

Action Fiche for Jordan

1. IDENTIFICATION

Title	Support to Democratic Governance
Total cost	EU contribution: EUR 10,000,000
Aid method / Method of implementation	Partially Decentralised Management
DAC-code	15110 Public sector policy and administrative management 15112 Decentralisation and support to sub- national government 15150 Democratic participation and civil society

2. RATIONALE

2.1. Sector context

Background

The Parliament was dissolved midway through its term by King Abdullah II on 23 November 2009. This dissolution was followed by the establishment of a new Government led by the newly appointed Prime Minister, Mr Samir Rifai. The King instructed the government to amend the Electoral Law in preparation for the parliamentary elections expected to take place in the last quarter of 2010.

Meanwhile, the highly expected draft of the decentralisation plan has been released in December 2009. However, this draft plan is yet to be approved by the Cabinet. According to the draft plan the decentralization process will take place at Governorate level. It will materialize through the creation of 4 different Councils at Governorate level (existing municipal councils are maintained). The dissolution of Parliament creates an opportunity for broader participation in dialogue concerning the nature and structure of democracy in Jordan. There is interest among Non-State Actors (NSAs) to engage with the Ministry of Political Development in campaigns to promote free and transparent elections, and especially to involve women, youth and excluded groups in this process. This provides an entry point for a broader debate concerning the importance of citizen participation in all aspects of the policy process as an essential component of sustainable development.

Problem analysis

The main problems affecting the Chamber of the Deputies (CoD) include inadequate policy, technical, and organisational skills to perform the respective role of Deputies in a competitive, efficient, and effective manner. Important weaknesses also exist at the level of parliament's committees functioning that have fundamental limited oversight actions.

The relationships between the Members of Parliament (MPs) and their constituents are somehow non-existent in terms of gathering citizens' expectations. Therefore, the role of representation of the MPs needs to be strengthened, especially towards citizens' associations, non-governmental organisations (NGOs) and trade unions. Finally, the expected decentralisation law will have a significant impact on the role of the MPs which will be more focused on formulation of policies at national level. The newly elected MPs will need to be properly trained on their new role considering the existence of the Local Councils.

The future Local Councils in Governorates (expected to be elected during 1st quarter of 2011) as well as the other structures pertaining to the decentralisation process, will need institutional and technical capacity building activities. As it is presented now, the decentralisation process will be led by the Ministry of Interior and will take place at Governorate level. The Local Councils will be composed of 30 members (20 elected among which 3 mayors from the Coordinating Councils + 10 appointed by the Cabinet upon Governor's recommendation and selected from NSAs). Those Councils will be in charge for a 4-year term of developing a vision for the development of governorates, in coordination with the other decentralised structures (Executive Councils, Coordinating Councils of Mayors of Municipalities).

Jordan has more than 3,000 civil society organisations. According to the Mapping Study of community based organisations (CBOs) in Jordan (EU 2009 project) 4 sub-groups are identified: Grassroots-local community based organisations; national NGOs; umbrella organisations, and platforms. The key challenge is the weak and inconsistent role of the civil society to contribute actively to public policy development, monitoring and implementation. Existing mechanisms for on-going state/non-state/donor dialogue are in place but need strengthening and systematising to ensure that NSAs are aware of entry points for citizen voice, especially for CBOs.

Gender equality is an important component of the NIP and since the gender gap between males and females in Jordan remains a challenge, there is a need to promote a policy of gender mainstreaming initiatives. Most of the Jordanian NSAs have noted the need to involve women in decision-making process at all levels, and the 30-40 NGOs that represent women's interests will play a vital role in the 2010 election process by enhancing the participation of women as voters and as candidates. The challenge after the elections will be to maintain the gender mainstreaming and to provide the new members of the Parliament and the Local Councils with adequate tools and skills for promoting women's rights and including them in the legal framework.

2.2. Lessons learnt

The proposed project was elaborated based on the assessment of the problem and stakeholders analysis and taking into consideration lessons learned from ongoing and past projects.

The NGOs in Jordan have already been the recipient of extensive investment in capacity building yet with limited results. A major constraint is that training tends to be donor driven and thus feeds the demand from NGOs to become implementing partners for donor grants. As a result, many NGOs actually spend most of their time attending workshops, drafting proposals and implementing short term projects.

Capacity building for NGOs should aim to enable marginalised groups to participate directly in dialogue, and to influence decisions, rather than enabling NGOs to speak on their behalf. Therefore, in terms of support to NSAs, it is crucial to include a component of dialogue with communities in order to avoid the NGOs to loose track of the reasons of their constitution.

Some of the ROM recommendations which have been formulated for the last Decisions on "Support to Human Rights and Good Governance in Jordan" have been taken into consideration in the present project, such as not to limit the provision of training to NGOs to European Commission procedures, but also to advocacy and lobbying activities. The present project will also avoid the multiplication of small-scale operations and will concentrate on the project's key activities.

2.3. Complementary actions

The project is complementary and builds on the results of the following EU-funded projects:

- *"Human Rights and Good Governance"* Programme (EUR 5 million) – status: ongoing. A Call for Proposals 'Strengthening the Role of Jordanian Civil Society in Public Policy' (EUR 1 million) was launched in 2009 to 'promote public policy development through a participative involvement of the civil society'.
- The EU is currently funding several projects in support of the CSOs under geographical and thematic financial instruments (ENPI, EIDHR, NSA-LA). The budget amounts approximately to EUR 8 million.
- *"Poverty Alleviation through Local development Program"* (PALD) – EUR 30 million – The Programme was completed as a budget support in December 2009. It mainly focused on poverty alleviation at the municipal level by creating a favourable environment for productive activities.
- *"Building development capacities for Jordanian municipalities"* (Baladiaty-2007) – EUR 3 million - This project comes as a follow-up measure to the PALD programme by enabling the promotion of employment opportunities and private sector development at the municipal level.
- *"Promoting Local Economic Development in Jordan"* (PLEDJ-2010) – EUR 5 million – This project is the successor of Baladiaty and aims at promoting and supporting local economic development initiatives and activities through collaborative partnerships between the municipal, community and private sector.

The project is also complementary with ongoing projects funded by other donors:

- *"Legislative Strengthening Project"*, funded by USAID (Budget US\$ 12 million), implemented by the 'State University of New York'.
- *The National Democratic Institute* (NDI) is implementing a project to support political parties in Jordan. One of the main interventions focused on ethics and accountability and resulted in the elaboration and adoption of a code of conducts

for the MPs. The project has a budget US\$ 300,000. It started in 2006 and finished in 2009.

- *"Support to the Capacity Building of the Lower House of Parliament – Phase II"* funded by CIDA (Budget of US\$ 230,000), implemented by UNDP.
- *"Strengthening the Jordanian Civil Society"* grant scheme programme, funded by USAID (Budget US\$ 10 million), implemented by the 'Academy for Educational Development'.

2.4. Donor coordination

Donor coordination in Jordan involves regular meetings within the framework of the 'Donor and Lenders Consultation Group' (DLCG), for which UNDP provides secretariat support. A subgroup on good governance was recently established within the DLCG. Donor coordination results in effective information sharing. In 2008, the Ministry of Planning and International Cooperation (MoPIC) established government-donor coordination working groups in different thematic areas, including good governance. The working groups meet on a yearly basis. An on-line information system (Jordan Aid Information Management System (JAIMS)) open to all donors' aid programmes has been set up and is expected to be up and running early 2010.

Besides these structured meetings, a regular consultation with various stakeholders and the civil society takes place on a daily basis. Currently, contacts from the American Embassy in Amman and USAID are on the increase and coordination is ensured with the Academy for Educational Development. It is particularly important for the sector of good governance since the US are active in the area of civil society support and monitoring of elections.

3. DESCRIPTION

3.1. Objectives

The Overall Objective is to support democratic governance in Jordan.

The Specific Objectives are:

Component 1: To strengthen the institutional and administrative capacity of the Chamber of Deputies (CoD);

Component 2: To build the institutional capacity of decentralised structures in all Governorates;

Component 3: To support Non State Actors (NSAs) to act as an effective drive for good governance and accountability.

3.2. Expected results and main activities

Expected Results are:

Component 1

- Enhanced efficiency, effectiveness, accountability, transparency of the CoD and of the Local Councils;
- Enhanced functioning of the Secretariat of the CoD;
- Enhanced functioning of the CoD and Local Councils committees;
- Strengthened interactions and accountability between the CoD/Local Councils and their constituents;
- Strengthened interactions between the CoD and the EP and EU Member States' Parliaments;
- Enhanced participation of women in the work of the CoD and Local Councils.

Component 2

- Developed institutional capacity of the decentralisation structures in Governorates.
- Developed capacity of the elected council's members in strategic planning, budget analysis and monitoring;
- Participatory development plans have been properly elaborated in Governorates (interaction with citizens);
- Local productive projects have been established;
- Recommendations and proposals to ensure better performance of the ministries departments and public institutions have been developed;
- Strengthened policy dialogue at governorate levels and increased public participation and women involvement.

Component 3

- Enhanced policy dialogue between Government and NSAs;
- Enhanced policy dialogue between Local Councils and CBOs;
- NSAs contribute significantly to public policy development, monitoring and implementation;
- Enhanced awareness of citizens political and civil rights;
- Enhanced women participation in the political and social life;
- Strengthened technical and advocacy capacity of NSAs.

