renewable sources, excluding hydro power

Results Area 2.1.2: Support selected priority infrastructure (Waste Management, Environmental Sustainability)

Original CPS Outcomes and Indicators <i>(Status update in italic)</i>	Milestones	Progress to Date on Milestones	CPS Instruments
<p><u>Better urban environment within the Greater Amman Region</u> Indicator: Percentage of municipal solid waste collected and disposed of in an acceptable environmental manner Baseline: 0% [2010] Target: 80% [2014]</p> <p><i>Outcome remains relevant but will be simplified. Indicator was too ambitious and will be replaced by more realistic indicator.</i></p> <p><u>Increased contribution of Jordan to the climate change mitigation agenda</u> Indicator: Reduced GHG emissions in the City of Amman Baseline: 0 t CO₂e [2010] Target: 300,000 t CO₂e [2014]</p> <p><i>Outcome and indicator remain relevant. Outcome will be simplified and merged with waste management. No change to indicator.</i></p> <p><u>Better conservation and harnessing of values from natural ecosystems</u> Indicator: Production system managed sustainably in protected areas Baseline: 15,500 ha [2011] Target: 23,000 ha [2014]</p> <p><i>Outcome and indicator remain relevant but will be simplified.</i></p>	<p>Amman landfill equipped with landfill gas and leachate management system by 2013</p> <p>Landfill Gas Recovery component of Amman Solid Waste project implemented by 2013.</p> <p>Increased coverage of ecosystem sensitive land use planning and management including the establishment of 4 protected areas and 7 Special Conservation Areas (SCAs)</p>	<p>Works are ongoing under landfill gas (LFG) collection and renewable energy production contract. Partially achieved.</p> <p>Works are ongoing under landfill gas (LFG) collection and renewable energy production contract. Partially achieved.</p> <p>3 Protected Areas (PAs) and 10 Special Conservation Areas (SCAs) have been established. Achieved.</p>	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Amman Solid Waste Management Project • Ozone Depleting Substance Phaseout II (OTF) • Integrated Ecosystems Management in the Rift Valley (GEF) <p>Ongoing Activities:</p> <ul style="list-style-type: none"> • Coordination on Improved Water Resources Management & Capacity Building Program (Regional GEF) • Desert Ecosystems & Livelihoods Knowledge Sharing & Coordination Project (DELPA) (Regional GEF) • Red Sea & Gulf Aden Strategic Ecosystem Management (Regional GEF) • Badia Ecosystem & Livelihoods Project (GEF) • Ozone Depleting Substance Phaseout III (OTF) • Pricing Irrigation Water in the Jordan Valley TA • IFC client (Nuqul group), established program to improve energy efficiency achieving 21,000 tCO₂/year emission reduction over baseline emissions

Results Area 2.2: Improve the business environment to enhance competitiveness and attract investment

Original CPS Outcomes and Indicators <i>(Status update in italic)</i>	Milestones	Progress to Date on Milestones	CPS Instruments
<p><u>Streamlined regulatory environment and more equitable enforcement of rules</u> Indicator: Cost of procedures for company formation as a % of GNI per capita: Baseline: 13.9% [2011] Target: 7 % [2014] (OECD level)</p>	<p>Perform the institutional/legal work to reduce the number of procedures to create a company</p>	<p>There has been no change to the number of procedures to create a company (7). Not achieved.</p>	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Economic Reform & Development TA/Privatization TA (USAID) • Institutional Policy Support Development of PPP Program TA

<p>Indicator: Administrative steps to create a business Baseline: 7 steps [2012] Target: 5 steps [2014] (OECD level)</p> <p><i>Indicators will be dropped (overly ambitious and off track. The WBG will instead focus on other areas of the investment climate, for instance PPPs (see below).</i></p> <p><u>SME financing facilitated through support to legal and institutional reforms</u> Indicator: SME lending as a percentage of bank lending Baseline: 13% as of end June 2010 Target: 16% as of end 2014</p> <p><i>Outcome and indicator remain relevant and will be simplified in line with most recent WBG MSME engagement. The revised indicator will include a particular focus on access to finance for women.</i></p> <p><u>Suitable legal environment to regulate PPPs:</u> Indicator: Effective application of the new PPP Law provisions Baseline: No small, innovative PPP transactions [2010] Target: Some small, innovative PPPs transactions in line with best practice [2014]</p> <p><i>Outcome remains unchanged. Indicator will be changed to ensure consistency with PPP indicators from DPL II.</i></p>	<p>A credit bureau has been established and is operational</p> <p>Cabinet approval of adequate PPP by-laws and implementing regulations of the PPP law in line with international best practice.</p>	<p>A credit bureau was established but is still not operational. Partially achieved.</p> <p>Achieved</p>	<ul style="list-style-type: none"> • SME Investment Climate Assessment TA • Competitiveness & Innovation Partnership TA • Development Policy Review (ESW) <p>Ongoing Activities:</p> <ul style="list-style-type: none"> • MSME Development Project for Inclusive Growth • Jordan Association of Certified Public Accountants (JACPA) Capacity Building (IDF) • Strengthening the Regulatory & Institutional Framework for MSME Development (MNAISA) • MSME Development TA • Payment Systems TA • Partnership for Market Readiness TA • IFC working with Central Banl in establishing first credit bureau • Insolvency Reform IFC TA with USAID • IFC Doing Business Reforms Advisory Services • IFC investment climate advisory services activities focusing on the creation of transparent and efficient system for business inspections • IFC Investments in MSME finance and advisory services to strengthen capacity of SMEs
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Results Area 2.3: Improve education quality, develop skills and address labor market constraints

Original CPS Outcomes and Indicators <i>(Status update in italic)</i>	Milestones	Progress to Date on Milestones	CPS Instruments
<p><u>Learning environment improved</u> Indicator: Percentage of students in educational facility with two shifts Baseline: 11.21% [2010-2011] Target: 10.8% [end of 2013]</p> <p>Indicator: School readiness in Grade 1: Percentage of learners in Grade 1 being</p>	<p>Construction of successive batches of 13 school buildings (end 2012)</p> <p>120 new public kindergartens built and 40 kindergartens renovated and furnished (2012)</p>	<p>As of December 13 number of new schools finished under ERfKE II was 16. Achieved.</p> <p>Achieved</p>	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Employer Driven Skills • Employment for Young Women Graduate TA (GENTF) • Regional Network for Education Research (IDF) • Support to Higher Education TA • National Employment Strategy TA

