

ACTION FICHE FOR JORDAN

1. IDENTIFICATION

Title	Trade and Transport Facilitation (TTF) Programme		
Total cost	<i>EC Contribution: €33 Million divided as per the following: Budget support: €27 Million Project mode: €6 Million</i>		
Aid method / management mode	Sector Policy Support Programme: - Sector budget support - Project mode partly centralised partly decentralised		
DAC-code	33120	Sector	Trade facilitation

2. RATIONALE AND COUNTRY CONTEXT

Improving Jordan's trade with the EU and with other trading partners is a major focus of EU financial assistance to the country. The high costs related to customs and transportation inside the country have a significant impact on the cost of goods. Important reforms are needed to curb trade-related costs and increase the competitiveness of Jordan's products.

2.1. Economic and social situation

Jordan is a small lower-middle-income country, with a per capita income of \$2 660. It experienced stable average growth of 6% for the year 2001-2007. Inflation is relatively modest in 2007 at 5,8%.

Jordan operates a substantial trade deficit. Exports amounted to €3 325 million for the first 10 months of 2007 whilst imports amounted to €7 702 million for the same period. While exports have risen 12% in 2007, imports are rising faster. Annual exports to the EU total €100 million while imports total €1 880 million, hence there is a significant deficit.

The GoJ is implementing cautious macroeconomic policies, targeting monetary stability and fiscal consolidation. Good results in macro economics and public finance management were confirmed by the IMF mission of March 2008.

Public finances have shown improvement. The budget deficit for 2007 is 5,4% of GDP, which can be considered reasonable taking into account the regional circumstances. Given Jordan's recent dynamic performance, the government's external debt service burden has declined, as a proportion of GDP, from 4,2 to 3,8%.

As part of the Ministry of Finance, the management of public funds in the Customs Administration is carefully managed through the strategic plan implemented by the Ministry. In regard to transport, the management of finances is satisfactory, but could be improved. For transport, the development of the Medium Term Expenditure

Framework (MTEF) and the Medium Term Fiscal Framework (MTFF) would be beneficial and this will be supported by the present programme.

2.2. Cooperation policy of the beneficiary country

The National Agenda, developed under the royal aegis and presented in late 2005, is an integrated ten-year development strategy aimed at meeting the country's development challenges. Its scope is comprehensive and covers three main dimensions: Government and Policies; Basic Rights and Freedoms; Services, Infrastructure and Economic Sectors. The latter includes the creation of a safe transportation network, affordable public transport and the promotion of manufacturing industries.

Under the Infrastructure Upgrade theme, the National Agenda places great emphasis on upgrading the transport network to serve the process of economic growth. It highlights the need for a sound regulatory framework, the importance of exploring the development of new transport modes, particularly railways, the improvement of Aqaba port as the major link with maritime transport and the liberalisation and upgrading of air transport.

2.3. Government Sector Programme

2.3.1. General

The National Committee for Facilitation of Transport and Trade was formed in 2005 in line with UN-ESCWA (UN-Economic and Social Commission for Western Asia). Members of the National Committee, which is chaired by the Minister of Transport (MoT) include the Ministers (or their representatives) of Planning and International Cooperation (MOPIC), Industry and Trade (MIT), Public Works and Housing (MOPWH), Finance (MoF), the Interior (MoI), Health (MoH) and the Customs Administration (CA, under the MoF). Members from the public/private and from the private sector include the President of the Jordan Chamber of Industry, the President of the Jordan Chambers of Commerce and representatives of the Executive Privatisation Commission (EPC) and Jordan Enterprise (JE).

The main objectives of the National Committee include: 1) creating an environment of dialogue and coordination between all parties involved in trade and transport operations, specifically, the private and public sectors; 2) facilitating trade and transport activities through administrative and legal reforms; 3) enhancing Jordan's competitive edge to boost exports; 4) help in improving procedures (in terms of the length of time and the use of IT) and removing obstacles to increased trade and tourism. Specific objectives of the National Committee include: 1) increasing awareness of the benefits of trade facilitation; 2) presenting recommendations and proposals to Government for investments and future projects.

This is an important forum and the present Trade and Transport Facilitation Programme will support the Committee and inter-Ministerial and private sector linkages, for example through training Members, providing technical assistance to an enlarged secretariat and supporting the development of a strategy specifically on Trade and Transport Facilitation within the broader policy framework.

