



MINISTRY OF PLANNING AND INTERNATIONAL COOPERATION

REFORM MATRIX: 2021 AT A GLANCE

March 2022

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POLICY REFORM MATRIX

BACKGROUND

Jordan's Policy Reform Matrix (Reform Matrix) was developed by the Government of Jordan (GoJ) with the support from the World Bank (WB) and development partners. The Reform Matrix was launched in February 2019 during the **Jordan: Growth and Opportunity – the London Initiative 2019** (London Initiative), constituting the GoJ continued commitment to economic reform. The London Initiative is an international conference to unlock investment, growth and jobs for Jordan, co-hosted by the United Kingdom and Jordanian Governments which aimed to bring together an international coalition of bilateral partners, investors, and international businesses to help support the country on its sustainable growth path, transitioning to a more productive, diversified, competitive, equitable, export-led economy for the benefit of all those who live in Jordan.

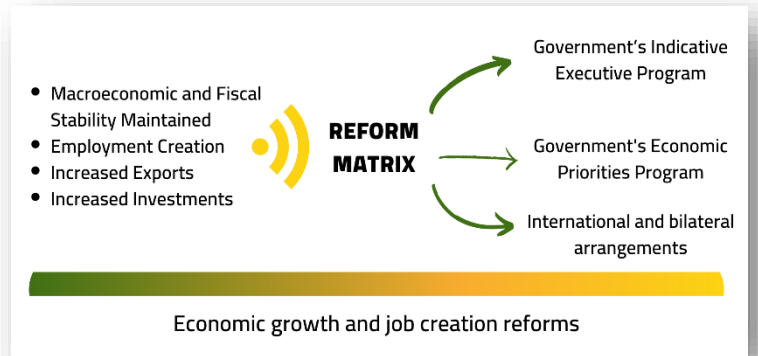


Diagram 1: Reform Matrix

The Reform Matrix lays out horizontal and vertical structural reforms that have a transformational impact on growth, job creation and fiscal stability. Furthermore, it serves as a guiding document for the plans and programs of GoJ on one hand, and donors and development partners on the other hand.

Following the COVID-19 pandemic, the **Reform Secretariat** (see section 2) led a review of the Reform Matrix with the aim to revisit growth and reform priorities in alignment with the Government's Indicative Executive Program taking into consideration post COVID-19 reform priorities. The review went through a structured process that included close coordination and consultation with the GoJ agencies, subject matter experts, WB team, donor community, and most importantly the private sector. Also, an **environment and climate change mainstreaming** was integrated into the updated Reform Matrix. Diagram 2 illustrates the main objectives of environment and climate change mainstreaming.

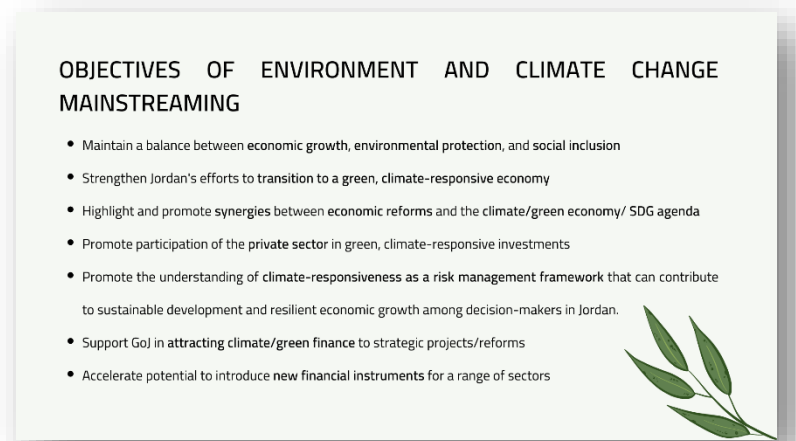


Diagram 2: Main objectives of environment and climate change mainstreaming

As a result, the Reform Matrix was expanded to 12 pillars, which included adding two new pillars (1) public sector efficiency and governance and (2) tourism and expanding on agriculture reforms. Finally, the Reform Matrix was extended for two years to 2024. The below diagram (diagram 3) illustrates the reform pillars and reform areas of the updated Reform Matrix:

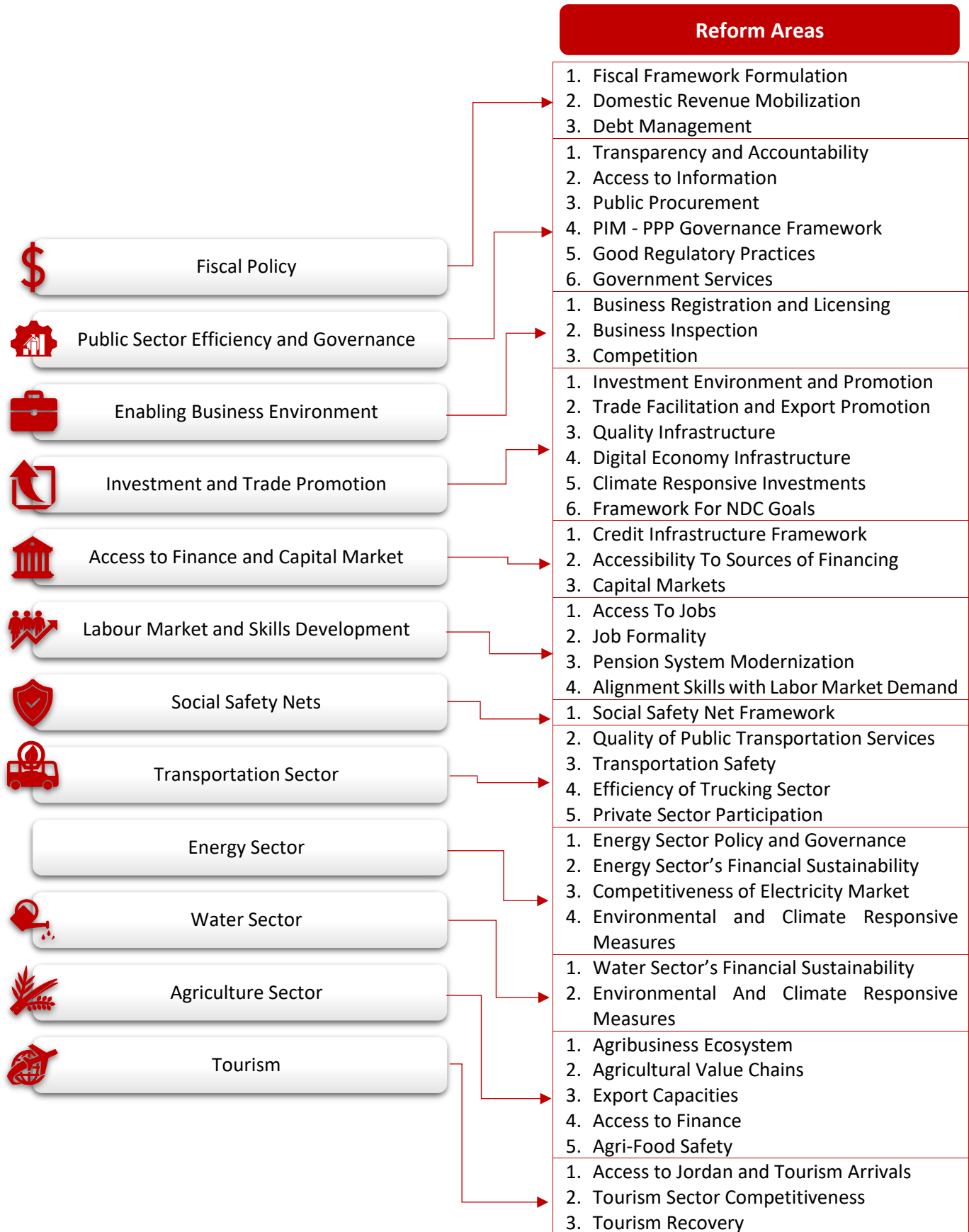


Diagram 3: Reform pillars and reform areas of the updated Reform Matrix

PROGRESS UPDATE

As of today, the Reform Secretariat conducted several consultations with GoJ implementing agencies and held two donor consultations and a private sector consultation on the updated Reform Matrix. Currently, the Reform Secretariat is finalizing the Reform Matrix which will then be submitted to Council of Ministers for endorsement before the end of Q2, 2022.

Since the launch of the Reform Matrix, the GoJ came a long way in implementing the policy reforms. Key policies that have been implemented under the Reform Matrix with focus on 2021 achievements are listed below:



Pillar 1: Fiscal Policy

GoJ developed a **Revenue Mobilization Plan** which encompasses both tax policy and administration to implement legislative reforms aimed at introducing place-of-taxation rules for GST, establishing economic substance requirements for special zones, enhancing transfer pricing rules and bringing ASEZA into a single tax administration and single customs service.

Also, a **medium-term macro-fiscal framework** has become a key fiscal policy tool for GoJ, as it provides the overall context under which sustainable fiscal targets are set, policy choices are determined, and realistic revenue and expenditure projections are prepared. In this context, the Ministry of Finance enhanced its internal capacities in formulating macro-fiscal framework by establishing a new **Macro Fiscal Unit (MFU)** which plays a pivotal role in formulating macro-fiscal policies, supporting decision making with evidence-based policy advice and strengthening budget preparation by providing fiscal and economic forecasts.



