

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 (GoJ) 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 GoJ 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 GoJ. 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. Government is committed to facilitate this notably through the new JAIMS 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/PLEDJ;
- 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

- GoJ 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 GoJ 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 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 EU will carry out a final evaluation of the programme. The EU 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.