The main activities include:

Component 1:

- Prepare and deliver a capacity and institutional building project to strengthen the administrative capacity of the CoD and Local Councils' members and Secretariat staff of the CoD;
- Facilitate the establishment of forum for discussion between CoD / Local Councils and civil society representatives;
- Establish a mechanism of coordination between the CoD, the decentralised structures and the NSAs;
- Facilitate the establishment of contacts/interactions between the CoD, the European Parliament and EU Member States Parliaments;
- Prepare and deliver activities to promote gender mainstreaming in the development of policies and to emphasize the role of women in civic and public spheres.

Component 2:

- Prepare and deliver a capacity and institutional building project to strengthen the decentralised structures in Governorates and their secretariats;
- Prepare and deliver actions to develop the capacities of the council's members in strategic planning, budget analysis and monitoring;
- Prepare and deliver actions to strengthen the capacity of the Development Unit at Governorates.

Component 3¹:

- Prepare and deliver actions to support NSAs inputs into public policy formulation, monitoring and implementation;
- Prepare and deliver actions to enhance the awareness of citizens political and civil rights;
- Prepare and deliver actions to enhance women participation in the political and social life;
- Prepare and deliver a capacity building project to strengthen the managerial, operational and advocacy skills of NSAs, including lobbying activities, NGOs network development and CBOs participation.

3.3. Risks and assumptions

- Peace and stability in the country/region.
- Full political support from the Government of Jordan.
- Continuous commitment from the Government of Jordan to the National Agenda, the EU-Jordan ENP Action Plan, and provides the necessary resources for their implementation.

¹ The activities of Component 3 will be more detailed once the Mapping Study of CSOs is finalized.

- Organisation and holding of Legislative Elections in 2010 and Local Council's elections in 2011.
- Finalisation and approval of the draft decentralisation plan.
- EU Member States express interest in the proposed projects and second qualified experts.
- Beneficiary institutions provide the necessary human, material and financial support to the project.
- Good coordination among the main stakeholders.
- Public education and awareness and information campaigns on civil and political rights and women rights are understood /accepted by the local communities.

3.4. Crosscutting Issues

Gender Equality and Human Rights:

Based on fundamental principles of promotion of equality and struggle against discrimination, this programme will be equally accessible to all, regardless of gender, race, ethnicity, religious belief, disability, age or sexual orientation. While implementing the project activities and, to the extent applicable, the beneficiaries of the programme will ensure that gender disaggregated data will be made available to carry out an analysis of the social and economic impact of the actions undertaken.

Moreover, all the components of the Programme specifically target gender equality. The project will ensure that women and men elected members and staff of the CoD Secretariat and of the Local Councils will have equal opportunities to benefit from the capacity building activities. Specific workshops/seminars will target women elected members to enhance the women participation in the political life.

Protection of the environment:

The activities of the programme will exclude any action implying damage to the environment, as well as any company or organisation which does not respect the current national legislation on environmental protection.

3.5. Stakeholders

The key target groups and stakeholders are as follows:

- Component 1: Secretariat of the Chamber of Deputies, Chamber of Deputies committees (14 in total among which 2-3 are expected to be targeted) and civil society organisations.
- Component 2: The 12 future Local Councils, Development Units at the Governorates, Executive Councils in the Governorates (12), Coordinating Councils of the Mayors of Municipalities, Ministry of Municipal Development, Ministry of Public Sector Development, Ministry of Finance, Ministry of Planning and International Cooperation, Ministry of Interior, and the civil society organisations.
- Component 3: The Non-State Actors in Jordan, the decentralised structures and the Ministry of Political Development.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

Partial decentralised management through the signature of a financing agreement with the Ministry of Planning and International Cooperation. The contracts shall be concluded by the Beneficiary, except for the Technical Assistance and the monitoring, audit and evaluation contracts, which shall be concluded by the European Commission on behalf of the Beneficiary.

The Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts > 50,000 EUR and may apply ex post for procurement contracts • 50,000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The Responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
< 300,000 EUR	< 150,000 EUR	< 200,000 EUR	• 100,000 EUR

4.2. Procurement and grant award procedures

(1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents lay down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI². Further extensions of this participation to other natural or legal persons by the relevant authorising officer shall be subject to the conditions provided for in art. 21(7) of the ENPI regulation.

(2) Specific rules for grants

² REGULATION (EC) No 1638/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument, OJ L 310 of 9/11/2006.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

(3) Specific rules on programme estimates:

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question (i.e. the Practical Guide to procedures for programme estimates).

4.3. Steering Committees

A steering committee shall be set up to oversee and validate the overall direction and policy of the project every year. The project steering committee will be chaired by the Ministry of Planning and International Cooperation and shall be made up of representatives of the following institutions: Ministry of Planning and International Cooperation; Ministry of Political Development; Secretariat of the Chamber of Deputies; Local Councils. A representative of the EU Delegation will participate with observer status.

The MoPIC shall specify in the Overall Work Plan the Steering Committees' composition and rules of procedure. In addition a specific steering committee shall be set up for each component of the project to oversee and validate the direction and policy twice a year.

4.4. Budget and calendar

The total indicative cost of the project is **EUR 10,000,000**.

Indicative Budget Breakdown

Components	Implementation modality	Total Budget in EUR
Component 1 (Chamber of Deputies)	Grant to be awarded mainly through a Call for Proposals restricted to EU Member States' Parliaments and public mandated bodies <u>or</u> service contract (decentralised).	1,500,000
Component 2 (Local Councils)	- Grants to be awarded mainly through a Call for Proposals (decentralised) - Service Contract(s) (decentralised)	4,400,000
Component 3 (NSAs)	- Grants to be awarded to NSAs through Call(s) for Proposals (decentralised) - Service Contract(s) (decentralised)	2,500,000 900,000
Monitoring, Audit and Evaluation (for the 3 components)	Service contract(s) (centralised)	200,000
Technical assistance (for the 3 components)	Service contract(s) (centralised)	200,000
Visibility and Communication	(centralised)	50,000
Contingency	(centralised)	250,000
Grand Total		10,000,000

Calendar

The execution period of the programme will include an operational implementation phase which will start from the entry into force of the Financing Agreement, and will have duration of maximum 48 months during which all projects will be carried out.

4.5. Performance monitoring

- (a) Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. To this aim, the Beneficiary shall establish a permanent internal, technical and financial, monitoring system to the project, which will be used to elaborate the progress reports.
- (b) Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external monitoring ROM system on a regular basis.

4.6. Evaluation and audit

The European Commission will carry out a final evaluation of the programme. The European Commission may also carry out a mid-term evaluation if deemed necessary. Both evaluations will be carried out by independent consultants recruited directly by the Commission under specific Terms of Reference.

4.7. Communication and visibility

The necessary visibility, public relations and publicising activities will be undertaken to ensure that actions supported by the European Union (EU) incorporate information and communication activities designed to raise the awareness of specific or general audiences of the reasons for the action and the EU support for the action in Jordan, as well as the results and the impact of this support. To this end, appropriate use will be made of the "Communication and Visibility Manual for EU External Actions" in consultation with the EU Delegation in Jordan.

Action Fiche for Jordan

1. IDENTIFICATION

Title	Promoting Local Economic Development in Jordan (PLEDJ)	
Total cost	EU contribution: EUR 5,000,000	
Aid method / Method of implementation	Partially Decentralised management	
DAC-code	15010	Economic and Development Planning
	15150	Civil Society

2. RATIONALE

2.1. Sector context

The sectoral context of the project is closely linked to developments in three key areas, which are those of decentralisation, municipal reform, and local development.

Decentralisation has been on the agenda of the Government of Jordan for a considerable amount of time, and is among the flagship priorities of the political reform agenda of the new Government which has been in place since December 2009. However, decentralization is a multidimensional concept and process and it involves many stakeholders. In the past few years, many steps have been taken towards decentralisation and particularly to enhance local development and poverty alleviation. While these steps have been justified individually, the way they were interlinked and would work out collectively was not spelled out in a coherent and comprehensive policy framework. The envisaged Decentralisation Plan (DP) is expected to address these issues³. According to the draft plan⁴, the decentralization process, led by the Ministry of Interior, will strongly revolve around redefining and institutionalising the role and functions of the Governorate in local development. In addition to the existing municipal councils, it will entail amongst others the establishment of four (4) different councils at Governorate level. Another element will be the establishment of neighbourhood committees at municipal level. The aim is to better involve all segments of the communities in the municipal decision-making process.

With regard to *municipal reform*, major operations have been carried out in the 1990s and 2000s aimed to restructure local government (such as amalgamation process reducing the number of municipalities to 93). At the same time, the Ministry of

³ A summary outline of the DP has been presented to the press (Amman News, 1st December 2009).

⁴ The draft plan is yet to be approved by the Cabinet.

Municipal Affairs (MoMA) was itself restructured and reorganised in terms of its main functions and operational procedures.

In the area of *local development*, the Government over the last few years provided efforts to tackle inequalities in development (regional imbalances in resources, socio-economic conditions, employment opportunities etc). A number of national poverty reduction programmes as well as several donor programmes have addressed the improvement of living conditions and overall quality of life of the people of Jordan.