<p>“school-ready” as measured by the Early Development Indicators Baseline: Girls 76.4% / Boys 69.8% [2009/10] Target: Girls 79.5% / Boys 72.6% [end of 2013/14]</p> <p><i>Outcome remains relevant and will be merged with labor market access. First indicator is now irrelevant as it has been critically affected by the impact of the Syrian conflict on the education sector¹¹. This indicator will be changed accordingly. Second indicator will be dropped as data is currently not available.</i></p> <p><u>Improved Response to labor market and employers’ requirement of labor skills</u> Indicator: Employers’ satisfaction with Vocational Training Center graduates when entering employment Baseline: [baseline to be established in 2012] Target: yearly increase of 0.2 in the 1-5 likert scale</p> <p><i>Outcome remains relevant but will be simplified and merged with learning environment. Indicator was inadequate (as of 2014 there are still no baseline data) and will be changed accordingly.</i></p> <p><u>Enrollment in post-secondary technical training enhanced</u> Indicator: Percentage of students enrolled in community college programs Baseline: 12% [2009] Target: 14.5% [end of 2013]</p> <p><i>Outcome and indicator will be dropped as the WBG no longer has any engagement in tertiary education (Higher Education TA completed in 2012)</i></p> <p><u>Effective operation and financial coverage by the Jordan Student Aid Fund</u></p>	<p>New business and training model for the VTC developed and implemented (by 2012)</p> <p>Restructuring of community colleges (separating technical education from academic education)</p> <p>Provision of loans up to 10,000 new entrants annually</p>	<p>Not achieved, but implementation of the ALMP project has started.</p> <p>Not achieved.</p> <p>Not achieved.</p>	<ul style="list-style-type: none"> • Assistance in Defining Nationally Appropriate Mitigation Actions (NAMAs) TA • Youth Inclusion Poverty Social Impact Analysis (ESW) <p>Ongoing Activities:</p> <ul style="list-style-type: none"> • ERfKE II • Support to Building Active Labor Market (MNAISA) • IFC E4E initiative for Arab Youth; First investment committed in FY14 (Luminus); and advisory support to Int@j
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¹¹ According to the Ministry of Education, more than 110,000 Syrian students have been enrolled in Jordanian public schools, thereby increasing the percentage of students in educational facility with two shifts.

<p>Indicator: Percentage of students benefitting from financial aid fund out of the general number of students Baseline: 35% [2010] Target: 50% [end of 2013]</p> <p><i>Outcome and indicator will be dropped as the WBG no longer has any engagement in tertiary education (Higher Education TA completed in 2012)</i></p>			
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PILLAR 3 – ENHANCE INCLUSION THROUGH SOCIAL PROTECTION AND LOCAL DEVELOPMENT

Results Area 3.1: Enhance Social Protection

Original CPS Outcomes and Indicators <i>(Status update in italic)</i>	Milestones	Progress to Date on Milestones	CPS Instruments
<p><u>Adopt improved targeting mechanism by the National Aid Fund (NAF) that reaches higher number of the poor</u> Indicators: % of poor population (as defined by those under NAF threshold) reached by NAF assistance (as measured by consumption methodology) Baseline: 20% of people under the NAF threshold received benefits [2006] Target: 80% of people under NAF threshold received NAF assistance [end 2013]</p> <p><i>Outcome remains relevant and will be simplified. Indicator will be changed to focus on current WBG engagement in safety net programs.</i></p>	<p>NAF Renewal Plan under implementation and specifically the Management Information System (MIS) to establish a Database on Poor and Vulnerable Population is operational</p>	<p>Some activities related to installation of MIS-related software and hardware, and voice and data communications in the central and local NAF offices, implemented but the Renewal Plan was not implemented and the database is not operational. Not achieved.</p>	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Social Protection Enhancement • Measuring the Impact of National Policies & Strategies on Gender Equality (IDF) • Gender Assessment/ Action Plan TA • Country Gender Assessment (ESW) • Programmatic Work ESW/TA on Social Insurance • Nat'l. Health Accts. Institutionaliztn TA • Housing Finance TA • System Approach for Better Educ. Results Workforce Dev't. (SABER WfD) TA • Health Policy Dialogue TA
<p><u>Better access to and quality of social care services</u> Indicator: Percentage increase of vulnerable groups benefiting from services in the targeted MOSD centers Baseline: 8,000 beneficiaries [2010] Target: 9,000 beneficiaries 40% increase [2014]¹²</p> <p><i>Outcome remains relevant and will be merged with safety nets. Indicator was too ambitious and will be replaced.</i></p>	<p>Integrated social care services will be operating in MOSD social care centers by 2012</p>	<p>None of the integrated social work and care centers of the Ministry of Social Development were fully functional. Standards of care developed but were not adopted for implementation. Not achieved.</p>	<p>Ongoing Activities:</p> <ul style="list-style-type: none"> • Enhancing Legal Aid Services to Iraqi & Palestinian Refugees (SPBF) • Community-Driven Development of Legal Aid Services (JSDF) • National Unified Outreach & Registry (MNAISA)
<p><u>Expanded access to Social Security</u></p>	<p>Increase in the number of branches to</p>	<p>Partially achieved.</p>	

¹² Changed based on MoSD comments

<p><u>Coverage</u> Indicator: Population of workers covered by SSC Baseline: 810,000 [2010] Target: 1 million [2014]</p> <p><i>Outcome remains relevant; it will be simplified and merged with safety nets and social services. No change to indicator.</i></p>	<p>improve services in underserved areas</p>		
Results Area 3.2: Pursue Local Development and Address Poverty Pockets			
Original CPS Outcomes and Indicators <i>(Status update in italic)</i>	Milestones	Progress to Date on Milestones	CPS Instruments
<p><u>Enhanced operational performance and project implementation practices in municipalities other than Amman</u> Indicator: Percentage of approved sub-projects successfully implemented against plans/set criterion Baseline: 80% [2009] Target: 100% [2014]</p> <p>Indicator: Percentage of Municipalities outside GAM that improved as per performance indicators of MoMA Performance Based Block Grant System Baseline: 10% [2009] Target: 52% [2014]</p> <p><i>Outcome and indicators remain relevant but will be dropped to focus on impact of Syrian crisis on municipalities. First indicator was fully achieved.</i></p> <p><u>Improved local development in four historically and culturally important cities – Jerash, Karak, Madaba, Salt, and Ajloun region - through increased tourism activities</u> Indicator: Increased visitation and stay in targeted cities Baseline: 1.46 days [2009] Target: 2.7 days [2014]</p> <p><i>Outcome and indicators will be dropped tourism related outcomes have been critically affected by the Syrian refugee situation.</i></p>	<p>Implementation of new procedures and guidelines related to operation performance in 16 municipalities by the end of 2012</p> <p>Performance Based Block Grant system is institutionalized within MoMA in 2012</p> <p>Increased rehabilitation activities in historic urban cores that complements the existing cultural heritage and thereby promotes economic and social development.</p>	<p>Achieved</p> <p>Performance-based block grants system was adopted by MoMA and has been applied for cycle 2 municipal applications. Achieved.</p> <p>Several of the historic urban sites supported have been drastically transformed through rehabilitation activities. A study is currently being undertaken to assess further the economic and social impact of the project. Partially achieved.</p>	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Cultural Heritage, Tourism & Urban Development Project • Secondary Cities Development Strategy Program (CITIES) • Cultural Heritage, Tourism & Urban Development TA (Tourism Dev't. Prog. for Historic Cities of Irbid & Tafileh) • Poverty Reduction Strategy/PRS Work TA <p>Ongoing Activities:</p> <ul style="list-style-type: none"> • Regional & Local Development Project • Mitigating Impact of Syrian Displacement on Jordan • Badia Ecosystem & Livelihoods Project (GEF) • Emergency Services & Social Resilience (MDTF) • Displaced People in Jordan (SPBF) • Measuring Impact of Legal on Poverty TA • Poverty Reduction Program TA • Social Security Law-Employment Opportunities for Women (ESW)

