MIDDLE EAST & NORTH AFRICA
JORDAN - IMPLEMENTING THE 2017-2019
PIM-PPP ACTION PLAN

CONCEPT NOTE- APRIL 2017
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# Jordan - Implementing the 2017-2019 PIM-PPP Action Plan

## Proposal Summary

### Proposal Outline

The proposal aims to support the strengthening of the PIM-PPP system for Jordan which should be developed as a comprehensive set of concepts, techniques, standards, and methodological procedures, and as a uniform information and document depository and management system for the formulation, preparation and evaluation of projects. In accordance with international best practices, it is proposed to improve the current public investment procedures and to install an efficient PIM system in the country. These actions and correlated activities are proposed in a calendar for short- and medium-term implementation (2017–2019). The project implementation will have the following interventions: (i) Formalize the institutional setting for Jordan (establishing management functions inside the newly-created PIM Unit at MoPIC and with the PPP Unit at MoF); (ii) Develop capacity building in project design, appraisal and selection (PIM-PPP Train- The-Trainers program); (iii) Improve capital investment project design, appraisal and selection (Preparation of guidelines and corresponding excel spreadsheets when relevant); iv) Formalize the role of key performance indicators in the context of the new PIM system; (v) Improve public investment in term of project management (execution, monitoring, and follow up) and ex-post evaluation; (vi) Improve the registration of projects using the Integrated Bank of Projects; (vii) Enhancement of the Jordan legal and regulatory framework of the PIM system; (viii) Formalize the institutional, procedural and decision making framework for Fiscal Commitments and Contingent Liabilities (FCCL) arising out of PPPs; and (ix) Hands-on learning from best practice (PPP operations).

### Project Phasing

The participation of the Ministry of Planning & International Cooperation (MoPIC), the Ministry of Finance (MoF) and the General Budget Department (GBD) in the Project will be phased in accordance with the willingness and ability of these public institutions to collaborate among themselves, with line ministries and other public agencies concerned. The programmatic technical assistance format is used for this purpose where a framework for the program has been developed to identify a set of component to be covered by the program, which is approved at the outset.

### Institutional and Implementation Arrangements

The project will be executed by the World Bank Task team comprising of Bank staff and selected international and local consultants who will provide the TA, including capacity-building, through TTT program.

The Task Team will recruit a full time national consultant who will be a core member of the task team and will be based in Amman. He/she will be responsible for the day-today management and coordination of the project. The task team will coordinate with all stakeholders at central and governorate levels.

The Task team will draft/validate the Terms of References (TORs) to commission consultants to deliver the technical assistance and capacity building activities. Implementation missions will be organized in regular intervals to ensure robust project implementation. The Bank’s Practice Manager for the Governance Practice in MENA will provide necessary oversight and guidance to the task team. In addition, the World Bank task team will keep the Country Director and Country Officer responsible for Jordan abreast of project implementation progress regularly. The Task Team will follow the World Bank’s standard operational policies and procedures, including procurement and financial management policies.

Key government institutions involved in public investment management shall oversee the adoption and implementation of the WBG’s technical assistance:

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1. Relevant mandate of the Ministry of Planning and International Cooperation (MoPIC):
   - To participate in the formulation of the economic and social general policy, and to develop the programs and plans that are needed to implement it.
   - To monitor national development programs through the improvement of various sectors in order to ensure the achievement of their goals and priorities.
   - To develop programs and mechanisms to build the institutional capacities of the ministries and government institutions that are involved in the implementation of development programs and projects on the national and local levels in the governorates and municipalities to ensure the consistency and implementation of the national plans and programs.
   - To participate in promoting the local development in order to achieve a high degree of developmental balance between the governorates, and to protect the middle class, fight against poverty and unemployment and improve the standards of living for the citizens of Jordan.
   - To improve the developmental policies and promote active participation in the overall development process and strengthen the role of civil society organizations to carry out their duties towards the local community.
   - To design and analyze a scientific comprehensive and integrated approach in a practical framework to study the reality of the development in the governorates to contribute to minimizing the development gap, and meeting the development priorities identified by the local communities, aligned with the comparative and competitive advantages that generate employment opportunities.

2. Relevant mandate of the Ministry of Finance (MoF)
   - Developing plans for the implementation of the state’s fiscal policy, in addition to following-up on meeting and collecting general revenue and transferring them to the Treasury. Furthermore, the ministry supervises the process of spending general revenues and regulates relevant accounts, in accordance with fiscal legislations.
   - Managing cash inflow to ensure liquidity and steer government investment, in a manner that is coherent with fiscal and monetary policies.
   - Examining and analyzing fiscal, monetary, and economic conditions, as well as evaluating policies and tax procedures.
   - Preparing the financial draft legislation relating to public revenue and public expenditure and working on its development.
   - Cooperating and coordinating with related specialized authorities in preparing and monitoring development, economic and social plans.
   - Achieving integration between the fiscal policy and the monetary policy to serve the national economy, through cooperating and coordinating with the Central Bank of Jordan (CBJ).
   - Cooperating and coordinating with related Ministries and Departments to train and qualify their personnel on financial and accounting skills.
   - Organizing and evaluating the participation of the private sector in the implementation of public projects effectively and efficiently and in accordance with the best international practices.
   - Managing the central government’s public debt in a manner that reduces the costs of borrowing and associated risk.
   - Participating in the development of the Public Debt Management Strategy.
   - Participating in negotiations and contracting of new loans and issuing domestic debt tools.
- Assuring the collection, remediation, and follow-up on both direct and guaranteed government debt.