2.2. Lessons learnt

In the three above-mentioned areas several initiatives have been taken in the last five to ten years. The main lessons learnt include the following:

- The delivery structure for local development support was orientated strongly along vertical lines (ministries and others);
- In the past, initiatives and incentives for local development have tended to bypass municipalities as a key actor at local level;
- Turnover of staff working in Local Development Units (LDUs) is high (15 out of 21 municipalities included in the assessment) due to a low motivation, a lack of incentives, and the requirement of adapting to multiple tasks;
- An in-depth analysis of local development projects implemented by/through municipalities and qualified as ‘failed’ is based on the lack of community participation;
- It is conceivable for a municipality to engage in Local Economic Development (LED) operations in partnership with one or more neighbouring municipalities through so called Joint Service Council (JSC) arrangements subject to restructuring the framework provided it remains under the DP;
- The private sector is neither (well) organised nor represented at regional and municipal level. A related problem is a lack of systematic information base on small and medium sized enterprises (SME) at municipal level;
- There is a strong need to map out the community based organisations and find out what role they can play at municipal level⁵.

It is worth mentioning that most of the lessons learnt came out as a result of the implementation of the EU – funded programme "*Poverty Alleviation through Local Development programme*" (PALD 2004: EUR 30 million).

⁵ In this context, an activity called ‘Mapping Non -State actors in Jordan’ as part of an EU funded Support to Democratic Governance and Justice Reform programme is worth mentioning.

2.3. 1.3 Complementary actions

PLEDJ's main area of intervention lies at the intersection of local government and local economic development.

PLEDJ is expected to complement the DP and try to bring out the synergies at municipal level. More relevant, the EU initiatives such as PALD, will form a clear base to PLEDJ. PALD was a reform programme that helped change mindsets of municipalities as service providers, to become engines for local development and sources to alleviate poverty plus create jobs. The lessons learnt from PALD will be addressed and utilised to further develop local economic development themes at Municipal levels.

The EU-funded programme "*Building development capacities for Jordanian municipalities*" (Baladiaty) (2009: EUR 3 million) is the direct predecessor to PLEDJ; the latter will build on its spin off (especially the strengthened institutional structures) for the PALD partners on the one hand, and by using it as a stepping stone in scaling up the programme to a wider circle of municipalities in the course of the programme.

The EU Delegation launched an initiative in 2009, to a comprehensive mapping of NGOs working on good Governance, development and other related sectors. The PLEDJ will benefit from this exercise once the results are published, so that further integration of NGOs as civil society representatives can be achieved under the umbrella of Local Economic Development.

There were many arising needs for capacity building at municipal and governorate level to support local development, so both Baladiaty and PLEDJ will help fill such needs.

One final EU initiative is the 2010 Democratic governance project (EUR 10 million) which has been designed to address among other things, the issue of decentralisation. PLEDJ will therefore work in close collaboration with this programme and enhance complementarity actions in this regard.

PLEDJ is also complementary with the following programmes:

- National programmes such as "*Enhanced Productivity Programme*" (EPP) executed by MOPIC and currently entirely funded by the Government. The aim is to combat poverty across the country through a broad range of development projects in areas such as community infrastructure, small business development, training, strengthening civil society organisations, and village cluster development.
- The "*Regional and Local Development Programme*" (RLDP: 2007-2012) funded by the World Bank (WB) and the Agence Française de Développement (AFD). The purpose of the programme is to improve basic and commercial public services for which Jordanian municipalities are responsible.

- The "*Sustainable Achievement of Business Expansion and Quality*" (SABEQ) project, with funding from USAID, is strongly geared towards LED. In the past, it has worked in two Governorates (Irbid and Karak) and is currently scaling up its programme into Governorates in Northern and Southern regions of Jordan.
- The "*Village Business Incubator Programme*" (VBI), which changed its name into 'Women Business Development Incubator Programme' and is funded by EU.

2.4. 1.4 Donor coordination

As far as alignment with national policies of socio-economic development, good governance, and public participation, the project will be fully coherent and following stated objectives and priorities to the maximum possible extent. However, the ongoing policy changes in the area of decentralisation, municipal reform and local development create quite a difficult operating environment.

Donor coordination needs to be reinforced in the sector on the ground. The Government is committed to facilitate this notably through the new JAAMS tool. The line Ministry's capacity to lead the coordination process will need to be reinforced.

3. DESCRIPTION

PLEDJ aims to promote local economic development (LED) through a bottom-up process of supporting joint action by municipalities and local stakeholder groups. Municipalities are increasingly seen as key actors in local development by formulating a local development plan (LDP) and by a regulatory framework and support services for it to be implemented. PLEDJ also aims to set up an (informal) mechanism called Local Economic Development Forum (LEDF) at municipal level. This LEDF will serve as a place for dialogue and joint action in developing and implementing concrete LED activities, building on existing LDP and cover a range of activities in the area of production, basic services or (small scale) infrastructure, ensuring proper stakeholders partnership (public, private, local communities).

The programme will target the 21 PALD/Baladiaty municipalities first, followed by a scaling up to a wider circle of municipalities in a limited number of Governorates.

3.1. Objectives

Overall objective

The overall objective is to contribute to local economic development (LED) particularly in underprivileged areas of Jordan.

Specific objective

The specific objective is to promote and support LED initiatives and activities through collaborative partnerships between the municipal, community and private sector (i.e. main local stakeholders).

3.2. Expected results and main activities

Expected results

Result-1: Local Economic Development Forums (LEDF) have been established in partner municipalities to facilitate and sustain the collaboration between the main stakeholders for the development and implementation of concrete LED initiatives and projects.

Result-2: LED initiatives and opportunities have been identified and realised through enhanced dialogue and joint action between the main local stakeholder groups.

Main activities

Inception phase:

- Start up the programme and organise appropriate organisational and operational framework in consultation with the main executing organisation (MOMA);
- Conduct baseline study and establish solid information base on LED partners and related sector organisations.

Result-1:

- Municipalities/LDUs to conduct information campaign on LED/PLE DJ;
- Mobilise & organise main stakeholders groups to get them involved in LED through LEDF;
- Identify and select LEDF partners.

Result-2:

- LEDF to develop a medium-term strategy and investment plan for LED priority projects;
- Identification, selection and formulation of LED priority projects;
- Raise funds required for implementation of selected projects;

- Assess capacity needs of main stakeholder groups at municipal level for the implementation of LED projects.

The nature and scope of LED operations can vary, but should in principle be related to:

- LDP framework and, if available, a mid-term expenditure plan;
- financial resource base of municipality and LEDF partners involved;
- technical assistance & advisory services from sector organisations and related service providers, and
- Organisational handling capacity of LEDF partners with support from the municipality/LDU.

3.3. Stakeholders

The main stakeholders include:

- at national level: Ministry of Municipal Affairs (MoMA), Ministry of Planning and International Cooperation (MoPIC); Ministry of Interior (MoI); Ministry of Industry and Trade (MoIT); the Communities and Villages Development Bank (CVDB);
- at regional level: Jordan Enterprise Development Corporation; The Chambers of Commerce and Industry; in addition, training institutions (universities and vocational training institutes);
- at local level: partner municipalities (i.e. LDU) as well as community and private sector organisations and non-state actors.
- The immediate beneficiaries will be the municipalities and the relevant local private and community sector stakeholders who will benefit from the creation of a sustainable mechanism for dialogue and joint decision-making, and improved access to information and technical know-how in the field of investment-mapping and business development, through linkages to relevant Jordanian organizations.
- Ultimate beneficiaries of the project will be the local entrepreneurs and people in the pilot areas who will gain access to new job opportunities and the spin off benefits of increased investment and economic activity in their local area.

3.4. Risks and assumptions

Assumptions

- The Government will remain committed to the view that municipalities are a key actor in local development and to supporting a more participatory and bottom-up approach;

- The DP will soon be adopted and become a major policy framework for local government in general and local development in particular;
- The Municipalities Law 2007 will be reviewed and revised soon thereafter to accommodate relevant DP elements in the law , especially the collaboration between the municipal and regional authorities;
- MoMA will further develop its strategic vision and leadership role in the formulation and implementation of local government sector programmes, especially in relation to MoI;
- A local economic development strategy will be formulated and available as envisaged;
- The mandate of municipalities in local development will be further institutionalised through the establishment of LDUs;
- Municipalities are prepared to join forces with community and private sector parties and their support organisations in LED operations;
- The establishment of a national association of local government;
- LED operations will be closely linked to the wider community agenda as reflected in the LDP and related Medium Term Expenditure Framework (MTEF);
- Allocation of financial resources to municipalities will be linked to performance in core areas of responsibility such as planning and development, financial management, and service provision;
- Local stakeholder groups will be given a fair chance to make their input in local development processes through existing or forthcoming mechanisms.

Risks

- Conflicting mandates and roles in local development between MoMA, MoI and MoPIC;
- Decentralisation policy aims to transfer functions from national to sub-national levels of government without putting in place the necessary capacities and providing the necessary funding (unfunded mandates);
- Municipalities do not provide enabling environment through a LDP and supporting services and fail to involve local stakeholders in community development affairs;
- Donor and support agencies fail to coordinate their assistance programmes in the local government/economic development sector.