<p><u>Implementation of an action plan (including institutional set up and mechanisms) to address poverty pockets.</u></p> <p>Indicator: Reduction in the number of poverty pockets. Baseline: 32 [2011] Target: Reduction by 5 percent [2014]</p> <p><i>It is not possible to directly monitor number of poverty pockets in Jordan at the moment (the latest household survey (HIES) is from 2010) so outcome and indicator will be revised to focus on improved protection of poor and transient poor households through better targeting.</i></p>	<p>Draft National Poverty Reduction Strategy produced by 2012</p>	<p>Achieved.</p>	
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Annex II: Revised CPS Results Matrix

[Note: Indicators marked with * include a gender dimension]

PILLAR 1 – STRENGTHEN RESILIENCE TO ECONOMIC SHOCKS

Revised CPS Outcomes and Indicators

1.1 Improved basis for targeting of subsidies

- A National Unified Registry (NUR) is in place and can be used by other agencies for targeting social assistance; *Baseline: No [2013]; Target: Yes [2015]*

1.2 Strengthened effectiveness of audit bureau

- Question 59 of Jordan's Global Integrity Country Score: "Is the supreme audit institution effective?"; *Baseline: 63 [2009]; Target: 75 [2015]*

1.3 Increased public access to information

- Jordan's Global Integrity Country Score indicator 1.3 (public access to government information); *Baseline: 64.6 [2011]; Target: 75 [2015]*

PILLAR 2 – SEEK OPPORTUNITIES TO ENHANCE COMPETITIVENESS AND SHARED PROSPERITY

Revised CPS Outcomes and Indicators

2.1 Improved transport

- Travel time from GAM to Zarqa improved through use of Amman Ring Road; *Baseline: 60 minutes [2010]; Target: 48 minutes [2014]*

2.2 Improved electricity generation, with a focus on renewable energy

- Added renewable power generation capacity; *Baseline: 1.4 MW [2011]; Target: Minimum of 70 MW of New Generation Capacity from renewable sources under Construction [2015]*

2.3 Improved solid waste services

- Disposal capacity at Al Ghabawi landfill; *Baseline: 6 million tons [2010]; Target: 8 million tons [2014]*

2.4 Improved environmental sustainability

- Production system managed sustainably in protected areas; *Baseline: 15,500 ha [2011]; Target: 23,000 ha [2014]*

- Reduction of HCFC (hydrochlorofluorocarbons); *Indicator: ODP tons; Target: 83.00 (annual reduction)*

2.5 Improved access to finance for MSMEs

- MSME beneficiaries financed under the line of credit; *Baseline: 0 [2013]; Target: 1,000 (2015) with women-owned businesses to represent 35%; **

- Number of micro loans outstanding; *Baseline: 90,829 [2013]; Target: 108,000 [2015]*

2.6 Suitable legal environment to regulate PPPs

- The new PPP Law applies to all new PPP transactions and the PPP Unit has identified an initial pipeline of five potential PPP projects, subject to validation; *Baseline [2011]: No PPP law and no PPP Unit; Target: By September 2015, effective application of the new PPP Law and effective use of the MoF's PPP Unit*

2.7 Improved learning environment

- Schools that are implementing improvement plans (number); *Baseline: 789 [2008]; Target: 3,000 [2015]*

- Number of full time equivalent students in IFC client's various programs; *Baseline: 5,663 [2013]; Target: 6,491 [2015]*

PILLAR 3 – MITIGATE VULNERABILITY TO REDUCE POVERTY

Revised CPS Outcomes and Indicators

3.1 Improved access to safety nets and social services

- Beneficiaries of safety net programs (subsidies), of which women (%); *Baseline: 0 [2014]; Target: 2.5 million [2016], 48.5% women **

- Population of workers covered by SSC; *Baseline: 810,000 [2010]; Target: 1 million [2014]*

- Vulnerable households reached by social outreach workers hired by NGOs; *Baseline: 0 [2013]; Target: 6,000 [2015]*

3.2 Improved capacity of municipalities and communities to cope with impact of Syrian refugee inflow

- Beneficiaries of efforts to address immediate service delivery impacts of Syrian refugee inflows in targeted municipalities (number); *Baseline: 0 [2014]; Target: 545,000 [2016] of which: (i) women: 245,250; (ii) host population: 395,000; (iii) refugee: 150,000 **

- Municipalities most affected by the influx of Syrian refugees ensuring pre-crisis levels of per capita investments in at least two of the following areas: (i) solid waste; (ii) local roads; (iii) street cleaning; (iv) parks/recreational space; (v) community services; *Baseline: 0 [2014]; Target: 50% [2016]*

- Number of children immunized (0-6 years) to remain at or above baseline; *Baseline: 1.1 million [2012]; Target: 1.1 million [2015]*

3.3 Improved protection of poor and transient poor households in a cost-effective manner (transient poor are the officially non-poor that live below the poverty line at least one quarter of the year)

- Number of poor and transient poor people benefitting from improved cash transfer targeting; *Baseline: 0 [2012]; Target: 36,000 [2015]*

Annex III: Specific Progress towards CPS Outcomes

Pillar 1: Strengthen fiscal management and increase accountability

Improved Targeting of Subsidies

1. Outcomes under this pillar have been partially achieved and further progress is expected in the remaining period of the Country Partnership Strategy (CPS). With a view to reducing the fiscal burden of consumer subsidies while at the same time better serving the poorest segments of the population, the CPS included the provision of technical assistance that analyzes the poverty impacts and policy implications of changes in subsidy regimes and an examination of options for improved targeting mechanisms. Several policy notes and analytical pieces were completed in this respect which informed the GoJ's decision in November 2012 to eliminate fuel subsidies. To compensate households for large price increases on petroleum products, the GoJ simultaneously introduced a broad-based cash transfer scheme, implemented by the Ministry of Finance. As such, the GoJ was able to save some JD350 million in 2013. Aside from generating fiscal space, the shift from subsidizing petroleum subsidies to a means-tested cash transfer significantly improves the progressivity of public spending.