3. **Relevant mandate of the General Budget Department (GBD):**
The General Budget Department aims at availing best allocation of available financial resources, in accordance with advanced methodologies that enable the ministries, departments and priorities, exceeding the expectations of service recipients.

**Project Objective**
The project objective is to provide TA and capacity building to the MoPIC, the MoF and the GBD to enhance the preparation, appraisal, selection, implementation and monitoring of public investment projects and PPP projects.

**Fit with transition Fund Objectives**
The objective of the transition fund is to help Jordan strengthen its governance, economic and social institutions by developing and implementing home-grown and country-owned reforms. This project supports the Government long-standing commitment to economic reforms in line with “Jordan 2025: A National Vision and Strategy”, to fiscal transparency through the effective management of the PIM-PPP governance framework ¹ officially adopted on April 8, 2015 (see diagrams below), and to improved management and accountability of public institutions.²

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¹ **Aim of the PIM/PPP Framework:** Establish a Public Investment Management/PPP decision process to cover project prioritization (based on Cost-Benefit Analysis and expenditure efficiency), financing modalities (e.g. on budget or through PPPs) and continuous monitoring of the fiscal affordability of all projects.

² Refer to Royal Discussion Papers, 2013, 2014 and 2016
The proposed project aligns closely with the Fund’s four pillars and overarching goal:

- **Enhancing economic governance**: The reform and strengthening of the PIM System (composed of PIPs and PPPs) operating under a unified PIM framework is at the center of economic governance reforms; and

- **Competitiveness and integration**: The project will support the planning and facilitation of infrastructure projects, particularly in the areas of urban infrastructure, transport, trade facilitation and private sector development.

- **Investing in sustainable growth**: Enhancing the business environment and promoting foreign investment.

- **Inclusive development and job creation**: Support of policies for integrating lagging regions, increasing youth employability, enhancing female labor force participation, integrating people with disabilities, vocational training, and promoting equitable fiscal policies.

The project’s activities unambiguously advance the Fund’s overarching goal, since the ultimate purpose of the envisioned technical assistance is to improve the lives of citizens and boost citizen trust in the Jordanian state. Moreover, it should also help - but indirectly - with increasing youth employability, female labor force participation, people with disabilities and vocational training. There are concrete and realistic linkages between better quality capital investments and economic growth and increased welfare.

Furthermore, the project’s activities advance the World Bank Group (WBG) Country Partnership Framework (FY17-FY22 CPF) goals, since the ultimate purpose of the envisioned technical assistance is to improve the lives of citizens and boost citizen trust in the Jordanian state. There are concrete and realistic linkages between better quality capital investments and economic growth and increased welfare. Given that the PIM-PPP action
The project is expected to run for a 3-year period, allowing sufficient time to engage in significant change and to have meaningful impact.

The amount initially requested is approximately USD 1,415,000 million over the 3-year program period. This will be split across the 2 program components.

**Component 1: Strengthening Public Investment Management (USD 1,000,000)**

The PIM-PPP system for Jordan should be developed as a comprehensive set of concepts, techniques, standards, and methodological procedures, and as a uniform information and document depository and management system for the formulation, preparation and evaluation of projects. In accordance with international best practices, it is proposed that the following activities be developed in Jordan to improve the current public investment procedures and to install an efficient PIM system in the country. These actions and correlated activities are proposed in a calendar for short- and medium-term implementation (2017–2019). This component aims to support the implementation of the following interventions: (i) Formalize the institutional setting for Jordan (establishing management functions inside the newly-created PIM Unit at MoPIC and with the PPP Unit at MoF); (ii) Develop capacity building in project design, appraisal and selection (PIM-PPP Train- The-Trainers program); (iii) Improve capital investment project design, appraisal and selection (Preparation of guidelines and corresponding excel spreadsheets when relevant); iv) Formalize the role of key performance indicators in the context of the new PIM system; (v) Improve public investment in term of project management (execution, monitoring, and follow up) and ex-post evaluation; (vi) Improve the registration of projects using the Integrated Bank of Projects; and (vii) Enhancement of the Jordan legal and regulatory framework of the PIM system.

**Component 2: Strengthening Capacity to Develop Viable and Sustainable Public Private Partnerships (USD 400,000)**

The PPP Country Readiness Diagnostic recently completed under PPIAF identified the development of a robust fiscal management planning framework as an important next step in improving the prioritization, planning, and fiscal oversight of PPP projects. The PPP Diagnostic also recommended the development of a centralized PIM process with a PPP filter and a Fiscal Commitments and Contingent Liabilities (FCCL) framework, and it is intended that these activities are incorporated into the scope of work for PPIAF 2. The effective implementation of this component will be done through the following interventions: (i) Formalize the institutional, procedural and decision making framework for Fiscal Commitments and Contingent Liabilities (FCCL) arising out of PPPs; and (ii) Hands-on learning from best practice.
I. STRATEGIC CONTEXT

A. Country and Sector Issues

Jordan’s is highly exposed to exogenous shocks, arising from its location and historical role in the MENA region. These shocks arise through spill overs from regional conflict, most recently from Syria and Iraq, commodity prices, and shifts in geopolitical relations. The shocks have magnified effect in Jordan due to its small size and proximity to major disturbances: when some relief valves are closed, others must carry even more weight. Jordan’s location and endowment also give rise to slower-to-develop vulnerabilities in areas such as water resources and climate change.