2.3.2. *Trade*

Jordan has a clear trade strategy elaborated within the framework of the National Agenda focusing on better co-ordination, regulatory and legislative improvements, simplification of customs procedures and improved market access (through more Free Trade Agreements).

In addition to this, an expanded strategy is currently being developed by the Ministry of Industry and Trade and is expected to be ready by the summer. This strategy will be used to identify specific performance indicators to be incorporated into the Financing Agreement for the present programme and this will include actions to simplify customs procedures and practices in order to reduce waiting times and administrative costs.

2.3.3. *Transport*

Building upon the 2005-2007 National Transport Strategy and Action Plan, the new Transport Strategy for 2008-2010 has been approved by Cabinet. The main axes are regulatory improvements, namely deregulation to increase competition, and the implementation of master plans for all modes of transport, including topics such as restructuring, investment and Public Private Partnerships. The Strategy, as well as further follow-up work supported by the EC-funded Support for Regulatory Reform and Privatisation Programme (SRRP), will be used to identify specific performance criteria of the present programme to be included in the Financing Agreement.

2.4. **Lessons Learnt**

Jordan has continually maintained its eligibility for sector budget support both in the sphere of macroeconomic policy and in the sphere of public financial management reform. Budget support remains an efficient instrument in Jordan where its impact on policy changes and ensuring commitment to difficult political decisions has been demonstrated.

The project approach is relevant when entities face a lack of technical capacity. In the present project, this approach is specifically suitable to provide technical assistance to transport regulators and the National Committee for Facilitation of Transport and Trade.

2.5. **Complementary Actions**

Related EC actions include: (i) Support for Regulatory Reform and Privatisation – SRRP (€20 million-2002); (ii) and (iii) Support to the Implementation of the EU-Jordan Association Agreement (SAAP I, €20 million-2002 and SAAP II, €15 million-2005); (iv) Support to the implementation of the Agadir Agreement (€4 million - 2003); (v) Sector Reform Facility (€40 million-2005); (vi) “Support to the Implementation of Kulluna al Urdun” (€20 million-2007); (vii) Support to the Public Finance Reform Programme (€12,5 million agreed in 2008); (viii) Services Modernisation Programme (€15 million agreed in 2008); (ix) Support to the implementation of the Action Plan (SAPP) (€10 million-proposed in 2008); (x) Support to Enterprise and Export Development (€15 million, proposed in 2008) (xi) Twinning project with Jordan Customs.

Among these, the new €42 million programme to support Public Finance Management Reform will reinforce the eligibility criteria for budget support and provide further assistance to carry out the needed Public Private Partnership operations.

Other donor technical assistance projects include:

- Italy: €3,5 million grant to the Jordanian Centre for Garment Design and Training (2008).
- Italy: €0,3 million loan/grant for an Integrated Programme for Support to SMEs (UNIDO).
- Spain: €100 000 for certification of organic products (export promotion).
- USAID: \$8,5 million Customs Administration Modernisation Programme (2007-March 2009). The customs dimension of the present programme will build on the achievements of this USAID programme.

2.6. Donor Coordination

The overall coordination, harmonisation and alignment of donor efforts is led by the UNDP, in close cooperation with the Ministry of Planning and International Cooperation and the different line Ministries. The “Donor/Lender Consultation Group (DLCG)” process initiated in Jordan ensures coordination between Member States, as well as USAID, the UN and other active donors, such as Japan. The DLCG has established six thematic groups: education, social development, private sector reform, environment, water, governance and public sector reform. Cooperation with EU Member States is effected through monthly meetings chaired by the EU, with a special emphasis on establishing an “EU road map for donor harmonisation and alignment”. Coordination with the World Bank and EIB is achieved under the Strategic Partnership Agreement between the three institutions, launched in 2004. The EC Delegation’s chairmanship of the UNDP donor/lender private sector development sub-group should facilitate coordination during project implementation.

3. DESCRIPTION

3.1. Objectives

The overall objective of the Trade and Transport Facilitation Programme is to contribute to Jordan's integration into the global economy by reducing trade-related costs.