2. To support the reform, a US\$9.5 million grant "Support to Implementation of a National Unified Registry and Outreach Program" (the NUR Project), financed by the Deauville Partnership Transition Trust Fund was approved in February 2013. This new project is assisting the GoJ to improve the accuracy of targeting, and particularly help introduce a national unified registry that will reduce fragmentation of databases across various agencies and help increase the quality, reliability and accuracy of the existing national database. The development of the National Unified Registry is critical for improving targeting of the compensation scheme for fuel subsidies reform, as well as other safety net programs in the future. As a next step with respect to subsidies, the GoJ is considering reform of the universal bread subsidy, converting it into a targeted cash compensation for eligible Jordanians.

Modern Internal Audit Function

3. Jordan took some steps towards strengthening internal controls, including the internal audit functions as well as ex-post performance auditing by the Audit Bureau aiming to enhance the transparency and accountability in the use of public funds, but the withdrawal process of the Audit Bureau from ex-ante controls is not showing the anticipated progress, as it is conditioned on significant internal control strengthening of the government agencies, a complex endeavor that only a handful of ministries have achieved.

Pillar 2 – Strengthen the foundation for sustainable growth with a focus on competitiveness

Energy

4. Energy demand grew dramatically in the past years. This reflects both population and economic growth. Significant progress has been made but the diversification of Jordan's energy sources remains one of the country's critical challenges. Given declining gas imports (mainly for electricity generation) from Egypt, Jordan has signed an agreement to build a terminal for liquefied natural gas in the Port of Aqaba. The liquefied natural gas terminal is expected to start operations at the latest in mid-2015. Jordan is also considering an oil pipeline from the Iraqi Basra fields to the Jordanian port of Aqaba.

5. New electricity generation capacity has been developed to meet growing demand. The Jordan Renewable Energy and Energy Efficiency Fund has been established and helps provide financing support for renewable and energy efficiency projects. The authorities have introduced a fast track to streamline procedures and evaluated and pre-selected bidders under a framework agreement that included a pre-determined feed-in tariff for renewables. In addition to IFC-financed Tafila Wind Power Plant project, new wind and solar projects have been developed to produce clean energy and reduce dependency on hydrocarbon fuels and imports.

6. The International Finance Corporation (IFC) is leading the support of private sector participation in the power sector in Jordan, especially with a growing program in renewable energy. In FY14, IFC committed a US\$221 million debt package to support development of a 117 MW wind farm in Jordan – the first privately-owned renewable energy facility. IFC also invested in a US\$10 million equity in a South-South power project (ACWA Jordan) in FY12 to increase installed capacity and strengthen platform power-related investments in the country.

Transport

7. Some infrastructure bottlenecks have been removed including through the partial opening of the Amman Ring Road, the ongoing expansions in the new Aqaba port, and the upgrade of the road corridor to the Saudi borders, but more needs to be done to support Jordan in enhancing its role as a regional trade and transport hub. This is particularly important given that fiscal constraints have led to underinvestment and the deterioration of important links of the network, such as the Amman to Aqaba R15 highway. Jordan's efforts in improving public transport are also noticeable with the planned Bus Rapid Transit projects which need to be complemented by important policy and institutional reforms.

Environment

8. Jordan continues to provide regional and global leadership in ozone-depleting substances phase-out, with the current intervention focusing on hydro chlorofluorocarbons phase-out in the residential air-conditioner sector. This work increases the energy efficiency of air conditioning units currently being produced for the domestic and export market, as well as indirectly provides net benefits to global climate change mitigation. The demand-size drawdown in Jordan's energy sector is critical to easing energy shortfalls. The Integrated Ecosystem Management (Global Environment Facility) project shifted the responsibility for nature conservation from government to local communities through the establishment of Special Conservation Areas. Special Conservation Areas improve management of habitat corridors and production ecosystems between protected areas while at the same time help to maintain or restore the integrity of natural ecosystems, linkages between critical habitats for wildlife, and ecological processes important for the goods and services they provide to nature and people. In FY12 IFC advisory supported Jordan's largest pulp and paper company, and IFC client (Nuqul group) to establish a program to improve energy efficiency achieving 21,000 tCO²/year emission reduction over baseline emissions across the group companies.

Waste Management

9. The Amman Solid Waste Management Project, designed to strengthen the operational, financial, and environmental performance of municipal solid waste management in Greater Amman, closed on June 30, 2014, with only limited achievement, mostly due to the delays in the start of the US\$25 million landfill gas (LFG) collection and renewable energy production contract, representing the largest portion of the loan. Recent progress was achieved however with works now progressing well. Discussions are under way to further develop collaboration with Greater Amman Municipality to support its overall role and needs in terms of economic development, service delivery, and environmental sustainability.

Business Environment

10. The business environment in Jordan has experienced a mixed performance over the past few years. The country's Doing Business ranking has fallen to 119 (2014) from the 111 ranking at the start of the CPS period (2011). This includes a significant decline in one of the CPS outcome indicators (cost of company formation as a percent of Gross National Income) and no reduction in the other CPS indicator (number of business start-up steps). There has been some progress in terms of median and dispersion times on obtaining licenses. The recently prepared Investment Climate Assessment highlights the continuing challenges facing a private sector striving for competitiveness to support economic growth and job creation. Tax rates, macro-economic uncertainty and informal sector competition are the highest ranking constraints according to the results of the enterprise survey, followed by regulatory uncertainty and tax administration.