To overcome such risks, PLEDJ should focus on building up on previous results and lessons learnt from other programmes, whether EU or other agencies. Another element is the close collaboration with the Government of Jordan, to complement the DP and facilitate as much as possible the activities of PLEDJ to support this reform process. A final action would be that the EU Delegation continues to participate, and help on leading the coordination and harmonisation process among Donors, in close collaboration with MOPIC who is mandated to facilitate Donor/Lender Coordination in Jordan.

3.5. Crosscutting Issues

The design of PLEDJ will give further attention to good governance by involving the three main local stakeholder groups in decision making and programme development with regard to LED.

With regard to *gender equality* the programme will aim to have a balanced representation of men and women among its main beneficiaries, both in terms of activities and projects, the composition of consultative and decision making bodies, and the evaluation of impact during and at the end of the programme.

Concerning the *environmental sustainability*, the municipal problems in this area are multiple. While it is difficult to pre-empt any decisions regarding the outcome of the selection of projects, the programme will have a keen interest in environmental issues. After all, the extent to which this is a priority issue will automatically follow from the LDP, which should be based on a community-wide consultation process.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

Partial Decentralised management through the signature of a financing agreement with the Ministry of Municipal Affairs (MoMA).

As the programme focus (both substantively and operationally) will be at municipal level, programme management will strongly rely upon and operate through existing municipal structures (partner municipalities and their LDU and the national association of municipalities if founded) on the one hand, and the LEDF as much as they are put in place on the other.

The Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts > 50,000 EUR and may apply ex post for procurement contracts • 50,000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
< 300,000 EUR	< 150,000 EUR	< 200,000 EUR	• 100,000 EUR

4.2. Procurement and grant award procedures

(1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI. Further extensions of this participation to other natural or legal persons by the relevant authorising officer shall be subject to the conditions provided for in art. 21(7).

(2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. Budget and calendar

The operational implementation period of this programme is estimated at 48 months.

The total indicative cost of the project is EUR 5,000,000.

Indicative Budget Breakdown:

Budget line	Activity	Amount (in EUR)
1.	Technical assistance and advisory services	425,000
2.	Support to the establishment of LED forums (result-1)	225,000
3.	Support to LED initiatives and opportunities (result-2)	3,800,000
4.	Operating Costs	100,000
5.	M & E and audit	200,000
6.	Information and visibility	50,000
7.	Contingencies	200,000
	Total	5,000,000

Based on current information, the counterpart contribution from the government is expected to be in-kind to be provided in the form of staff time, use of office space and equipment, transport and communication and similar services; the possibility of third party contributions, for example through inter-municipal partnerships and staff exchanges will be included in the programme design, though it is difficult to estimate of such inputs at this point.

4.4. Performance monitoring

Overall monitoring of programme implementation and progress will take place, both internally as well as externally. Internal monitoring will be one of MoMA's responsibilities and conducted in close collaboration with the EU Delegation. Monitoring activities will essentially be result oriented and output will be used for policy, management and learning purposes.

Performance indicators to be endorsed include, but are not limited to the following:

- The number of LEDF established;
- Number of public hearings to introduce LEDF concept to main local stakeholder groups;
- Number of LED projects implemented;
- Level of funding achieved from various sources, especially from private investors through LED projects;
- Number of municipalities with positive performance record of their LDU.

In addition to the above indicators, the overall level and quality of programme performance can be supplemented by a variety of assessment tools including interviews with strategic partners and key officials from stakeholder groups, survey among LEDF members, score cards among beneficiaries of LED projects etc.

4.5. Evaluation and audit

The European Commission will carry out a final evaluation of the programme. The European Commission may also carry out a mid-term evaluation if deemed necessary. Both evaluations will be carried out by independent consultants recruited directly by the Commission under specific Terms of Reference.

4.6. Communication and visibility

In line with the design of the programme and EU rules that apply, MOMA will develop a protocol spelling out the lines of communication between key parties/partners of the programme at the various levels of operation. This protocol will deal specifically with the communication and interaction between the main local stakeholder groups at municipal level (horizontal lines of communication) and their linkages with sector related partners at regional and national level (vertical lines of communication). http://ec.europa.eu/europeaid/work/visibility/index_en.htm.

Action fiche for Jordan

1. IDENTIFICATION

Title	Improved Water Resources Security for Low Income Rural and Urban Communities
Total Cost	EU contribution: EUR 10 million
Aid/Method of Implementation	Centralised Management
DAC-code	14030 Basic drinking water supply 14015 Water resources protection

2. RATIONALE

2.1. Sector context

Jordan has very limited water resources. In 2007 demand exceeded renewable resources by 75%. Groundwater resources are overexploited with 60% excess extraction in relation to the natural replenishment capabilities. The yield and water quality of aquifers are therefore endangered. Annual per capita water availability is 145 m³ per year (which is far below the international water-poverty line of 1000 m³/year) and dropping continuously. Increased water demand is evident in all rural and urban areas resulting from population growth, and economic development. The increasing water deficit poses a serious future threat that will impact on all sectors of the economy. A serious effort has to be made at all levels to balance available resources and demands. Water tariffs are currently set too low to provide for effective incentive to stimulate water savings by users or support operational cost recovery of the services.

The proposed programme is in line with the Country Strategy Paper 2007-2013 and the National Indicative Programme, which supported the provision of improved services throughout the water cycle, provision of fresh water, desalinisation, and distribution and treatment, and includes a focus on the efficient use of treated water and increasing the awareness of the population on water scarcity issues in order to encourage more efficient water usage.

The proposed programme is fully in line with the goals of the Jordan's Water Strategy 2008-2022, which foresees the involvement of water users in decisions regarding a more efficient water demand management. The Strategy and its preliminary Action Plan sets goals for water demand management; water supply; institutional reforms; improvement of irrigation water management; wastewater management; and alternative water resources.

The proposed programme approach is in line with the Water Sector Reforms under implementation. Presently the Water Authority of Jordan (WAJ) and the Jordan Valley Authority (JVA) are responsible for all water supply and irrigation systems respectively, but these agencies will become bulk suppliers with the management of distribution systems at the regional level. Smaller companies: Public Water Companies for water supply and Water Users' Associations for irrigation. The establishment of a Water Regulatory Commission (WRC) is expected during 2011. However, as the increasing scarcity of water remains, intermittent water supply and rationing is expected to continue as means of regulating water supply.

The Yarmouk River Basin is shared between Syria and Jordan. Three quarters of the 7250 km² of the basin are situated in Syria, one quarter in Jordan in the north-west corner of the country, including the cities of Irbid and Mafraq. Although data on the Syrian part of the basin are scarce and do not allow a precise analysis, renewable groundwater resources in the basin can be estimated at roughly 230 million m³ per year.

As is the case in most of the highland and desert areas in Jordan, groundwater resources in the Yarmouk river basin are heavily overexploited. The estimated safe yield of the aquifer in the basin is approximately 40 million m³ per year, but actual extraction is close to 63 million m³ per year - of which more than 50 million m³ for irrigation. This over-abstraction leads to a severe drawdown of the groundwater table and is negatively impacting groundwater quality from the resulting salt water intrusion from deeper aquifers.

The irrigation areas in the Jordan Valley are divided in two parts: the northern part receiving fresh water from the Yarmouk River and side wadis and the southern part receiving water from King Talal Dam. In the past the Yarmouk River was delivering approximately two thirds of the fresh water resources in the years 1995 -1998. The average total flow (base and flood together) in the Yarmouk River decreased from approximately 8 m³/s in the 1960s to 2 m³/s at present. In 2006 and 2007 the Yarmouk River delivered approximately 15 million m³ to the King Abdullah Canal, compared with 100 million m³ in 1995-1998. As a result, citrus harvest has suffered large losses in quantity and in quality.

To compensate for the loss of Yarmouk river water, the Jordan Valley authority built the Zarqa Carrier III, which enables another 4000 ha to be irrigated with water from King Talal Dam, alternating fresh water supply. However, water from the carrier contains sediments which are detrimental for the operation and maintenance of on-farm drip irrigation systems and their physical quality needs to be improved through additional filtration.

2.2. Lessons learned

The recently completed EU MEDA Water Programme has successfully worked on issues of wastewater reuse in irrigation, irrigation water efficiency, rainwater harvesting, grey water reuse at household level and water user participation. The experience demonstrates that working on both the demand and supply sides of a sector is both

relevant and effective in influencing behaviour in water use. The households are very receptive to the possibilities of reducing their water demand and water costs (by accessing alternative water sources, i.e. from roof catchments).

GTZ has carried out extensive field studies on the political economy of water demand. This fieldwork indicates that there are deep divides in water and sanitation provision between the poor households and the more wealthy households. Low income groups suffer from water scarcity during the summer months when the piped network delivers water irregularly, whereas the wealthier households can afford to install adequate storage capacity and purchase water delivered by privately-owned water tankers and safe bottled water for drinking purposes. The costs of these supplementary water supplies can amount to more than ten times the monthly bills of piped water from WAJ and this has a high impact on the amount of water used and the associated health risks to low income families.

Many attempts have been made by the government to reduce groundwater abstraction by introducing limiting measures such as a moratorium on the drilling of wells, instating abstraction limits and enforcement by metering, and pricing mechanisms (the last two through the new groundwater Bylaw of 2002). However, all these measures have had little effect; at best groundwater abstraction has remained constant over the last 7-8 years. Licensing and limiting groundwater abstraction by force has not been applied with enough vigour and various studies report that the negative financial incentive, to be effective should be at least 10 times higher, which would put small farmers out of business and completely change the agro-socioeconomic structure of the region (and is therefore politically not a viable option). The solution for the over-abstraction may lay therefore in a combination of enforcement by the Government of Jordan as clearly mentioned in the 2009 Water Strategy and at the same time providing information to farmers that the current situation is unsustainable and will destroy their livelihoods.