However, since 1990 (to 2014), real GDP growth averaged 4.9 percent, associated with per capita GDP growth of 2.2 percent. Political institutions are far deeper than they were in the 1980s, and society has proven resilient to several waves of difficult reforms and shocks since then. Jordan is primarily a service economy with a significant dependence on the public sector. Comprising mainly of small enterprises, the manufacturing sector accounted for an average of 19 percent of real GDP growth during the 2000-2014 period. There is very little heavy industry, as the only raw materials available in Jordan are phosphates and potash, which are processed for use as fertilizers. Other leading sectors included, transport and communication, contributing 15.9 percent of real GDP growth during the same period, financial services (15.4 percent) and real estate and construction (12.2 percent). Driven by the tourism sector, trade, restaurants and hotels contributed around 10 percent of GDP. Government services also constituted 10 percent of GDP, with empirical evidence pointing to a positive and significant impact on growth.

The manufacturing sector’s share of growth has been on a downward trajectory, from an average of 25.9 percent for the period 2000-2003, to 21 percent during 2004-2008, and then to 13.8 percent from 2009 to 2014. This retrenchment was largely counterbalanced by the financial sector, whose share of growth expanded from 11.4 percent to 16 percent to 17.5 percent, respectively for these same periods. Furthermore, the share of government services saw a decline during the high growth era (2004-2008), replaced by private sector activity, only to pick up again during the most recent slowdown. The Jordan 2025 Vision clearly indicates the government’s wish to increase the manufacturing share of the economy to 27 percent by 2025. But the means to achieve this will only become apparent in the executive development plans (EDP) of “Jordan 2025: A National Vision and Strategy”.

At the public sector managerial level, substantial effort on Public Financial Management (PFM) reforms has not yet found a balance between streamlined controls and limits on arrears. Instead, controls are often burdensome while arrears persist. In operationalizing its PFM modernization efforts, the Government of Jordan could benefit from focusing first on consolidating the effectiveness and enforcement of financial compliance systems. This includes the enforcement of budget expenditure commitment controls, addressing tax administration weaknesses that allow significant levels of tax evasion and arrears, and strengthening the skills of budget officers across the public sector. Looking ahead, a focus of PFM reforms on downstream service delivery (as opposed to central systems) seems necessary.

In recent years, the management of public investment has kept pace with broader changes in PFM. PIM in emerging countries has in the past focused mainly on public investment programs (PIP). But the old approach of dual budgeting has been abandoned in favor of an integration of capital and recurrent expenditure with medium-term financial frameworks, improving selection criteria and screening processes within sector resource envelopes and application of PIPs increasingly as a tool for overall public expenditure management. Although initially successful, this response ended up downplaying the strategic importance of public investment to the economy, exposing long-term and costly decisions – characteristics of many large infrastructure projects – to shorter-term political whims and ultimately threatening economic prosperity. Realization of this danger has led to the resurgence of a more strategic approach to the
management of public investment in which long-term priorities are more systematically identified. However, there are still some concerns about the quality of public investment and, therefore, its real impact on growth.

However, given the decline in public investment in Jordan, shortcomings in public investment management (PIM) are especially costly. Inefficiencies in PIM include: i) Poor project selection that does not transform into productive assets; ii) Unrealistic time schedules and consequent delays in completion; iii) Chronic under execution of capital projects; iv) Cost over-runs; and v) Neglect to operate and maintain created assets. These weaknesses relate to a range of areas of concern in the existing PIM system including: i) Politically motivated decisions in PIM process; ii) Lack of objective criteria for project selection; iii) Unclear lines of responsibility and accountability; iv) Shortages of project appraisal, procurement and management skills; v) Perverse incentives for project managers to underestimate risk; and vi) Lack of coordination between different levels of government.

Effective delivery Effective delivery of public capital is integral to achievement of Vision 2025 and the resilience components of the Jordan Response Plan (JRP). From the perspective of Jordan 2025 (“A Blueprint for Sustainable Growth and the Prosperity of all Jordanians”), improved PIM will be critical for Jordan’s ability to convert its financial support from abroad and its own budgetary resources into productive capital. Efficiency in capital expenditure has become increasingly important in the face of foreseeable public funding constraints in Jordan. Many arguments for fiscal space are explicitly about the need to boost public investment in physical assets such as public infrastructure and/or in social sector facilities (i.e. health, education, etc.) that contribute to improvements in human capital.

The central theme of needed improvements is to increase integration of public investment with broader policy objectives. Thus, while the quantity of investment will continue to be limited by fiscal space, the most significant challenge in Jordan’s current situation remains the achievement of a qualitative improvement in its public investments. Those projects should be funded or leveraged equivalently whether as traditional on-budget public procurement, or totally or partially by donors, or as public–private partnerships (PPPs). In all cases, the government needs to ensure that its investments promote welfare growth and reduce inequalities and unemployment, and that its fiscal risks are well managed. In this sense, improvements should contribute to integrating all line ministries and other government agencies in sector strategic planning of the system, as well as procurement processes, budget approvals and execution of public investment projects/PPPs, establishing a solid foundation for inter-sector coordination and budget integration, adjusted to Jordan’s priorities.