11. In the context of the World Bank's Second Development Policy Loan (DPL), a number of important steps have been taken, in particular the adoption of the public private partnership (PPP) and Secured Lending draft laws and amendments by the Council of Ministers; the establishment and empowerment of a PPP Unit; the adoption of Sukuk legislation allowing the use of a new cost-reducing debt tool and enabling access to Islamic finance liquidity. Important institutional changes also include the planned establishment of One Stop Shops at the reorganized Jordan Investment Board once the new Investment Law is passed.

12. IFC is working with the Central Bank of Jordan on the establishment and supervision of the first private Credit Bureau in Jordan to enable greater access to finance for micro, small and medium enterprises (MSMEs). In June 2013, IFC and International Bank for Reconstruction and Development (IBRD) signed an agreement to jointly support the Jordan Loan Guarantee Corporation scale up its lending operation by helping build institutional capacity, increase its outreach, and develop new financial products tailored to the needs of MSMEs. IFC is also working to support the GoJ in the areas of debt resolution and business insolvency regimes by helping improve the regulatory framework and assisting the Company Control Department in introducing informal business out of court guidelines.

13. IFC's Advisory has also helped relevant market institutions and regulators create a robust corporate governance framework. In partnership with the Jordanian Ministry of Industry and Trade's Companies Control Department, the first corporate governance code for small and medium enterprises (SMEs) was introduced based on a comply-or-explain principle. A corporate governance scorecard for listed companies was also launched with the Jordan Securities Commission.

14. IFC investments in leading microfinance institutions in Jordan is helping promote inclusive growth by providing access finance to lowest income entrepreneurs, especially women. Between FY12-to present, IFC has committed a total of US\$6 million in three microfinance institutions including US\$2 million investment in one of the leading microfinance networks, FINCA Jordan, which focuses on frontier regions and women entrepreneurs (>95 percent of clientele are women).

15. Improving the business environment is a key part of Jordan's development strategy towards a knowledge economy. Therefore, the GoJ created a committee to coordinate and facilitate faster improvement in the business environment headed by Ministry of Planning and International Cooperation (MOPIC). The Committee, which includes representatives from relevant ministries and agencies, devised recommendations to improve the business environment in Jordan on the basis of the framework provided by the Doing Business report and key areas of concern underlined in Investment Climate Surveys.

Education, Skills and Labor Market Constraints

16. Progress has been mixed and the education sector has been critically affected by the impact of the Syrian conflict and pressure stemming from the additional 110,000 students enrolled in public schools (percentage of Jordanian students in double shift schools has significantly increased instead of the intended decrease as per ERFKE II project indicators). This included quality of education, as measured by national and international achievement tests, which plummeted in 2011-2012, also as a result of the overall regional and national political events (which in Jordan entailed, among others, several months of teachers' strikes). However, the deterioration of education quality appears to have stopped in 2012 and 2013.

17. Key education-related milestones have been achieved with schools and kindergartens completed; the same is the case for preschool and secondary education enrolment rates. Structural challenges remain, in particular regarding the mismatch between skills availability and private sector needs. Vocational Education and Training remains a fragmented subsector. As employability for secondary graduates becomes a priority, it is critical that the Ministry of Education establish a clear vision for Vocational Education and Training as an open path to both the job market and higher education.

18. Jordan is one of the key countries where IFC's E4E Initiative for Arab Youth is currently under implementation through both investment and advisory activities. On the investment side, IFC has committed an US\$11 million equity investment in Luminus, the leading TVET entity in the country, to support expansion of vocational training facilities in FY14. IFC Advisory has partnered with Int@j, the information, communication and technology (ICT) business association in Jordan, to decrease the skill gap in the ICT sector through (i) Strengthening Quality Assurance Framework; and (ii) establishing an ICT Continuing Education Academy which is estimated to reach 1,520 students.

19. The CPS included provision of technical assistance to the GOJ in the development of a National Employment Strategy which aims to identify the constraints to job creation. The National Employment Strategy was completed and approved by Cabinet with an implementation unit in Ministry of Labor established to follow up on its progress.

20. To help GoJ test a number of initiatives recommended by the National Employment Strategy, the new "Support to building Active Labor Market Program" project, financed by the Deauville Partnership Transition Trust Fund (US\$4.75 million, approved in April 2013) aims to increase access to career guidance, job search, and on the job training among targeted youth.

Pillar 3 – Enhance inclusion through social protection and local development

Social protection

21. Outcomes under the safety net aspects of this pillar were not achieved. The Social Protection Enhancement Project, which closed in August 2013, was expected to improve the management and operations of the cash social assistance programs and to improve access to and quality of social care services. However, based on the finding of the recent Implementation Completion Report, although its project development objectives continues to be relevant, the project's Overall Outcome Rating was rated Highly Unsatisfactory, and the project did not succeed in achieving its project development objectives, as measured by key outcome indicators.

22. To assist GoJ, a US\$9.5 million grant "Support to Implementation of a National Unified Registry and Outreach Program" (the NUR Project), financed by the Deauville Partnership Transition trust fund, was approved in February 2013. This new project is expected to help the government improve the accuracy of targeting, and particularly help introduce a national unified registry that will reduce fragmentation of databases across various agencies and help increase the quality, reliability and accuracy of the existing national database.

Although the NUR Project is not the continuation of Social Protection Enhancement Project and its target population is broader than the target population of National Aid Fund, the development of the National Unified Registry is critical for improving targeting of the compensation scheme for fuel subsidies reform, as well as other safety net programs in the future. Looking forward, this Unified Registry needs to be institutionalized.

Local Development

23. Important progress has been made under the Regional and Local Development Project designed to promote regionally balanced local development, principally through municipalities, in terms of policy reform (adoption of a new and more equitable municipal transfer fiscal formula, on-going restructuring of the Cities and Villages Development Bank) and through the performance-based block grants distributed to the municipalities. Local investments have had a significant economic impact and have contributed to improve living conditions among the population. A follow-up operation, designed to sustain the benefits of the Regional and Local Development Project is planned, consistent with the original objective of balanced regional and local economic development, targeting in particular the poorest regions.

Poverty

24. According to official estimates, 14.4 percent of the population in Jordan lived in poverty in 2010. It is not possible to directly monitor number of poverty pockets in Jordan at the moment since the latest household expenditure and income survey is from 2010. However, the household expenditure and income survey does give some interesting and important insights into poverty and vulnerability in Jordan. A within-year profile of poverty indicates that an additional 18.6 percent of the entire population in Jordan, although non-poor according to the official definition, experiences poverty in at least one quarter during the year. This group of people can be considered “transient poor” in the sense that they experienced poverty in at least one quarter during the year, despite being officially considered as non-poor because their annual per capita consumption exceeds the annual poverty line. The existence of such transient poverty may help explain the perception that annualized poverty measures underestimate true poverty. The poverty rates based on year-long consumption levels mask the vulnerability that many households face, pointing to the challenges facing households and policymakers alike. Policy interventions will differ in effectiveness to reduce vulnerability versus poverty. For example, vulnerability could be addressed in part via interventions that help households smooth their consumption expenditures (e.g., cash transfers) whereas longer term investments in the poor, like increasing their human and physical assets, or the returns to those assets, are likely to be more appropriate for reducing chronic poverty.