Attempts were made by the Government in the past to establish groundwater models for the aquifers of the basin. None of the models are operational and are not well documented either. Despite that, it is believed that modelling can play an important role in the management of groundwater resources as it can make what-if scenarios visible for water users and decision-makers alike and contribute to consensus. However, in order to do this, more modern modelling approaches with integrated surface water-groundwater models using decision support tools need to be developed.

As models built for the Jordanian part of the Yarmouk basin can be relatively easily extended for the Syrian part as well, the modelling exercise would in the long run enable an integrated management of water resources as required among others by IWRM principles and the European Union Water Framework Directive (WFD). With expected upcoming urbanisation and industrial development and the complex administrative situation of a shared international river basin, WFD principles perfectly apply to the Yarmouk basin and could be introduced in any actions.

The main lesson learned for the improvement of irrigation water management is that it needs a holistic approach in which all aspects of farming, irrigation management, marketing, cropping pattern, cultivation methods, fertilisation, financing are considered.

USAID has been working on setting-up an Irrigation Advisory Service for the Jordan Valley. The programme focuses on the improvement of marketing and financing issues and the transfer of technology to the farmers .

GTZ implemented projects in the Jordan Valley, which led to increased know-how of the farmers on using marginal water resources, particularly in the southern part of the Jordan Valley.

In the framework of the MEDA Water Programme, the Improvement of Irrigation Water Management Project (IRWA) worked on improvement of water quality and on-farm integrated water and fertilisation management. It was proven that even in farms with drip irrigation and greenhouses, water savings are possible between 20 and 30%. However, despite all efforts in the past, inadequate irrigation advisory services makes scaling up of such results difficult. Another useful lesson of IRWA is that working in irrigation areas where water user associations have been formed eases the communication with the farmers.

2.3. Complementary actions

Yarmouk River basin: GTZ is starting up the Highland Water Forum, which will be put in place to enable dialogue between the different water users on the Highlands (which extend also to the Yarmouk basin area) and the water authorities that are responsible for resources management. Those actions can be complemented by the EU with activities that are specifically directed towards the particular situation in that basin, but fully integrated in the actions of GTZ.

Moreover, CIM/GTZ is supporting the Ministry of Water and Irrigation (MoWI) in putting in place integrated Water Evaluation Planning System (WEAP) decision support systems and MODFLOW groundwater modelling for the Zarqa and Yarmouk basins. However, the work in the Yarmouk basin has only just started and remains limited because of lack of funds. It does not couple surface and groundwater models and does not include a socioeconomic modelling component. The EU contribution can greatly enhance the foreseen modelling in the Yarmouk Basin.

Irrigation water: GTZ has two projects in the Jordan Valley which are extensions of projects that exist for a longer time, the Marginal Water Project and the Water User Association Project. Both projects are limited in size and comprise only a restricted number of field activities at the moment, but the expertise collected can be used.

2.4. Donor Coordination

Policy orientations of the Government to address the pressing issues of the water sector have received a strong support from the donor community. Key donors in the sector

include the US (USAID, MCC), Germany (GTZ, KfW and BGR), the EU, Japan (JICA), Korea, with other donors such as France (AFD and PROPARCO), China or Spain (AECID) more recently implied or expressing interest.

The need for reinforced coordination within the donor community and with the Government has been acknowledged. A coordination forum under the UNDP umbrella, with The Ministry of Planning and International Cooperation (MoPIC) and MoWI involvement, currently chaired by AFD holds regular (currently every three months) meetings.

The proposed programme requires coordination with different donors. Drinking water supply for poor communities requires coordination with KfW, JICA, MMC and GTZ, groundwater management in the Yarmouk basin requires coordination with IFAD, BGR and GTZ, wastewater reuse in the Northern Jordan Valley requires coordination with AFD and GTZ.

3. DESCRIPTION

3.1. Objectives

The overall objective of the programme is to contribute to improved water resources security for drinking water supply and irrigation, in particular for low income urban and rural communities in Jordan.

The programme intends to assist the water sector stakeholders to enhance mitigation and adaptation to the increasing water scarcity in Jordan, which may be further augmented by the impact of the global warming and climate change. It aims to support effective co-operation of water users in executing strategic government's objectives related to efficient management and conservation of water resources.

The Specific Objectives of the Programme Components are:

- (a) Household water users in selected low income areas where piped supplies are irregular and /or do not exist have enhanced security for their supplies;
- (b) Sustainable tools and methodology have been developed for the GoJ and local water users that can be used to reduce over-extraction of groundwater resources in the Yarmouk river basin; and
- (c) Farmers in the Northern Jordan Valley are enabled to adapt more effectively to alternative irrigation water resources including treated wastewater and desalinated brackish water.

3.2. Expected Results and main Activities

Component A

Result 1.1 - A programme has been established for the improvement of water supply in selected pilot areas: Select up to three pilot WAJ piped networks and at least one pilot non piped served area in small, low income areas that are representative of water security issues in the urban and rural sectors.

Result 1.2 - Participatory management has been established in the pilot areas: Establish cooperation procedures between local WAJ and user -groups.

Result 1.3 - Rehabilitate and complement piped supply with alternative measures to improve water supply: Rehabilitation of the existing piped networks and for a non served area inside selected pilot areas.

Result 1.4: Stakeholders in the pilot areas are better informed about the ways to improve efficient water use through communication and user association approaches to ensure sustainability: Prepare and implement a communication and visibility plan involving water awareness unit in WAJ.

Component B

Result 2.1: A decision support tool based on a combination of Water Evaluation Planning System (WEAP) and MODFLOW simulation models has been developed, including water management, agricultural management and socio-economic modules : Set-up and calibrate a combined WEAP and MODFLOW decision support model for the Yarmouk basin, including studying options for coupling the model to the Syrian part of the catchment.

Result 2.2: A river basin council with representation of all water users has been set -up and its actions have been integrated with the Highland Water Forum: Set-up a River Basin Management Committee, build its capacity and integrate in the activities of the Highland Water Forum, enabling a joint learning process.

Result 2.3: Water conservation measures demonstrated and implemented on pilot farms and results extended: Select and establish pilot farms on water and soil conservation (i.e. terracing, conservation organic material, rainwater harvesting, crop diversification, more efficient irrigation systems).

Result 2.4: The stakeholders in the basin are better informed how to reduce stress on water resources: Prepare and implement communication and visibility plan.

Component C

Result 3.1: Obtain scenarios for the future available water resources in the Northern part of the Jordan Valley and for their proper use and exploitation with a focus on increased use of alternative water resources: Assess future availability of different water resources (also in the light of expected climate change impact on availability of water resources) .

Result 3.2: Enhance quality of the water coming from Zarqa carrier III: Study options and implement measures for this purpose.

Result 3.3: Select a pilot area and develop brackish water resources through desalination: Carry out hydro-geological survey for well location and capacity and construct production wells.

Result 3.4: Demonstrate good practices in the pilot area, using alternative water resources and methods of fertilisation, and disseminate and scale-up results: Implement a pilot project for experimenting with alternate water supply, blending and fertilisation.

Result 3.5: The stakeholders in the basin are better informed about water resources issues and ways of solving stress on these resources: Support GTZ activities in upgrading water user associations and networking of Water User Associations.

3.3. Risks and Assumptions

Safe drinking water supplies to low income areas: Water sector pilot projects in other countries have shown that initiatives involving communities work well when there has been adequate social preparation and time to build trust between people. The main risk lies therefore in the relatively short time frame of the intervention. It is necessary to plan and implement adequate follow up measures for the period after the present intervention.

Yarmouk Basin: To have a lasting success from the proposed measures, the key assumption is that water users understand how over-exploitation will negatively affect their own resources and are willing to associate with fellow-farmers to pursue common interest. The project will need to work intensively with the water users to enhance this understanding and involve them frequently in other project activities (modelling, etc.) as well.

Moreover, it is important that farmers are willing to change agricultural practices. The complete agricultural extension process of action research, demonstration and dissemination of good practices plays a very important role in this acceptance and should be implemented with all possible vigour. Socio-economic factors (economic incentives) are crucial as well and should be sufficiently taken into account.

Another risk is that MoWI does not sufficiently involve farmers in authoritative exercises as modelling and does not sufficiently share the results of this exercise with the water users. From the start of the programme, a networking system needs to be set up that enhances stakeholders' communication in the basin.

Irrigation water: The main risk is that not sufficient water resources are available for irrigation at all, as was the case in 2007 and 2008. Even though this risk is partly mitigated by the increased availability of treated wastewater, it can not be completely excluded. In case it happens, the project needs to adapt its activities to this situation and make best use from it as a special case drought scenario to be investigated.

3.4. Cross-cutting Issues

Poverty reduction: The aim of the pilot projects in Component A is to ensure that the restructured and rehabilitated water resource systems address the health and social needs of the poor and do not burden them financially.