B. Alignment with the Transition Fund objectives

The objective of the transition fund is to help Jordan strengthen its governance, economic and social institutions by developing and implementing home-grown and country-owned reforms. This project supports the Government long-standing commitment to economic reforms in line with “Jordan 2025: A National Vision and Strategy”, to fiscal transparency through the effective management of the PIM-PPP governance framework 3 officially adopted on April 8, 2015 (see diagrams below), and to improved management and accountability of public institutions.4

1. Aim of the PIM/PPP Framework: Establish a Public Investment Management/PPP decision process to cover project prioritization (based on Cost-Benefit Analysis and expenditure efficiency), financing modalities (e.g. on budget or through PPPs) and continuous monitoring of the fiscal affordability of all projects.

2 Refer to Royal Discussion Papers, 2013, 2014 and 2016
The proposed project aligns closely with the Fund’s four pillars and overarching goal:

**Pillar 3 “Enhancing economic governance”:** Transparency, anti-corruption and accountability policies, public financial management and oversight, public sector audit and evaluation, integrity, procurement reform, regulatory quality and administrative simplification, investor and consumer protection, access to economic data and information, and reform of public service delivery in the infrastructure and social sectors. The reform and strengthening of the PIM System (PIM system = PIP + PPP) operating under a unified PIM framework is at the center of economic governance reforms.

**Pillar 1 “Investing in sustainable growth”:** Enhancing the business environment and promoting foreign investment.

**Pillar 4 “Competitiveness and integration”:** Planning and facilitation of cross-border infrastructure, and promoting and facilitating infrastructure projects, particularly in the areas of urban infrastructure, transport, trade facilitation and private sector development.

**Pillar 2 “Inclusive development and job creation”:** Support of policies for integrating lagging regions, increasing youth employability, enhancing female labor force participation, integrating people with disabilities, vocational training, and promoting equitable fiscal policies.

The project’s activities unambiguously advance the Fund’s overarching goal, since the ultimate purpose of the envisioned technical assistance is to improve the lives of citizens and boost citizen trust in the Jordanian state. Moreover, it should also help -but indirectly- with increasing youth employability, female labor force participation, people with disabilities and vocational training. There are concrete and realistic linkages between better quality capital investments and economic growth and increased welfare.
Furthermore, the project’s activities advance the World Bank Group (WBG) Country Partnership Framework (FY17-FY22 CPF) goals, since the ultimate purpose of the envisioned technical assistance is to improve the lives of citizens and boost citizen trust in the Jordanian state. There are concrete and realistic linkages between better quality capital investments and economic growth and increased welfare. Given that the PIM-PPP action plan also includes intense programs for facilitating concessional financing and private sector investment and driving for reform and risk appetite from private sector players, the project is well aligned with the CPF and Systematic Country Diagnostic (2016 SCD) priorities. It is also clear that the 2017-2019 PIM-PPP Action Plan is in line with the series of capital budget reforms in 2015-2017.

C. Alignment with Country’s National Strategy

The primary objectives of “Jordan 2025: A National Vision and Strategy” are to address the challenges of increasing living costs, poverty, and unemployment and ensure enhanced prosperity over the next 10 years. Vision 2025 envisions Jordan as an economic gateway to regional markets that takes advantage of free trade agreements signed with several countries. The most significant challenge that Jordan is confronting here is achieving a qualitative improvement in its public investments. To achieve accelerated, export-led growth, Jordan needs to improve its primary infrastructure and the efficiency and effectiveness of public investments. There is good evidence of inefficiency in PIM in terms of: i) poor selection of projects that do not transform into productive assets, ii) unrealistic schedules in ex-ante appraisal and consequent delays in completion, iii) chronic under-execution of capital projects, iv) cost over-runs, v) neglecting to operate and maintain created assets. In this context, the new PIM system for Jordan has been developed as a
comprehensive set of concepts, techniques, standards, and methodological procedures, and as a uniform information and document depository and management system for the formulation, preparation and evaluation of projects. In accordance with international best practices, this project will support the improvement of the current public investment procedures and install a complete PIM system in the country. Therefore, these actions and correlated activities are proposed in a calendar for short- and medium-term implementation (2017–2019).

Based on the Cabinet of Ministers’ decision (July 2016) to approve the 2017-2019 PIM Action Plan, on the PIM-PPP framework already approved on April 8, 2015, and the establishment of a PIM Unit at the Ministry of Planning & International Cooperation (MoPIC), it is critical to strengthen the current PIM system under the supervision of a joint consultative committee composed of representatives from the MoPIC (PIM Unit), the Ministry of Finance (MoF: PPP Unit), and the General Budget Department (GBD), in order to reach the objectives clearly defined in “Jordan 2025”. The key objective remains to accelerate the operational readiness and project pipeline development work, and the newly adopted PIM framework includes PPP policies that should develop the economy and facilitate growth as well as investment opportunities in Jordan.

Vision 2025 and its Executive Development Plans (EDPs) determine, in essence, the strategic and political decisions on how to allocate, over time and across sectors, the resources of the Nation. If this planning exercise is not conclusive and if it does not define the portfolio of projects to be financed, it risks becoming only a narrative wishful statement, void of practical application. Therefore, to consider Vision 2025’s strategic vision and inputs, the criteria, priorities and development objectives shall be key for the final project selection phase when the eligible investment projects (i.e. those that have received the seal of approval from the concerned PIM government agency) are selected for final yearly budget allocation.