Pillar 2: Public Sector Efficiency and Governance

In 2021, GoJ continued implementing the **Unified Public Procurement Bylaw** which was issued in 2019 which in turn consolidated the legal framework for public procurement and applied by all procuring entities. In early 2022 a revised Unified Public Procurement Bylaw was issued following one full year of implementation history, which made improvements based on practical implementation of the regulations. An independent ministerial Complaint Handling Committee has been established in addition to a Policy and Oversight Unit at the Prime Ministry is being activated. On digital procurement, the GoJ continues to make progress on the implementation of this system (JONEPS) and in 2021 two pilots were conducted one with the Ministry of Digital Economy and Entrepreneurship and the second with Ministry of Education as purchasing entities. This reform helps ensure the highest levels of integrity, transparency and fair competition.

Moreover, as part of a comprehensive structural reform program, GoJ adopted a new **Public Investment Management (PIM) - Public Private Partnerships (PPP) governance framework**. Since the adoption of the framework, the enactment of a new Public-Private Partnership Law (PPP Law), associated Bylaws, Instructions, and establishment of Public Private Partnership Unit (PPP Unit), Public Investment Management Unit (PIM Unit)

and Fiscal Commitment and Contingent Liabilities Unit (FCCL Unit) took place. In 2021 several measures to implement the framework took place including a purchasing of the National Registry of Investment Projects (NRIP) which will include Public Investment Project (PIP) and Public-Private Partnership (PPP) Project Databanks and is being operational; the PIM and PPP Units conducted several trainings for officials across line ministries and agencies on the PIM – PPP Policy and Legal Framework; the PPP Unit’s operational manuals have been issued and the Project Development Account has been opened and the FCCL guidelines have been approved by the FCCL Committee. Currently the PIM Unit is initiating a capital investment portfolio review to identify bottlenecks and inefficiencies and the Fiscal Risk Assessment Guidelines are being prepared.

Finally, GoJ continues its commitment to **improve regulatory predictability**. Since the issuance of ‘Code of Governance Practices of Policies and Legislative Instruments in Government Departments’ in 2018, the Legislative and Opinion Bureau (LoB) issued a ‘Legislation Data Memorandum’, which is a document that all GoJ entities submitting new regulations will be required to fill it out. The memorandum provides information on the type and details of consultations conducted with the public and private sector including providing sufficient proof that the parties impacted have been consulted. Finally, GoJ is working on amending the Regulatory Impact Assessment (RIA) Guidelines which will outline RIA procedures in details and is working to establish a unified public consultation portal that will cover all the government agencies which are anticipated to be completed by 2022.



Pillar 3: Enabling Business Environment

GoJ launched an integrated service delivery reform program, the ‘**Investor Journey Program**’ which identified current challenges and gaps and defined a shared vision for a future integrated service delivery system for investors. In 2021, GoJ continues to further streamline and simplify investment across the business lifecycle, including improving the business registry infrastructure and accelerating implementation of the ongoing licensing and permit reform to reduce compliance costs. Also, GoJ adopted the **ISIC4 classification framework** and implemented it on newly registered business which improves the coordination between government agencies involved across the business lifecycle which in turn helps simplify, unify and expedite the registration and licensing procedures for businesses. Finally, GoJ is working on launching an **Integrated Business Registry System** which will unify the registration process through a single window at the Companies Control Department.



Pillar 4: Investment and Trade Promotion

In 2021 in terms of facilitating investments, GoJ continued to implement an **Investor Grievance Mechanism (IGM)** that helps identify, track, manage, and resolve grievances arising between investors and public agencies within specified time periods to increase investment retention and expansion and prevent escalation to legal disputes. Since the adoption of the IGM, a bylaw and instructions have been issued along with formalization of a Grievance Committee to address grievances faced by an investor due to government conduct that potentially impacts the investor’s rights or guarantees contained in a domestic law, International Investment Agreements, or contracts between the investor and the government entity. In 2021 alone more than 25 cases raised by investors were addressed through this mechanism. Currently GoJ is working on integrating the IGM into the CRM Platform at the

Ministry of Investment to digitize this mechanism to serve as a monitoring and evaluation tool for management. Also, GoJ is developing a comprehensive **Investment Promotion Strategy** that will specify its investment promotion objectives for the next five years and the strategic segments as well as service delivery around the investment lifecycle, from attraction to entry and establishment, retention and expansion, and linkages and spillovers.

Moreover, GoJ conducted a series of trade facilitation and export promotion measures including the implementation of the **National Single Window (NSW)** which assembles representatives of the concerned institutions and departments involved in the clearance process of goods in one location so that importers and exporters can submit information once to a single window. Moreover, in 2021 the **Advance Ruling Instructions** was enacted and its procedures have been digitized to facilitate the declaration and consequently the release and clearance process for items that have been imported. Going forward, GoJ continues the implementation of NSW and plans to apply it at all points of boarder entry and digitizing the issuance of certificate of origin.