Climate Change: Predictions for Jordan are univocal with a 2 degree increase in temperature expected for 2050, except for the Jordan valley where increased aerosols may temper temperature increases. For rainfall, predictions are equivocal; 2 out of 3 tested climate change models predict slight increases of rainfall, only one predicts a decrease.

Gender: The Programme promotes gender equity as it deals with issues that affect particularly girls and women, of families without access to adequate and safe water - an issue which directly burdens women by the increase in the volume of domestic tasks and the loss of opportunities to engage in income generation activities.

3.5. Stakeholders

The main formal Beneficiary will be the Ministry of Water and Irrigation, who, through the implementation of the programme, will be able to contribute to goals mentioned in the 2009 Water Strategy. Other stakeholders include: Water Authority of Jordan will be enabled to better serve the low-income population with adequate drinking water supply. JVA will be enabled to better serve the farmer population with bulk supply of alternative sources of irrigation water and in enhancing sustainability of the co-management with the community and water user associations.

Except for aforementioned stakeholders, the Programme plans to involve local partners such as local public organizations (for pilot actions and irrigation advisory services) and local NGOs (for social pilot actions in drinking water supply and irrigation). Their implication in the Programme will enhance their capacity to implement similar tasks in future and improve sustainability of closer links between the top government and bottom community levels.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The MoWI has been identified as appropriate leading entity, sharing the steering function of the programme with the sector operational agencies (JVA and WAJ) as well as the Ministry of Agriculture (MoA). The programme intends to address operational level issues which are important for effective implementation of the water strategy and foresees activities using *action research* methods that are for important parts outside of the normal scope of activities of MoWI, WAJ and JVA.

Direct centralised implementation procedures: Specialised technical support services (TSS) will be established and contracted by the EU Delegation under a Service Contract to support the MWI in implementation of the programme, with responsibility for the planning, daily management and the overall implementation of the Programme including: the supervision of all components; the preparation of tenders for works and supplies for the parts that are implemented under the *direct centralised* approach; support to the EU Delegation in relevant tendering procedures; delivering technical assistance for Components B and C; and the interaction with the beneficiaries through the Steering Committee (SC) and the Technical Committee (TC).

Indirect centralised implementation procedures: Under the *indirect centralised* method of implementation specific areas of the Programme will be assigned by the EU to the GTZ through a separate delegated cooperation agreement with the EU. This will include the implementation of the Service tasks of Component A, and smaller parts of Components B and C. The delegation to GTZ will create an optimal situation in which the activities of the Programme will be fully integrated with ongoing GTZ activities, the relevant capacities of the GTZ already employed in Jordan will be utilised, and the experience of GTZ will flow fully into the implementation of the Programme. This will avoid inefficient expenditure of EU and Member States' funding and is in line with the EU Code of Conduct on Division of labour in Development Policy. The rules and procedures of GTZ have been assessed under Article 56 (1) of Financial Regulation.

Organisation: The technical support services will carry out its tasks in close consultation with the respective beneficiaries. For this purpose, a Steering Committee (SC) of max 7 persons will be established. The Ministry of Planning and International Co-operation, the Ministry of Water and Irrigation (chair), the Water Authority of Jordan, the Jordan Valley Authority and the EU Delegation in Jordan will be members of the SC. The technical support services will ensure the Secretariat of the Steering Committee. The GTZ will have an observer function in the SC.

4.2. Procurement and Grant Award Procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

The EU Delegation in Amman will manage centrally contracts estimated at the total indicative value of EUR 6,400,000 which will conclude service, works and supply. The contracts in the Programme will be implemented by the EU Delegation as appropriate with the support of the TSS.

The EU will sign a special delegated cooperation agreement with GTZ for an indicative value of EUR 3,600,000.

4.3. Budget and Calendar

The operational implementation period of this programme is estimated at 36 months.

Indicative Budget Breakdown (in EUR)

Indicative Total Budget	10,000,000
I. Centralised management by the EU	5,800,000
1. Technical Support Services (management support and technical assistance)	2,700,000
2. Communication and visibility	500,000
3. Works and supplies	2,400,000
4. Monitoring, Evaluation and Audit	200,000
II. Indirect centralized management (by GTZ)	3,600,000
III. Contingencies	600,000

4.4. Performance Monitoring

Day-to-day technical and financial monitoring will be a continuous process as part of the responsibilities of the technical support services. Three monthly progress reporting is required. Where tasks are assigned to partners, those partners will report in the same way to the technical support services.

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external monitoring according to the ROM system.

The implementation of the Programme will be subject to field supervision and follow-up by the EU Delegation.

4.5. Evaluation and Audit

The European Commission will carry out a final evaluation of the programme. The European Commission may also carry out a mid-term evaluation if deemed necessary. Both evaluations will be carried out by independent consultants recruited directly by the Commission under specific Terms of Reference.

4.6. Communication and Visibility

As part of the Inception Report the technical support services will, in consultation with Steering and Technical Committees as well as other partners, prepare a *Communication and Visibility Plan*.

In its actions, the Programme will abide strictly by the Visibility Guidelines of the European Union (http://ec.europa.eu/europeaid/work/visibility/index_en.htm).

Action Fiche for Jordan

1. IDENTIFICATION

Title	Support to the Public Financial Management Reform Programme
Total cost	EU contribution: EUR 45 million.
Aid method / Method of implementation	Sector Budget Support (SBS) Centralised management
DAC-code	15120 Public Sector Financial Management

2. RATIONALE AND COUNTRY CONTEXT

2.1. Country context and rationale for SPSP

2.1.1. Economic situation

Jordan experienced robust economic growth in recent years, underpinned by its strong links with the region and the rest of the world, but the global economic downturn had a significant impact on the domestic economy in 2009. Due to sluggish activity in the finance, trade, and mining sectors, output growth declined from about 8% in 2008 to 3% in 2009. Due to a decline in growth and a shortfall in external grants, pressures on the fiscal position intensified in 2009. Fiscal pressures are likely to continue into 2010 and domestic revenue is forecast to shrink further in 2010; for instance the income tax revenues collected from the banking sector and mining companies reportedly declined further in January 2010 compared to the same month of the previous year. While the underlying deficit (before grants) is expected to narrow by 0.7% of GDP, declining external financing will widen the overall deficit to 7.0% of GDP. This widening of fiscal imbalances occurred despite vigorous efforts taken by the authorities to reduce spending in the second half of the year, by limiting current spending and large cuts to capital spending.

The Government of Jordan has taken measures to tighten the fiscal stance in 2010; the State Budget Law for the year 2010 emphasizes increasing revenues and cutting down expenditures to address the high deficit. Taxes on specific products were increased, including a special tax on cellular phone calls which was raised from 4% to 8% in February 2010. In addition all public sector recruitments have been frozen except for the Education and Health Ministries. Although inflation was fuelled by oil and food prices in 2008, it declined sharply due to lower world commodity prices and weak domestic demand. The real effective exchange rate has depreciated by 4% thus far in 2009, partially reversing its sharp appreciation during 2008.

Safeguarding the exchange rate peg remains the lynchpin for the maintenance of financial stability according to the IMF. The peg of the Jordanian dinar to the U.S. dollar has served the country well by anchoring inflation expectations and providing stability in a challenging regional and global environment.

2.2. Sector context: policies and challenges

- (1) **Sector context.** The key PFM organizations and stakeholders are: the Ministry of Finance (MoF), with policy and treasury responsibilities; the Income and Sales Tax Directorate (ISTD), with income and sales tax responsibilities; the General Budget Department (GBD), with budgeting responsibilities; and the Audit Bureau, with external audit responsibilities and currently also involved in internal audit functions. ISTD and GBD report directly to the MoF, but operate semi autonomously. Analysis of the PFM sector policy and strategy confirms that a well-defined policy and strategy framework that responds to the challenges Jordan faces is under implementation. Thus, the sector policy and strategy is considered appropriate for the provision of Sector Budget Support (SBS). Considerable progress in public financial management reform has been achieved in recent years. The stakeholders' Strategic and Action Plans for 2010–2013 were prepared and discussed with the identification and formulation missions during August–December 2009 and provide evidence of national ownership and commitment to the policy and strategy. The Strategic Plans present clear and coherent statements of policy and strategy that are consistent with the *National Agenda 2006–2015* and the European Commission sector policies and principles.

Concurrent with the development of the *National Agenda* in 2005, the Government launched its aggressive financial reform agenda focused on its identification of its highest priority needs, including tax policy and administration reform, development of a medium-term fiscal framework (MTFF) process, preparation of medium-term expenditure framework (MTEF), installation of a Government Financial Management Information System (GFMS), introduction and implementation of results-oriented budgeting, reform of commitment control and internal control processes, and institution of a treasury single account (TSA). There has been on-going support from the European Union (EU), USAID, GTZ, the International Monetary Fund (IMF), the World Bank (WB) and others to assist in this massive reform effort. Assessments by the EU, IMF, WB and USAID all confirm that significant progress has been made on all of these fronts.

Below follow the main features of the stakeholders strategies and their accompanying action plans for the period 2010–2013 specifying what the Government aims to achieve in the PFM sector and how. The strategies and actions plans will be attached to the Technical and Administrative Provisions.