II. PROJECT DESCRIPTION

A. Project Objective

The project objective is to provide TA and capacity building to the MoPIC, the MoF and the GBD to enhance the preparation, appraisal, selection, implementation and monitoring of public investment projects and PPP projects.

B. Project Components

**Component 1: STRENGTHENING PUBLIC INVESTMENT MANAGEMENT**

**Subcomponent 1.1:** Formalize the institutional setting for Jordan (establishing management functions inside the newly-created PIM Unit at MoPIC and with the PPP Unit at MoF)

A key issue in Jordan is that of coordinating the relationship between the PIM Unit in the MoPIC, the Public–Private Partnership (PPP) Unit in the MoF, and the ministries, departments and agencies (MDAs) that are sponsoring public investment projects (PIPs) and/or public-private partnership projects (PPPs). In this context, the priority remains the establishment of a cooperative relationship between the three main players, on the basis of clearly defined and complementary mandates. However, the strengthening of the respective PIM and PPP units will require a stronger technical coordination with MDAs in charge of the management of large investment projects, as Jordan moves towards a more centralized PIM architecture. A key issue is to help the authorities manage the interaction between PIM and sector policies, to ensure consistency and political buy-in.
The government strategy of further developing and gradually strengthening an efficient PIM /PPP system in Jordan should be based on the following policy activities:

- Ensure that public investments promote welfare growth and reduce inequalities and unemployment, and that fiscal risks are well managed.
- Integrate all line ministries, independent budget agencies and governorates in sector strategic planning in order to establish a solid foundation for inter-sector coordination and budget integration adjusted to country’s strategic priorities.
- Force all public investment to progress through a strengthened PIM system /PPP Unit that ensures specific quality controls, both in terms of technical effectiveness and economic efficiency. The PIM Unit shall be responsible for the functioning of the Stage-Gate filters, thus fulfilling its duty as PIM’s gate keeper.
- Ensure efficiency in resource allocation through the three main functions of the newly established PIM Unit (MoPIC): i) Registering, tracking and monitoring all public investment projects; ii) Supervising project preparation and evaluation, establishing standards for the preparation, evaluation and management of projects, organizing consultations on how to follow these standards, enforcing and improving the standards, providing continuous training programs and change management; and iii) Optimizing the use of shared organizational resources across all public investment projects listed in the EDP.
- Put the focus on Change Management (CM) considering that overall project success requires the changes to be used and sustainable. One of the principal effects of developing and implementing the new PIM system is that the system will, subject to configuration that includes the development of the Integrated Bank of Projects (IBP), introduce and define standard documented budget management business processes across all the functional areas in which it is implemented. This, therefore, requires a major change management effort to ensure that government officials will be able to transition from the current, often manual, processes and old practices to newly introduced and defined PIM system standard processes based on modern best practices. The critical elements of success in carrying out such a major CM effort will be the active support of senior leaders and operational managers, training, capacity development, and the ensuring of sustainability. The effectiveness of the support of senior leaders and operational managers will be a predictor of reform success. Training refers to the use of the actual application. Capacity development refers to a much wider effort designed to ensure users are enabled to migrate from current financial and budget management practices to the use of more modern methods, systems, and business processes.

**Subcomponent 1.2: Develop capacity building in project design, appraisal and selection (PIM-PPP Train- The-Trainers program)**

The complete the administration of a larger system involves greater and more sophisticated human resources. To do this, capacity building and training should be a crucial part of this challenge. In this sense, the implementation of a fully functioning PIM system will require skilled staff and training of existing civil servants. It is unlikely that these changes can happen simultaneously across all line ministries and governorates, and as such, decisions will need to be taken on which areas to prioritize on first.

The need to screen, appraise and select public investment projects that will create the highest economic and social returns requires government officials in Jordan to employ state-of-the-art practices and techniques in public investment preparation and appraisal. The dissemination of public investment preparation and appraisal expertise across government requires the training of selected professional staff in these skills.

**Subcomponent 1.3: Improve capital investment project design, appraisal and selection (Preparation of guidelines and corresponding excel spreadsheets when relevant)**

This action involves strengthening strategic planning across government and especially in those sectors
responsible for large infrastructure projects. To do this, it is recommended that a variety of project appraisal methodologies be developed (or updated) as soon as possible, including instructions, guidelines, methodologies and templates prioritizing those sectors and types of project that have the highest budgetary impact. The Jordan authorities shall insist on the use and compliance of these tools by all parties, including government agencies, consultants and donor agencies to improve the capital investment project design, appraisal and selection. The description of tasks, means of verification and costing is shown in the following table.

**Subcomponent 1.4: Formalize the role of key performance indicators in the context of the new PIM system.**

In the context of the PIM system installation, the Government of Jordan shall unify Key Performance Indicators (KPI) under one system (or model) and criteria for their conceptual definition. This KPI system must be linked to the planning and preparation phase of the projects.

Governments should typically frame the objectives of good PIM as comprising the following:
- Setting a budget plan for total government expenditure within the context of a macroeconomic framework; and, through firm budget execution procedures, limiting total outlays as closely as possible to the total budget plan;
- Achieving an allocation of resources among public expenditure programs that meets a combination of economic and social strategic goals;
- Ensuring the efficient delivery of public goods and services.