The programme will build on and support initiatives from the National Committee for Facilitation of Transport and Trade to improve the conditions for trade in goods. Through an enhanced dialogue between the Jordanian administration and the trading community, the aim is to develop a more supportive environment in the areas of trade, customs and transport.

On border points and customs services, the programme aims to improve existing services through better collaboration between agencies and other entities involved in

border inspections and customs procedures. This includes initiatives to improve border crossing infrastructure at port and inland border crossings, mainly with Syria and Israel.

In the transport field the purpose is to support Jordan's long-term priorities for developing a multimodal transport system. Particular attention will be given to stimulating private sector investment by reinforcing the regulatory framework (civil aviation, road transport, maritime, and rail) and developing regional cooperation in this area. The programme equally aims at improving the efficiency of the transportation of goods to European markets.

The programme will also impact on regional integration, as Jordan continues to be pro-active in improving customs cooperation with neighbouring countries.

3.2. Expected results and main activities

A. Institutional capacity-building

Expected results:

- Enhance the dialogue between the trading community and national institutions
- Increased transparency and predictability of the sector trade and (transport trade) framework

Indicative activities:

- Establishment of a secretariat for the National Committee for Facilitation of Transport and Trade (NCFTT), to assist in the Committee's work and help implement Committee Decisions.
- Provision of Technical Assistance (TA) to the Committee and its Secretariat and to the main bodies involved in transport and trade facilitation, in particular MoT, CA and transport regulators.
- Design and implementation of NCFTT work plan.
- Elaboration and implementation of a clear Action Plan for Trade and Transport Facilitation which will lay the ground for the coherent integration and implementation of the trade and transport strategies.

B. Customs

Expected results:

- Reduced and simplified customs procedures and practices
- Reduced administrative costs
- Reduced waiting time at the borders

Indicative activities:

- Improve screening/auditing methodologies and practice in order to increase the number of companies retained in the "golden list" of reputable companies eligible for simplified customs procedures.
- Analyse and identify bottlenecks in customs practices and suggest and implement solutions.
- Introduction of measures on compliance between EUR 1 certificates and European customs requirements.
- Introduction of modern technology for the screening of exported and imported goods.
- Introduction of measures to ease customs procedures and processes by improving the functionality of the single window.
- Introduction of measures to ease transit procedures, in order to facilitate Jordan's role as a regional hub.

C. Transport**Expected results:**

- Increased transport networks coverage
- Maintained infrastructure quality
- Improved regional cooperation

Indicative activities:

- Construction of new infrastructure (including at the borders)
- Support to Public Private Partnership initiatives
- Implementation of multimodal transport law
- Adequate funding for infrastructure maintenance
- Setting up of coordination mechanisms with neighbouring countries

Where activities are already part of a national strategy, the conditionalities for disbursement of budget support and the specific performance criteria will be developed in accordance with these national strategies. This will include a number of monitorable indicators such as average time spent at border crossings, the enactment of customs legislation, cabinet approval of the railways master plan and of the Public Private Partnership regulation, continuing progress on the single window procedures, enactment of transit procedures, development of the MTEF and MTFP in MoT and CA, and establishment of cross-border committees.

A full logical framework has been developed to guide the drafting of the Financing Agreement.

3.3. Stakeholders

The main stakeholders are the Jordanian private sector and its representations, the National Committee for Transport and Trade Facilitation, the MoT, MOPIC, MIT, MOPWH, MOF, MOI, MoH, CA, the Executive Privatisation Commission and Jordan Enterprise.

3.4. Risks and assumptions

There is a risk that initiatives undertaken in Jordan will not be matched or synchronised with similar activities in neighbouring countries, especially in Syria to the north, thereby limiting the impact of the work undertaken in Jordan. This applies notably to border crossing improvements and possible road/rail axes. Nevertheless, improving customs cooperation with neighbouring countries is an ongoing priority for the GoJ.

3.5. Crosscutting themes

The Environment would gain substantially from the initiatives proposed in this programme. The development of inter-operability and a multi-modal approach to transport planning should lead to a more efficient and environmentally friendly transport network where congestion would be reduced and safety standards raised. Improved regulations should also assist in ensuring compliance with international trucking standards relating to exhaust emissions, loading, operating times etc.