- **Ministry of Finance.** The *MoF Strategic Plan 2010–2013* sets the following strategic objectives: (i) draw up the public financial policy to enhance financial stability and encourage economic growth; (ii) reduce public indebtedness; (iii) improve the efficiency of control on public funds; (iv) promote the level of transparency and disclosure; (v) improve the level of provided services; and (vi) enhance the capacities of the MoF staff.
 - **Income and Sales Tax Directorate .** The *ISTD Strategic Plan 2010–2014* sets the following objectives to help meet *National Agenda’s* goals: (i) increase revenues; (ii) raise efficiency and effectiveness in managing the tax system to ensure that every taxpayer complies with tax obligations; (iii) raise voluntary compliance of taxpayers by increasing tax awareness, improving transparency, and providing quality taxpayer services; (iv) develop staff capability and competency; and (v) develop modern and effective information technology to raise efficiency in managing tax system processes.
 - **General Budget Department .** No department in the government has undertaken a more sweeping and challenging set of reforms. The *GBD Strategic Plan 2010–2013* includes among its major responsibilities: prepare the general budget; develop manpower tables; allocate funds to implement policy in accordance with national priorities; evaluate the Government’s programs, projects, and activities; monitor the execution of the budget; and prepare regular analytical reports.
 - **Audit Bureau.** The *Audit Bureau Strategic Plan 2010–2014* includes the Audit Bureau’s duties: submit an annual report to the House of Representatives; monitor the Government’s revenues, expenditures, trust accounts, advances, loans, settlements, and warehouses; provide accounting advice; ensure spending of public funds is legal and effective among others.
- (2) **Sector budget and its medium -term financial perspectives.** Unlike traditional sectors such as health, education, or transportation where the budget provides an important indication of the commitment of the sector to its declared priorities, advancing PFM reform by introducing results -oriented budgeting, cash management planning, and consolidating the Treasury Single Account (TSA) do not require a large proportion of the budget. PFM reform requires mainly enough funding to support adequate staffing, training, and a reasonable investment in new technology. As a result, an analysis of funding trends in PFM reform does not reveal the degree of commitment to sector policy priorities.

The best indicator of any government’s commitment to PFM reform is its positive track record in making progress against stated goals. The Government meets this test. The September 2009 report of the IMF -WB, *Advancing the PFM*

Reform Agenda, states that “the authorities have made considerable progress in advancing PFM reforms, actively supported by donor s.”

- (3) **Coordination process.** During formulation extensive meetings were held with the leadership of the stakeholder ministries and directorates – MoF, GBD, ISTD, and the Audit Bureau – to discuss their Strategic and Action Plans for 2010 – 2013. The role of SBS in supporting the objectives of those plans, and the design of the general and specific conditions was fully reviewed. The stakeholders demonstrated their readiness to make adjustments to their plans based on issues that emerged during these consultations. The formulation team met with GTZ advisors, key USAID advisors who led the PFM reform process as well as with the IMF and World Bank.
- (4) **Institutional capacity.** The organizational arrangements within which PFM is conducted in Jordan operate fairly well, but some improvements are needed and some of the needed changes have been or are being made. The MoF and ISTD have made changes to their organizational structures in the past few years that have led to greater focus on high priority activities. The September 2009 IMF - WB report, *Advancing the PFM Reform Agenda*, recommended the creation of an expenditure policy division and a dedicated unit to manage the budget preparation process and schedule. These recommendations are included for action in GBD’s latest strategic plan. ISTD has already merged the Sales and Income Tax Directorates and created new organizations for handling large, medium, and small taxpayers.
- (5) **Performance monitoring.** All stakeholders except the Audit Bureau are accustomed to using performance measurement as a means for determining disbursement of European Commission Sector Budget Support (SBS) funds. European Commission monitoring of performance under the last SBS to PFM Reform found commitment to monitoring and following through on commitments made under earlier strategic plans. Furthermore, there is commitment to monitoring and improving performance. ISTD, for instance, developed its *Strategic Plan 2010–2013* following a thorough assessment of what was achieved under its earlier plans. GBD has an explicit four -point section in its plan entitled “Follow up and Evaluation”. MoF developed a new element of its strategic plan entitled “Overarching Financial Management Reform for Jordan’s Public Financial Management 2010–2013.” Included in this plan are extensive tables of performance indicators covering MoF, GBD, ISTD, and the Audit Bureau that will be monitored based on the PEFA methodology. Individual action plans of the stakeholders also include performance indicators to measure results. Thus, the strategies of the stakeholders have permitted the setting of monitoring indicators that can be used to define tranche conditionalities.

Although performance has been an important part of MoF’s cooperation with periodic European Commission missions, the systematic establishment of and

reporting on performance measures is a relatively new phenomenon for the stakeholders. The ability of MoF and GBD to monitor performance and program implementation utilizing quality statistical information will get a significant boost when the new GFMS, now undergoing pilot testing, comes on line. This new system is designed to track and report timely and comprehensively on financial and program performance data from across government. The new results-oriented budgeting process, now government-wide, will further improve the ability to establish and report on performance.

- (6) **Macroeconomic framework.** A stability-oriented macroeconomic policy is under implementation and is expected to be in place during the SBS implementation according to the IMF Aide-Mémoire for the Staff Visit Discussions of 13 December 2009.

The IMF expects economic growth to pick up modestly to about 4 percent in 2010, reflecting slowly-recovering global and regional conditions. Export growth is projected to rebound, but will remain below its long-term trend because of still-weak external demand. The impact on the external current account, however, is expected to be offset by increased imports arising from higher food and fuel prices, with the deficit narrowing slightly to about 7½ percent of GDP in 2010 (down from 8 percent in 2009). However, the near-term outlook is subject to considerable uncertainty related to world commodity price developments and the liquidity situation in the region, particularly in the Gulf Cooperative Council countries, which account for a large share of Jordan's FDI, remittances, grants, and tourism receipts.

The IMF considers that the 2010 Budget envisages substantial fiscal consolidation, which is necessary to support a decline in the external deficit and underpin continued low inflation. The IMF mission agreed with the authorities that there is no room for countercyclical fiscal policy, given the slowdown in flows of external financing and the need to mitigate risks related to Jordan's already-high public debt and debt servicing. The 2010 Budget is expected to yield a narrowing of the overall deficit to 4¼ percent of GDP. With this, public debt would fall below the legislated public debt-to-GDP ceiling of 60 percent by end-2010, and debt servicing would rise to 11 percent of domestic revenue. The IMF indicated that with inflation muted and output growth below potential, there is scope for further cautious monetary easing, to support fiscal tightening.

The IMF reported that the Jordanian banking system has been little affected by the global financial crisis, and remains sound because of prudent financial oversight and proactive supervision by the CBJ which shielded banks. These policies helped maintain confidence, allowing for a steep build-up of international reserves, even during the global financial crisis. While private sector credit remained essentially flat in 2009, bank deposits continued to grow at a healthy pace. However, underlying vulnerabilities remain —banks could be exposed to higher non-performing loans in light of the projected period of

below-potential growth in Jordan and the region— suggesting the need for continued vigilance in bank supervision.

The IMF also noted that banks in Jordan have little exposure to corporate debt in Dubai. At the same time, banks continue to reprice credit risks, closely monitor their exposures, and have built up capital buffers to strengthen their capacity to withstand shocks. The IMF welcomed the measures taken by the CBJ to further enhance its effective banking supervision, including: continuing to implement Basle II regulations (introduced in 2008); regular stress testing of banks; enhanced cross-border bank regulation through consolidated supervision of international branches; publication of financial stability reports; and close monitoring of financial soundness indicators as part of an early warning system.

- (7) **Public Financial Management.** The informal review of the Public Expenditure and Financial Accountability (PEFA) based PFM Assessment in February 2009 and the monitoring report of the past SBS to PFM Reform of September 2009 concluded that the PFM system in Jordan is sufficiently well-functioning to ensure the proper utilisation of donor funds, including SBS. Jordan has an integrated and well functioning PFM system that has been strengthened over the last five years through an ongoing reform process.

The September 2009 IMF-WB report, *Advancing the PFM Reform Agenda*, noted Jordan's commitment to the reforms and the considerable progress made in advancing PFM reforms, actively supported by donors. Donors, especially the USAID, EU, and GTZ, have supported the reform process by providing considerable financial resources and technical support to the stakeholders. The main improvements observed by the SBS missions include: strengthened forecasting mechanisms including the adoption of a MTEF, MTEF, results-oriented budgeting, and arrangements for a Treasury Single Account. Weaknesses were mainly identified in some institutional and technical aspects of the budget preparation and management. The trend is very positive as several of the recommendations are currently being implemented or under preparation as part of the reform process.

The stakeholders' Strategic and Action Plans provide a comprehensive strategy for implementing specific actions designed to address pending PFM weaknesses. The stakeholders' commitment to the conditionalities associated with this Action Fiche demonstrates that commitment. The Government adopted the PEFA evaluation process into its objectives and performance monitoring needs in the PFM sector and has requested PEFA training to facilitate its successful implementation.