**Subcomponent 1.5: Improve public investment in term of project management (execution, monitoring, and follow up) and ex-post evaluation.**

The monitoring of the construction and implementation phases of projects is critical to ensuring efficient project execution and sufficient funding for the planned project, but it also feeds back information on unit costs, sources of delay, and other aspects at the project design and appraisal stages that will inform the design and appraisal of future projects.

**Subcomponent 1.6: Improve the registration of projects using the Integrated Bank of Projects**

The *Integrated Bank of Projects* (IBP) should contribute to improving and strengthening planning capacity, prioritizing and making informed investment decisions related to the government’s portfolio of projects. An IBP is the backbone supporting the management of any PIM system through a registry of project files for which funding is being applied (annually or multi-annually). Also, it should become the only input window of projects into the system, and allow the tracking of projects through the entire development life cycle (it reflects the actual status of each project because it is permanently being updated). This action is aimed at improving the strategic allocation of resources, helping to solve the weaknesses in effective integration among budgets.

The IBP supports the management of the PIM system through a registry of projects for which funding (annual or multi-annual) has been requested. Also, it should contribute to improving and strengthening planning capacity, prioritizing and making informed investment decisions related to the government’s portfolio of projects. The IBP enables the development of aggregate and specific analysis of public investment, providing information of various kinds for activities in operational control and management analysis. The information in the database should reflect an updated, current status of each project. For that, every project must keep its ID code and name unchanged throughout its entire life in order to be unambiguously identified at all times. The ID code is provided automatically by the IBP System and the name is given by the sponsoring agency, but it must comply with strict regulations. Initially, IBP should manage the basic information of the project files, but, with successive improvements, by the end of
approximately three years the populated database should provide robust statistics for the preparation of reports and aggregate analysis for capital investment decision-making. It is important to note that the IBP database should be useful for ex-ante project appraisal and for ex-post project evaluation; also, it must be linked to the overall KPI system.

This IBP system should be compatible with the current MOPIC systems at the governorate level (project monitoring system and regional information system).

**Subcomponent 1.7: Enhancement of the Jordan legal and regulatory framework of the PIM system**

The PIM SYSTEM must be overwhelmingly rooted in the federal legal system of Jordan; therefore, it is important to start drafting amendments into the existing laws as soon as possible to adapt them to the challenge of implementing a full-fledged PIM system. Whether good project appraisal is conducted depends critically on avoiding the lobbying of politicians and officials who might demand that a project be executed even before it is evaluated, approved and budgeted. The only reasonable constraint on biased interference are institutionally robust arrangements for project evaluation and approval as part of a broader approach to budget formulation and management. It is recommended that a gradual legal framework adaptation be developed in parallel with the other actions on the Action Plan, in recognition that the evolution of a PIM system is organic. In this sense, the legal guidelines should be worked up and formalized to ensure that the benefits of the PIM system are fully realized.

**Component 2: Strengthening Capacity to Develop Viable and Sustainable Public Private Partnerships**

Component 2 activities are composed of only two sub-activities of: (i) Formalizing Fiscal Commitments and Contingent Liabilities (FCCL) arising out of PPPs in sub-component 2.1; and (ii) Hands on learning from study tours in sub-component 2.2. However, the current project is expected to receive additional funding from the Public Private Infrastructure Advisory Facility (PPIAF) that will create links between the proposed activities and further enrich the project expected delivery. For example, while developing a manual (FCCL) in 2.1 is important, one needs to eliminate the risk that the manual does not work in practice without further institutional settings supporting its implementation. Therefore, some additional activities might be needed to support formalizing an institution for making FCCL effectively adopted and implemented in practice.

1. **Fiscal Management Planning Framework**: The PPP Country Readiness Diagnostic completed under PPIAF identified the development of a robust fiscal management planning framework as an important next step in improving the prioritization, planning, and fiscal oversight of PPP projects. The PPP Country Diagnostic recommended the development of a centralized PIM process with a PPP filter and a Fiscal Commitments and Contingent Liabilities (FCCL) framework, and it is intended that these activities are incorporated into the scope of work for PPIAF 2.

   **FCCL Framework and Practice Manual**: The management of fiscal commitments to PPPs via current and capital expenditures in Jordan is governed by the Organic Budget Law and the General Budget Law, while the management of fiscal commitments via guarantee instruments is governed by the Public Debt Management Law. It is unclear how PPP contingent liabilities would be captured under any of these laws. Thus, the PPP Country Readiness Diagnostic determined that there was no integrated framework for the programmatic management of FCCL for PPPs in Jordan, and no clear consideration of how government financial support would fit within GoJ’s debt management strategy. To address this issue, there is a need for the development of an FCCL framework and practice manual that will allow GoJ to properly assess, measure, monitor, and manage the fiscal impact of PPPs in
Jordan. This should be complemented with the provision of software etc. needed to operationalize the framework.

2. **Training and South-South Exchanges:** To facilitate internalization and operationalization of the tools and framework identified above, training programs on these tools and framework instruments will be organized with specialized experts, together with South-South Exchanges to other countries with well-functioning applicable systems, where such initiatives can be seen to have a concrete impact of GOJ staff directly responsible for delivery of the roles and responsibilities set out by the tools and framework instruments.