Annex IV: World Bank Program for the Period FY12-FY15 1/

I. STRENGTHEN RESILIENCE TO ECONOMIC SHOCKS	II. SEEK OPPORTUNITIES TO ENHANCE COMPETITIVENESS AND SHARED PROSPERITY	III. MITIGATE VULNERABILITY AT THE LOCAL LEVEL TO REDUCE POVERTY
COMPLETED ENGAGEMENT		
<p>IBRD First Programmatic DPL</p> <p style="text-align: right;">Total</p> <p>Grants Ombudsman Capacity Bld Support (IDF)</p> <p style="text-align: right;">Total</p> <p>Diagnostic & Technical Assistance Governance Reform TA Fiscal Consolidation Study (ESW) Distributional Analysis (ESW) *</p>	<p style="text-align: center;">Amount (US\$ m)</p> <p>250.0</p> <p>250.0</p> <p>0.25</p> <p>0.25</p> <p>IBRD Amman Development Corridor Amman Solid Waste Management Employer Driven Skills Development</p> <p style="text-align: right;">Total</p> <p>Grants Ozone Depleting Substance Phaseout II (OTF) Eco. Reform & Dev't. TA/Privatization TA (USAID) Employment Young Women Graduate TA (GENTF) Reg'l. Network for Education Research (IDF) Energy Efficiency Investment Support (GEF) Integrated Ecosystem Mgt. Rift Valley (GEF)</p> <p style="text-align: right;">Total</p> <p>Diagnostic & Technical Assistance Energy Sector TA Support to Higher Education TA National Employment Strategy TA Assistance in Defining Nationally Appropriate Mitigation Actions (NAMAs) TA Smart Grids for Green Growth TA Inst'l. Policy Support Dev't. of PPP Prog. TA * SME Investment Climate Assessment TA Competitiveness and Innovation Partnership TA * Development Policy Review (ESW) Youth Inclusion Poverty Social Impact Ana. (ESW)</p>	<p style="text-align: center;">Amount (US\$ m)</p> <p>71.0</p> <p>25.0</p> <p>7.5</p> <p>103.5</p> <p>IBRD Cultural Heritage, Tourism & Urban Devt. Social Protection Enhancement</p> <p style="text-align: right;">Total</p> <p>Grants Secondary Cities Devt. Strategy Prog. (CITIES) Measuring Impact of Nat'l. Policies/Strategies Gender Equality (Gender Monitoring) (IDF)</p> <p style="text-align: right;">Total</p> <p>Diagnostic & Technical Assistance Poverty Reduction Strategy TA Poverty Reduction Strategy Work TA Nat'l. Health Accts. Institutionalization TA * Housing Finance TA * System Approach for Better Education Results Workforce Dev't. (SABER WID) TA * Health Policy Dialogue TA * Cultural Heritage, Tourism & Urban Dev't. TA (Tourism Dev't. Prog. for Historic Cities of Irbid & Taflekh) * Gender Assessment/Action Plan TA Programmatic Work ESW/TA on Social Insurance Country Gender Assessment (ESW)</p> <p style="text-align: right;">Total</p>
ONGOING ENGAGEMENT		
<p>IBRD Second Programmatic DPL</p> <p style="text-align: right;">Total</p> <p>Grants Anti-Corruption Com. Case Mgt. Imp't. (IDF) * Strengthening Cap. & Efficiency of JO Supreme Audit (IDF) * Statistical Capacity Bldg. (TFSCB) * Public Procurement Reform (IDF) *</p> <p style="text-align: right;">Total</p> <p>Diagnostic & Technical Assistance Regional Program on Public Sector Complaints Mechanisms TA</p>	<p style="text-align: center;">Amount (US\$ m)</p> <p>250.0</p> <p>250.0</p> <p>0.25</p> <p>0.25</p> <p>0.23</p> <p>0.25</p> <p>0.98</p> <p>IBRD Amman East Power Plant (Guarantee) Education Reform for Knowledge Economy II MSME Dev't. Project for Inclusive Growth *</p> <p style="text-align: right;">Total</p> <p>Grants Promotion of a Wind Power Market (GEF) Coordination Improved Water Res. Mgt. & Cap. Bldg. Program (REGIONAL GEF) Desert Ecosystems & Livelihoods Knowledge & Coord. Proj. (DELP) (REGL/est. GEF share) * Red Sea & Gulf of Aden Strategic Ecosystem Mgt. (REGL/est. GEF share) Ozone Depleting Substance Phaseout III (OTF) * Jordan Assn. of Cert. Public Accts. (JACPA) Cap. Bldg. (IDF) Strengthening Reg. & Institutional Framework for MSME Dev't. (MNA Tran. Fund) * Support Bldg. Active Labor Mkt. (MNA Tran. Fund) Virtual Mkt Place for Dev't. of Export SMEs TA (MNA Tran. Fund) *</p> <p style="text-align: right;">Total</p> <p>Diagnostic & Technical Assistance MSME Development TA * Payment Systems Support TA * Partnership for Market Readiness TA * Pricing Irrigation Water in the Jordan Valley TA</p>	<p style="text-align: center;">Amount (US\$ m)</p> <p>45.0</p> <p>60.0</p> <p>70.0</p> <p>175.0</p> <p>IBRD Regional and Local Development Mitigating Impact of Syrian Displacement on JO *</p> <p style="text-align: right;">Total</p> <p>Grants Badia Ecosystem & Livelihoods Project (GEF) Enhancing Legal Aid Services to Iraqi & Palestinian Refugees (SPBF) Community-Driven Dev't. Legal Aid Services (JSDF) Emergency Services & Social Resilience (MDTF) * Nat'l. Unified Outreach & Registry (MNA Tran. Fund) * Displaced People in Jordan/Lebanon (SPBF) *</p> <p style="text-align: right;">Total</p> <p>Diagnostic & Technical Assistance Measuring Impact of Legal Aid on Poverty TA Poverty Reduction Program TA Social Security Law-Employment Opp. for Women (ESW)</p>
POTENTIAL NEW ENGAGEMENT		
<p>IBRD FY15: Transport (R15) FY16: Urban Transport Energy Agriculture Modernization & Water Use FY17: Renewable Energy</p> <p style="text-align: right;">Total</p> <p>Grants FY15: National Ctr for Innovation (MNA Tran. Fund) ERFKE Additional Financing / New Project FY17: Partnership for Market Readiness (PMR)</p> <p style="text-align: right;">Total</p> <p>Diagnostic & Technical Assistance FY15: Public Financial Mgt. Engagement TA Public Investment Prog. Analytics TA Internal Audit Perf. Measurement Frwrk Health Financing TA Procurement Reform Impediments Study FY16: Parliamentary Oversight Engagement TA</p>	<p style="text-align: center;">Amount (US\$ m)</p> <p>75.0</p> <p>100.0</p> <p>200.0</p> <p>30.0</p> <p>100.0</p> <p>505.0</p> <p>3.0</p> <p>TBD</p> <p>3.0</p> <p>6.0</p> <p>IBRD FY15: Investment Climate Assessment/PSD TA Education PER Follow-up (ESW) Transport Sector TA Water Sharing/Red Sea TA FY16: Strategic Country Diagnostic (ESW) Competitiveness & Investment TA Monitoring Nat'l. Educ. Strat. (NES)/Follow-to Active Labor Market Proj. (ALMP) TA</p>	<p style="text-align: center;">Amount (US\$ m)</p> <p>70.0</p> <p>70.0</p> <p>140.0</p> <p>IBRD FY16: Reg'l. & Local Dev't. Add'l. Fng./New Project FY17: Urban & Water Sanitation</p> <p style="text-align: right;">Total</p> <p>Diagnostic & Technical Assistance FY15: Programmatic Poverty Analysis (ESW)</p>