2.3. Eligibility for budget support

Jordan continues to be eligible for sector budget support and is also expected to maintain these conditions during the SBS implementation. Furthermore, Jordan is a strong candidate for SBS, as it has already received and successfully managed SBS. The

risk of non-utilisation of SBS is very limited. The conclusions on the three eligibility criteria for budget support follow:

- (1) The analysis of the PFM sector policy and strategy confirms that a well-defined policy and strategy that responds to the challenges faced by Jordan has been under implementation. The stakeholders prepared sound Strategic and Action Plans for 2010-2013 during August-December 2009 and discussed them with the formulation mission. Considerable progress in PFM reform has been achieved in recent years. Thus, the sector policy is considered appropriate for the provision of EU SBS.
- (2) It follows from the first eligibility criterion that Jordan also meets the legal requirement on the PFM eligibility criterion to support budget support as indicated in Article 15(2)(e) of ENPI.
- (3) The analysis of the macroeconomic framework and the macroeconomic perspective provided by the IMF in the Aide-Mémoire for the Staff Visit Discussions of 13 December 2009 shows that the macroeconomic policy in Jordan is conducive to maintaining macroeconomic stability and is not expected to put at risk sector objectives. Thus, the macroeconomic policy provides an appropriate basis for providing SBS to Jordan.

The eligibility criteria will be set out in the General Conditions contained in the Technical and Administrative Provisions for the proposed programme.

2.4. Lessons learnt

The PFM sector, led by MoF, has made great progress in implementing new systems across all the stakeholder organizations, but new systems and processes alone are insufficient to guarantee progress against the considerable challenges that the government faces. Systems and processes must be implemented by leadership and staff with the analytical skills and judgment to utilize data to inform decisions on strategy and policy. Improvements in PFM need to move outwards from MoF to line ministries. Organizational charts must be redesigned to allow the most efficient and effective use of processes and staff. Personnel policies must support the considerable changes required in human capacities. These further changes would assist the stakeholders in better linking policy to budgets and monitoring results, and fully benefiting from progress made thus far. Donor financial and technical assistance were vital to many of the reforms to date, especially with regards to big projects like GFMIS, results-oriented budgeting, and MTEF. Continuing assistance is necessary to further the reform process, especially during the current world financial crisis.

2.5. Complementary actions

EU-funded actions include: (i) PFM programme (2007- EUR 43.14 million) (ii) a twinning project “Institutional strengthening of the Audit Bureau of the Hashemite Kingdom of Jordan” under the “Programme of Support to the Implementation of the

EU-Jordan Association Agreement” (SAAP), which was completed in June 2008, but is relevant to this SBS as recommendations provided to the Audit Bureau then are included as specific conditions; (ii i) sectoral budget support tied to a number of sectoral Government strategic reform initiatives; and (iv) technical assistance in medium-term budget reforms to the Ministry of Education.

USAID has provided resident advisors to the MoF, GBD, and ISTD who worked extensively in helping establish the macro-fiscal unit, tax policy and administration reforms, results-oriented budgeting, and GFMIS. The IMF Fiscal Affairs Department and METAC in Lebanon have provided technical assistance on treasury issues including treasury single account, cash management, and commitment control; the development of a public debt management strategy; and the ISTD re-organization and operations to strengthen capacity and effectiveness. The World Bank has provided a Development Policy Loan for US\$300 million to Jordan in October 2009 in support of Government’s efforts to address economic and social consequences of the current global financial crisis and economic slowdown while improving resilience of the Jordanian economy to adverse shocks. It has also supported a range of reform initiatives including a broad public expenditure trend review and establishment of MTEF. The IMF and the World Bank provided technical assistance through a joint assessment of the PFM system in August 2009; a joint assessment was also provided in July 2004. GTZ has also supported the macro-fiscal unit and budget reforms including MTEF, sectoral expenditure review, budget classification, chart of accounts, and results-oriented budgeting. GTZ is currently providing advice to the MoF on performance management and internal audit.

2.6. Donor coordination

Responsibility for donor coordination lies with the Ministry of Planning and International Cooperation (MOPIC) and UNDP, in close co-operation with the line ministries. MOPIC created Government-Donor Coordination Working Groups in 10 priority sectors in 2007, which meet as needed. One of the sectors is good governance. MOPIC chairs all the working groups with the aim of establishing a structured and technical level dialogue with donors on Jordan’s development needs and priorities.

The European Commission has been instrumental in establishing the Donors and Lenders Consultation Group (DLCG) in 2000, for which UNDP provides the secretariat. The group is intended to provide coordination among member states, as well as USAID, UNDP, the EU, GTZ, and other active donors. The DLCG has established six thematic sub-groups: governance/public-sector reform, education, social development, private sector development, environment, and water. The EU is very active in the DLCG, was chairman in 2008, and chairs several of the working groups. At times it has led more than half of the working groups. Since the EU is tying its SBS to PFM Reform to the achievement of certain strategic goals and objectives and USAID is the primary donor assisting Jordan in attaining these goals, it is critical that the EU and USAID continue maintaining close coordination and communication. European Commission

coordination with the WB and European Investment Bank is achieved under the Strategic Partnership Agreement among the three institutions, launched in 2004.

The European Commission has supported MOPIC in the development of a new donor coordination mechanism called the *Jordan Aid Information Management System* (JAIMS). This database, which is being loaded with data now and will go on-line in 2010, is intended to provide information on ongoing financial assistance, projects, and programs.

3. DESCRIPTION

3.1. Objectives

The overall objective of this programme is to support Jordan's public financial management reform strategy to achieve long-term fiscal sustainability.

3.2. Expected results and main activities

The expected results of this programme include the following:

- Improved debt management;
- Enhanced government leadership in donor coordination;
- Improved public expenditure management and improved allocation of funds;
- Improved tax collection;
- Improved expenditure rationalisation.

In order to achieve the above-mentioned results, the indicative list of activities could include the following:

- Preparing a debt management strategy;
- Establishing an effective mechanism for leading donor coordination on PFM aid;
- Adopt measures to improve budget preparation consistent with the new budget preparation schedule, including a credible Medium Term Fiscal Framework (MTFF);
- Taking the steps necessary to obtain a fully operational Financial Management Information System;
- Strengthening the role of the Audit Bureau;
- Establishing new procedures for writing off old, uncollectible tax debt;

- Implementing the stop-filer program;
- Implementing the audit tracking system for large and medium taxpayers;
- Using risk-based audit selection techniques;
- Introduce a more effective cash-flow mechanism;
- Strengthening the internal control and audit functions exercised by all general government agencies.

In order to achieve the above-mentioned results, the following first activities have been agreed; and others will follow:

- Complete a new Public Expenditure and Financial Accountability Assessment report (PEFA).
- Training on Public Financial Management Assessment based on the PEFA framework.

3.3. Risks and assumptions

The main risks are that: (i) the current economic crisis deteriorates sufficiently to disrupt the government's ability to support continued implementation of the reform strategy; (ii) the stakeholders are unable to improve their analytical capability sufficiently to utilize effectively the new technologies and process reforms put in place; (iii) the recent stability in sector leadership does not continue, putting the commitment to reform and its schedule in jeopardy; and (iv) weak capacities in line ministries undermine PFM reform.

The main assumptions are that: (i) MoF, ISTD, GBD, and Audit Bureau will implement their Strategic and Action Plans for 2010–2013 on schedule; and (ii) USAID, GTZ, EU, World Bank, IMF and other technical and financial assistance critical to continued reform progress will continue unabated.

3.4. Crosscutting Issues

This programme contributes to improve governance and accountability by supporting the stakeholders' strategic and action plans. Many of the proposed conditionalities will tie directly to accountability (external audit, GFMS, results-oriented budgeting, commitment control, internal control, tax administration), transparency (results-oriented budgeting, MTEF, GFMS, debt management strategy), and anticorruption (external audit, GFMS, tax administration, internal control).

3.5. Stakeholders

The main stakeholders are: the MoF; the ISTD and GBD as well as the Audit Bureau.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The programme will be implemented through centralised management mode. All contracts and payments will be centralised.

4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the European Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

4.3. Budget and Calendar

The total allocation for this programme is EUR 45 million.

The allocation for budget support is estimated at EUR 44 million. Indicatively three tranches are foreseen.

The allocation for complementary support measures for the programme is estimated at EUR 0.4 million for a PEFA study and capacity building activities and at EUR 0.6 million for evaluation, audit and communication and visibility.

The operational duration foreseen is 48 months from the signature of the Financing Agreement.

Indicative Budget (In million of Euros)

Components	Budget
Budget Support	44.0
PEFA study; Capacity building activities (training)	0.4
Evaluation, audit, communication and visibility (service contracts)	0.6
Total	45.0

4.4. Performance monitoring and criteria for disbursement

The performance evaluation preceding the disbursement of the tranches will be undertaken by the European Commission through monitoring missions. Monitoring missions will be mobilised twice-yearly for the disbursement of the tranches. In each year, the first mission will review that the programme is on track ensuring that a

common understanding exists among stakeholders of the processes and time -frame of actions required to meet the specific conditions and the second mission will undertake the detailed performance monitoring of the general and specific conditions.

4.5. Evaluation and audit

The European Commission will carry out a final evaluation of the programme. The European Commission may also carry out a mid-term evaluation if deemed necessary. Both evaluations will be carried out by independent consultants recruited directly by the Commission under specific Terms of Reference.

4.6. Communication and visibility

The EU Delegation will monitor that the EU visibility guidelines are respected, ensuring adequate perception of EU efforts among the key stakeholders and beneficiaries. Activities will be defined in close collaboration between the Government and the Delegation. It is envisaged that workshops might be arranged for discussions between stakeholders on the progress of programme implementation.