**Subcomponent 2.1: Formalize the institutional, procedural and decision making framework for Fiscal Commitments and Contingent Liabilities (FCCL) arising out of PPPs**

With private sector investment, public financing requirements for infrastructure can be spread over a longer time horizon leading to a faster expansion of infrastructure service provision; however, the government will almost always bear some risks or provide fiscal support. If such commitments are not well managed, the potential advantages of PPPs can be eroded. Fiscal commitments to PPPs can be regular payments constituting all or part of the remuneration of the Private Party, a means to share risk, or a combination of the two.

**Subcomponent 2.2: Hands-on learning from best practice**

Undertake Study Tours to undertake hands-on learning in the FCCL and PIM4 PPP areas

**C. Key Indicators Linked to Objectives**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Indicators</th>
</tr>
</thead>
</table>
| To improve the efficiency of Public Investment Management (PIM = PIP + PPP) at national level. | - Proportion of new projects that are inscribed in the 3-year Executive Development Plan (EDP) and budget that used the selection criteria (versus the proportion of older projects).  
- The length of time it takes to select, prepare, implement a PIP-PPP project.  
- Number of projects prepared under the new structure and that benefited from good coordination. |
| To increase government transparency and accountability in public financial management. | Share of on-going and new Public Investment Projects (PIP) and Public-Private Partnership Projects (PPP) registered in the newly-developed Integrated Bank of Projects (IBP). |
| PIM Unit (MoPIC) and PPP Unit (MoF) to gradually support all Ministries, Departments Agencies and SOE (MDA’s) in managing public investment through the newly adopted Unified PIM framework. | Proportion of new PIP/PPP projects receiving TA/advisory by PIM Unit (MoPIC) and PPP unit (MoF). |
III. IMPLEMENTATION

A. Partnership Arrangements

Project activities will be implemented by the World Bank team in close coordination with several groups of stakeholders – from the Jordanian Government, the donors’ community, and the private sector. Jordanian Government stakeholders include the MoPIC, the GBD, the PPP Unit and the Public Debt Directorate within the MoF, the General Tender Directorate (GTD), the General Supplies Department (GSD), the Joint Procurement Directorate (JPD), the PPP Council, Cabinet, the Jordan Investment Commission (JIC), and the Institute of Banking Studies (Central Bank of Jordan). It is also expected to involve the governorate level at a later stage of intervention.

The World Bank task team will also coordinate with the donors’ community and partnerships will be explored with the private sector, especially for PPP activities, at both national and regional and global levels. Finally, additional partnerships will also be explored with other international development partners (OECD, etc.) to enhance budget transparency, accountability, and community participation.

B. Institutional and Implementation Arrangements

The project will be executed by the World Bank Task team comprising of Bank staff and selected international and local consultants who will provide the TA, including capacity-building, through TTT program.

The Task Team will recruit a full time national consultant who will be a core member of the task team and will be based in Amman. He/she will be responsible for the day-to-day management and coordination of the project. The task team will coordinate with all stakeholders at central and governorate levels.

The Task team will draft/validate the Terms of References (TORs) to commission consultants to deliver the technical assistance and capacity building activities. Implementation missions will be organized in regular intervals to ensure robust project implementation. The Bank’s Practice Manager for the Governance Practice in MENA will provide necessary oversight and guidance to the task team. In addition, the World Bank task team will keep the Country Director and Country Officer responsible for Jordan abreast of project implementation progress regularly. The Task Team will follow the World Bank’s standard operational policies and procedures, including procurement and financial management policies.

Key government institutions involved in public investment management shall oversee the adoption and implementation of the WBG’s technical assistance:

Relevant mandate of the Ministry of Planning and International Cooperation (MoPIC):
- To participate in the formulation of the economic and social general policy, and to develop the programs and plans that are needed to implement it.
- To monitor national development programs through the improvement of various sectors in order to ensure the achievement of their goals and priorities.
- To develop programs and mechanisms to build the institutional capacities of the ministries and government institutions that are involved in the implementation of development programs and projects on the national and local levels in the governorates and municipalities to ensure the consistency and implementation of the national plans and programs.
- To participate in promoting the local development in order to achieve a high degree of developmental balance between the governorates, and to protect the middle class, fight against poverty and unemployment and improve the standards of living for the citizens of Jordan.
- To improve the developmental policies and promote active participation in the overall development process and strengthen the role of civil society organizations to carry out their duties towards the local community.
- To design and analyze a scientific comprehensive and integrated approach in a practical framework to study the reality of the development in the governorates to contribute to minimizing the development gap, and meeting the development priorities identified by the local communities, aligned with the comparative and competitive advantages that generate employment opportunities.