Note: Projects with * represent new engagement under this CPS which were not included in the original CPS work program that have been delivered to client or are still ongoing activities.

1/ Formerly, Pillar 1-Strengthen Fiscal Mgt. & Inc. Acctability; Pillar 2-Strengthen the Foundation for Sust. Growth w/ a Focus on Competitiveness; Pillar 3-Enhance Inclusion thru Social Pro. & Local Dev

**Annex B2: Selected Indicators of Bank Portfolio Performance and Management
as of May 31, 2014**

Indicator	2011	2012	2013	2014
Portfolio Assessment				
Number of Projects Under Implementation ^a	10	10	11	16
Average Implementation Period (years) ^b	4.9	5.9	4.0	3.2
Percent of Problem Projects by Number ^{a, c}	40.0	30.0	36.4	22.2
Percent of Problem Projects by Amount ^{a, c}	28.3	6.7	16.0	5.3
Percent of Projects at Risk by Number ^{a, d}	50.0	30.0	36.4	22.2
Percent of Projects at Risk by Amount ^{a, d}	35.9	6.7	16.0	5.3
Disbursement Ratio (%) ^e	17.3	22.6	23.9	135.1
Portfolio Management				
CPPR during the year (yes/no)	No	Yes	No	No
Supervision Resources (total US\$)	921	947	1,060	1,380
Average Supervision (US\$/project)	92	95	96	86

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	68	5
Proj Eval by OED by Amt (US\$ millions)	2,502.1	371.0
% of OED Projects Rated U or HU by Number	20.0	75.0
% of OED Projects Rated U or HU by Amt	24.1	100.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP)
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex B8a: IBRD Operations Portfolio and Grants as of May 31, 2014

Closed Projects 83

IBRD/IDA *

Total Disbursed (Active)	245.02
of which has been repaid	2.76
Total Disbursed (Closed)	1,025.30
of which has been repaid	1,104.15
Total Disbursed (Active + Closed)	1,270.33
of which has been repaid	1,106.91
Total Undisbursed (Active)	74.33
Total Undisbursed (Closed)	4.75
Total Undisbursed (Active + Closed)	79.08

Active Projects

Project ID	Project Name	Last PSR			Fiscal Year	Original Amount in US\$ Millions			Difference Between Expected and Actual Disbursements ^{d/}		
		Supervision Rating		Cancel.		Undisb.	Orig.	Frm Rev'd			
		Development Objectives	Implementation Progress								
P104960	Amman Solid Waste Management	U	MU	2009	25			20.0	20.0		
P105036	ERfKE II	MS	S	2009	60			32.7	23.6	5.8	
P070958	Regional & Local Development	MS	MS	2007	20			3.3	3.3	3.3	
P132314	MSME Dev. Project for Inclusive Growt	S	S	2013	70			2.8	-67.2		
P125483	Second Programmatic DPL	-	-	2014	250			0.0			
P145865	Mitigating Impact of Syrian Displacement	S	S	2014	150			15.5	4.1		
Sub-total IBRD					575.0			74.3	-16.3	9.1	
P127861	Badia Ecosystem and Livelihoods	MS	MS	2013			3.3	2.5	0.1		
P093201	Promotion of a Wind Power Market	MS	MU	2008			6.0	3.7	3.7		
P127702	ODS III - HCFC Phase-out Project	S	S	2013			2.8	2.5	1.1		
P108064	Energy Efficiency Investment Support	-	-	2009			1.0	0.9			
P126689	Legal Aid Services to Iraqis and Palestinians	MS	MS	2012			1.8	1.2			
P128689	Enhancing Community-Driven Legal Aid	S	S	2012			2.6	1.9			
P132097	Displaced People in JO	MS	MS	2013			0.9	0.3			
P122070	Ombudsman Cap. Bldg. Support	MU	MU	2012			0.25	0.18			
P124154	JACPA Capacity Building	S	S	2012			0.25	0.15			
P130517	Public Procurement Reform Support	U	U	2013			0.25	0.17			
P130198	Anti-Corruption Commission Case Mgt. Improvemen	-	-	2013			0.25	0.17			
P143478	Streng. Cap. & Effec. JO Supreme Audit Institute	MS	MS	2013			0.25	0.25			
P133339	Statistical Capacity Building TF	MU	MU	2013			0.23	0.16			
P147689	Emergency Services & Social Resilience	MS	MS	2014			50.0	39.5			
P144832	National Unified Registry and Outreach	S	S	2014			9.5	8.5			
P145241	Support to Building Active Labor Market	S	S	2014			4.8	4.3			
P147875	Streng. Regulatory & Inst'l. Framework MSME Devt	-	-	2014			3.0	2.6			
Sub-total Grants							87.2	69.0	4.8	0.0	
Overall Result					575.0		87.2	143.3	-11.4	9.1	