Initiatives under the programme will take appropriate account of gender-equality issues and, in particular, the need to increase participation in the decision-making processes in the transport sector and in the operation of the various transport modes.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Sector budget support centralised management

The allocation for the sector budget support is €27 million. It is envisaged that this will be disbursed in an initial tranche of €9 million, following the signature of the Financing Agreement with the Government of Jordan and cabinet approval of both revised trade and transport strategies. The other tranches of €9 million will be disbursed following compliance with the agreed performance criteria/conditionalities as confirmed in a documented request by the Government of Jordan.

The Authorising Office considers that coherent sector policies are under implementation by the Government of Jordan and that budgetary management is sufficiently transparent, reliable and efficient to allow sector budget support in accordance with the conditions of Article 15-2.e of the ENPI regulation and as supported by the "Jordan — 2008 Article IV Consultation Concluding Statement of the IMF Mission" of 11 March 2008.

Technical Assistance, decentralised management

A Technical Assistance contract will support the MOT, CA, MIT, the Regulatory bodies and the National Committee for Transport and Trade Facilitation. This will build upon the experience of the SRRP, where the EU supports 4 regulators. In addition, there will be a €2 million supply component focusing notably on improvements in border.

The Authorising Officer considers that the conditions of Article 56.2 of the Financial Regulations have been met for decentralised management by the Government of Jordan, following verifications of these conditions in 2004 and 2007. *Programme Monitoring, centralised management.*

Complementary support for an amount of €0,5 million is allocated to programme monitoring.

The Commission controls ex ante the contracting procedures for procurement contracts >50.000 EUR and all grant contracts, and ex post for procurement contracts • 50.000 EUR. Through the programme estimates, payments are decentralised for operating costs and contracts up to the ceilings below.

The Authorising Officer ensures that, by using the model of financing agreement for decentralized management, the segregation of duties between the authorising officer and the accounting officer of the decentralized entity will be effective, so the decentralisation of the payments can be carried out within the limits 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

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 essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. 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 Implementing Rules of the Financial Regulations where financing in full is essential to carry out the action in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission (Practical guide to programme estimates financed by the General Budget of the EC).

4.3. Budget and calendar

Support to Trade and Transport Facilitation	TOTAL
Budget support	27.0
Monitoring (TA service contract)	0.5

Technical Assistance service contracts	3
Supply of equipment	2.0
Evaluation/audit/visibility	0.5
TOTAL	33.0

Contracting should be completed within the three years following the signature of the Financing Agreement, except for evaluation and audit.

The indicative operational implementation period is 36 months from the signature of the Financing Agreement.

4.4. Performance monitoring and criteria for disbursement

Monitoring missions will be mobilised twice-yearly throughout the programme, under a TA contract. In each year, the second mission will be scheduled to ensure that performance can be assessed with a view to a possible disbursement following a documented request from the Jordanian authorities.

The general conditions for disbursement are valid for all budget support payments and could be summarised as: (i) the continued implementation of well-defined policies and strategies in the trade and transport areas; (ii) the implementation of a credible and relevant programme to improve public financial management; (iii) the maintenance of a "stability-oriented macroeconomic policy"; (iv) The maintenance of fundamental policies in trade and transport towards improving the conditions for trade in a more liberalised environment.

The specific conditions for the disbursement of individual tranches will be based on the policy matrix that will include conditionalities derived from 3.2 above and will be fully identified in the Financing Agreement, in line with the national strategic documents.

The major results and indicators to measure progress should relate to improving the current trade and transport framework, which should impact on costs, time and the efficiency of administration.

4.5. Evaluation and audit

The Programme shall undergo annual and final audits and mid-term and final evaluations, according to terms of reference specified by the European Commission. Audit and evaluation reports shall be communicated to the Beneficiary and the National Coordinator by the Commission Delegation. In addition, the Commission may send specific missions at any time to assess the progress of the Programme.

The European Commission will be entitled to suspend or reduce financing to any Component or activity that is found to be under-employed or no longer justified on the basis of the monitoring and evaluation missions. Under such circumstances, the Commission reserves the right to re-allocate funds to other Programme Components or activities.

4.6. Communication and visibility

Communication and visibility are the responsibility of the beneficiary. Activities will be defined in close collaboration between the Government and the Delegation, in line with the EU Visibility Guidelines for external actions. It is envisaged to organise several workshops in the framework of the programme to promote discussions between stakeholders.