**Relevant mandate of the Ministry of Finance (MoF)**
- Developing plans for the implementation of the state’s fiscal policy, in addition to following-up on meeting and collecting general revenue and transferring them to the Treasury. Furthermore, the ministry supervises the process of spending general revenues and regulates relevant accounts, in accordance with fiscal legislations.
- Managing cash inflow to ensure liquidity and steer government investment, in a manner that is coherent with fiscal and monetary policies.
- Examining and analyzing fiscal, monetary, and economic conditions, as well as evaluating policies and tax procedures.
- Preparing the financial draft legislation relating to public revenue and public expenditure and working on its development.
- Cooperating and coordinating with related specialized authorities in preparing and monitoring development, economic and social plans.
- Achieving integration between the fiscal policy and the monetary policy to serve the national economy, through cooperating and coordinating with the Central Bank of Jordan (CBJ).
- Cooperating and coordinating with related Ministries and Departments to train and qualify their personnel on financial and accounting skills.
- Organizing and evaluating the participation of the private sector in the implementation of public projects effectively and efficiently and in accordance with the best international practices.
- Managing the central government’s public debt in a manner that reduces the costs of borrowing and associated risk.
- Participating in the development of the Public Debt Management Strategy.
- Participating in negotiations and contracting of new loans and issuing domestic debt tools.
- Assuring the collection, remediation, and follow-up on both direct and guaranteed government debt.

**Relevant mandate of the General Budget Department (GBD):**
The General Budget Department aims at availing best allocation of available financial resources, in accordance with advanced methodologies that enable the ministries, departments and priorities, exceeding the expectations of service recipients.
## Project Budget and Financials

<table>
<thead>
<tr>
<th>Cost by Component</th>
<th>Transition Fund World Bank (USD)</th>
<th>Total (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1: Strengthening public investment management</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Component 2: Strengthening capacity to develop viable and sustainable public private partnerships</td>
<td>$400,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Grant administration</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>$1,415,000</strong></td>
<td><strong>$1,415,000</strong></td>
</tr>
</tbody>
</table>
D. Results Framework and Monitoring

The World Bank Task Team will put in place robust monitoring and evaluation arrangements for the project:

ؤول Quarterly monitoring and progress reports will be prepared by the Task team and submitted to the Transition Fund and World Bank management.

ؤول A mid-term review will be carried out by the World Bank to assess and draw lessons from the project and provide an opportunity to adopt any actions that may be required to ensure that the project meets its development objectives.

ؤول An Implementation Completion Report will be prepared by the Task Team at the end of the project.

<table>
<thead>
<tr>
<th>Project Development Objective (PDO)</th>
<th>PDO Level Results Indicators*</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator One: Government bodies and institutions received support services related to PIM-PPP governance framework.</td>
<td>%</td>
<td>0</td>
<td>25%</td>
<td>40%</td>
<td>80%</td>
<td>Not Relevant</td>
<td>Not Relevant</td>
<td>Half-yearly</td>
</tr>
<tr>
<td>Indicator Two: Public sector staff trained in various PIM-PPP topics</td>
<td>Number</td>
<td>0</td>
<td>25</td>
<td>100</td>
<td>150</td>
<td>Not Relevant</td>
<td>Not Relevant</td>
<td>Half-yearly</td>
</tr>
<tr>
<td>Indicator Three: Develop documents with guidelines on PIM-PPP system framework in relation to project appraisal.</td>
<td>Number</td>
<td>0</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>Not Relevant</td>
<td>Not Relevant</td>
<td>Half-yearly</td>
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<tr>
<td><strong>Indicator Four:</strong> Proportion of new projects that are inscribed in the 3-year Executive Development Plan (EDP) and budget that used the selection criteria (versus the proportion of older projects).</td>
<td>%</td>
<td>0</td>
<td>10%</td>
<td>15%</td>
<td>25%</td>
<td>Not Relevant</td>
<td>Not Relevant</td>
<td>Half-yearly</td>
</tr>
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<tr>
<td><strong>Indicator Five:</strong> Share of ongoing and new Public Investment Projects (PIP) and Public-Private Partnership Projects (PPP) registered in the newly-developed Integrated Bank of Projects (IBP).</td>
<td>%</td>
<td>0</td>
<td>10%</td>
<td>20%</td>
<td>40%</td>
<td>Not Relevant</td>
<td>Not Relevant</td>
<td>Half-yearly</td>
</tr>
<tr>
<td><strong>Indicator Six:</strong> Proportion of new PIP/PPP projects receiving TA/advisory by PIM Unit (MoPIC) and PPP unit (MoF).</td>
<td>%</td>
<td>0</td>
<td>10%</td>
<td>25%</td>
<td>50%</td>
<td>Not Relevant</td>
<td>Not Relevant</td>
<td>Half-yearly</td>
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</tbody>
</table>
## INTERMEDIATE RESULTS

### Intermediate Result (Component 1: Strengthening Public Investment Management)

<table>
<thead>
<tr>
<th>Intermediate Result Indicator</th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>One: % of PIM process re-engineered</td>
<td>%</td>
<td>0</td>
<td>25</td>
<td>60</td>
<td>100</td>
<td>Not Relevant</td>
<td>Not Relevant</td>
</tr>
<tr>
<td>Two: % of projects that were selected using the simplified criteria</td>
<td>%</td>
<td>0</td>
<td>25</td>
<td>50</td>
<td>100</td>
<td>Not Relevant</td>
<td>Not Relevant</td>
</tr>
</tbody>
</table>

### Intermediate Result (Component 2: Strengthening Capacity to Develop Viable and Sustainable Public Private Partnerships)

<table>
<thead>
<tr>
<th>Intermediate Result Indicator</th>
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<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>One: Guideline manual for FCCL developed and disseminated</td>
<td>%</td>
<td>0</td>
<td>25</td>
<td>50</td>
<td>100</td>
<td>Not Relevant</td>
<td>Not Relevant</td>
</tr>
</tbody>
</table>