**Annex B8b: Statement of IFC's Committed and Outstanding Portfolio
as of April 30, 2014**

Statement of IFC's Committed and Outstanding Portfolio																
<i>Amounts in US Dollar Millions</i>																
Accounting Date as of : 04/30/2014																Page 1
Region(s): Middle East and North Africa																
Country(s) : Jordan																
Commitr Institution	LN	LN	ET	QL + QE	GT	RM	ALL	ALL	LN	ET	QL + QE	GT	RM	ALL	ALL	
Fiscal Ye: Short Name	Cmtd - IFC	Repayment - IFC	Cmtd - IFC	Cmtd - IFC	Cmtd - IFC	Cmtd - IFC	Cmtd - IFC	Cmtd - Part	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - Part	
2012 ACWA Power Jordan	0	0	0.97	8.03	0	0	9.00	0	0	0.97	8.03	0	0	9.00	0.00	
2008 AIG Company	66.99	3.01	0	50.00	0	47.62	164.61	150.40	66.99	0	50.00	0	46.23	163.22	150.40	
2014 Bank of Jordan	0	0	0	0	0.04	0	0.04	0	0	0	0	0.04	0	0.04	0.00	
2001 Boscan Jordan	1.50	0.80	0	0	0	0	1.50	0	1.50	0	0	0	0	1.50	0.00	
2013 CTI Group	14.28	10.54	0	7.00	0	0	21.28	0	14.28	0	7.00	0	0	21.28	0.00	
2013 Cairo Amman Bank	0	0	0	0	7.49	0	7.49	0	0	0	0	2.97	0	2.97	0.00	
2014 Capital Bank Jor	0	0	16.52	20.00	2.81	0	39.33	0	0	16.52	20.00	2.80	0	39.32	0.00	
EDCO	31.10	7.49	0	0	0	0	31.10	0	31.10	0	0	0	0	31.10	0.00	
2014 FINCA Jordan	2.00	0	0	0	0	0	2.00	0	2.00	0	0	0	0	2.00	0.00	
2012 Hikma Jordan	105.71	25.91	0	0	0	0	105.71	0	55.71	0	0	0	0	55.71	0.00	
2012 Hikma UK	0	0	27.50	0	0	0	27.50	0	0	27.50	0	0	0	27.50	0.00	
2011 JIFCO	125.00	0	0	0	0	2.52	127.52	90.13	125.00	0	0	0	2.52	127.52	90.13	
2014 JWPC	54.73	0	0	14.36	0	5.11	74.20	59.49	8.89	0	2.33	0	4.76	15.98	9.66	
2010 Jordan Phosph...	37.49	12.51	0	0	0	0	37.49	44.99	37.49	0	0	0	0	37.49	44.99	
2014 Luminus	0	0	11.09	0	0	0	11.09	0	0	0	0	0	0	0	0.00	
1999 MAICO	0	0	0.25	0	0	0	0.25	0	0	0.00	0	0	0	0.00	0.00	
2013 MEMCC	2.00	0	0	0	0	0	2.00	0	2.00	0	0	0	0	2.00	0.00	
2002 MEREN	0	1.47	0.00	0	0	0	0.00	0	0	0.00	0	0	0	0.00	0.00	
2013 Tarnweelcom	1.40	3.60	0	0	0	0	1.40	0	1.40	0	0	0	0	1.40	0.00	
2010 Zara	22.98	20.76	1.28	0	0	0	24.26	0	22.98	1.28	0	0	0	24.26	0.00	
Total Portfolio	465.19	86.08	57.62	99.38	10.35	55.24	687.78	345.02	369.35	46.27	87.36	5.80	53.51	562.29	295.19	

**Annex B8c: Statement of MIGA's Exposure in Jordan
as of April 30, 2014**

1. MIGA'S EXPOSURE (CONTINGENT LIABILITY)

<i>US\$ million</i>	<i>Transfer Restriction</i>	<i>Expropriation</i>	<i>War & Civil Disturbance</i>	<i>Breach of Contract</i>	<i>Non Honoring of Sovereign Financial Obligations</i>	<i>Maximum</i>
Gross Exposure	199.8	199.8	199.8	13.1	0.0	212.9
% of total portfolio	3.2	2.6	3.7	0.4	0.0	1.8
Net Exposure	120.0	120.0	120.0	13.1	0.0	133.1
% of total portfolio	3.3	2.5	3.7	0.6	0.0	2.0
CUP	0.0	0.0	0.0	0.0	0.0	0.0
Current Amount*	144.0	144.0	144.0	10.4	0.0	154.4

* On a gross basis

2. NET EXPOSURE BY SECTOR

	Jordan		Middle East and North Africa		MIGA Worldwide	
	<i>US\$ million</i>	<i>%</i>	<i>US\$ million</i>	<i>%</i>	<i>US\$ million</i>	<i>%</i>
Agribusiness	0.0	0.0	0.0	0.0	173.7	2.6
Construction	0.0	0.0	0.0	0.0	5.8	0.1
Financial	0.0	0.0	0.0	0.0	2,361.6	34.7
Financial Services	0.0	0.0	0.0	0.0	615.0	9.0
General Banking	0.0	0.0	0.0	0.0	1,456.3	21.4
Investment Fund	0.0	0.0	0.0	0.0	0.0	0.0
Leasing	0.0	0.0	0.0	0.0	169.9	2.5
Mortgage	0.0	0.0	0.0	0.0	120.3	1.8
Infrastructure	13.1	9.9	182.1	35.4	2,900.9	42.6
Electric, Gas and Sanitary Services	13.1	9.9	13.1	2.5	31.9	0.5
Power	0.0	0.0	0.0	0.0	1,044.3	15.3
Telecommunication	0.0	0.0	7.3	1.4	397.1	5.8
Transportation	0.0	0.0	0.0	0.0	940.9	13.8
Water Transportation	0.0	0.0	161.7	31.4	200.1	2.9
Water Supply	0.0	0.0	0.0	0.0	206.7	3.0
Other	0.0	0.0	0.0	0.0	80.0	1.2
Manufacturing	120.0	90.1	131.6	25.6	610.3	9.0
Mining	0.0	0.0	0.0	0.0	153.4	2.3
Oil and Gas	0.0	0.0	165.6	32.2	347.3	5.1
Retail	0.0	0.0	0.0	0.0	112.2	1.6
Services	0.0	0.0	35.5	6.9	135.2	2.0
Tourism	0.0	0.0	0.0	0.0	11.8	0.2
Total	133.1	100.0	514.8	100.0	6,812.0	100.0