Finally, several measures were taken by GoJ in 2021 focusing on mainstreaming climate responsive investments to streamline and accelerate the pace of climate investment towards longer-term Paris Agreement goals. Starting with issuing the **instructions under the Climate Change Bylaw of 2019** defining climate-responsive projects and eligibility criteria for climate-responsive capital and private non-governmental expenditure, setting the criteria that enables GoJ to maintain and demonstrate progress towards the national commitments to adaptation and mitigation in terms of NDCs. Following that, operationalizing the national **Monitoring, Reporting and Verification System** and **Green House Gas Registry System** that support the full integration of climate-responsive projects and facilitate access to green finance for private investments. Lastly, adopting a **Roadmap for Operationalizing Climate Finance Governance System** which brings together key elements that fulfil various articles of the Paris Agreement, strengthen linkage between national development priorities and climate goals and enhance Jordan's credibility and attractiveness as a climate investment destination with approaches towards gender equity and engagement of youth and vulnerable communities.



Pillar 5: Access to Finance and Capital Market

GoJ continues to implement the **Insolvency Framework** that enables individuals and companies to reorganize their businesses when in a troubled financial situation under certain conditions agreed upon with lenders. It is taking practical steps to activate the framework through several measures including training of Insolvency Practitioners who will evaluate and handle insolvency cases; issuing new licensing procedures for Insolvency Practitioners; conducting a training program on insolvency for judges; and operationalizing an electronic insolvency registry which will serve as a good resource to maintain all information on each insolvency case.

Furthermore, GoJ continues to implement its **Financial Inclusion Strategy** which encompasses the adoption of e-wallets which serve as an effective tool to respect the privacy of recipients. The number of registered e-wallets has increased to 1.6 million as of 2021. Finally, in 2021 GoJ published the **Green Bonds Guidelines** with the objective to stimulate dialogue with private sector stakeholders interested in the green bonds market and

facilitate the development of a domestic green security markets which comes as part of introducing investments in climate friendly assets.



Pillar 6: Labor Market and Skills Development

Over the few years, GoJ has taken concrete actions towards an inclusive and well-functioning labour market that provides employment opportunities for all citizens in addition to setting clear targets for job creation. In 2021, GoJ continued to implement several measures to improve the business environment, with focus on the **increase of female participation in the workforce**. Those measures include reducing the hiring costs for young and female workers; regulating flexible employment with hourly minimum wage rates to encourage employment of women and youth; and issuance of legislations to improve the working conditions in agriculture, a sector used to be unregulated.

Moreover, GoJ continued improving the regulatory framework to promote gender equality in the labor market by issuing the bylaws and instructions to formalize nurseries and consequently provide better quality childcare services. In 2021, the efforts by GoJ continued to better facilitate the licensing procedures through the **launching of the e-licensing services** for new facilities and the renewal and issuance of the **Home-based Childcare Licensing Instructions** to increase the options for working mother specially in the rural areas.

Going forward, GoJ will continue to promote job creation and ensure that employment policies respond to job demand and advance decent work conditions. Key measures include expanding access to childcare services through developing new set of nurseries' legislations using the new regulatory model; improving labor market governance and work conditions by adopting ISCO for classification of occupations, integrating inspection processes and introducing wage protection measures with a focus on reducing the gender pay gap; expanding the social security coverage through the introduction of the Voluntary Defined Contribution Schemes; and bridging the youth skills gap by developing the National Skills Development with the vision for the future of work (including well-illustrated sectoral partnership and coordination), empower the National Sector Skills Councils role, and regulate the apprenticeship based on clear and concise framework and consultation with social partners.



Pillar 7: Social Safety Nets

GoJ continues to take significant steps to protect the most vulnerable Jordanians and to ensure that all Jordanians enjoy a dignified life. Mainly through the launch of the **Social Protection Strategy (2019-2025)**, which aims to enhance the efficiency of its available resources to provide a comprehensive, transparent, and just social protection system that alleviates poverty.

Moreover, GoJ launched the **Takaful Cash Transfer Program**, which introduced significant improvements in the delivery of cash transfers and by the end of 2021, National Aid Fund benefited 195,000 households and as part of the migration of its beneficiaries to Takaful, they have collected the data required to apply the Takaful formula for over 94,000 households. Upon applying the revised Takaful formula on the old caseload by the end of the first

quarter of 2022, NAF will migrate eligible households to the Takaful Program. Finally, GoJ also developed and adopted the **National Unified Registry (NUR)**, a single gateway for all Jordanians seeking social assistance, which allows for more effective targeting of vulnerable households, analyzing their situation and determining the services required to improve their livelihoods. GoJ will operationalize NUR in 2022 as the single assistance gateway.



Pillar 8: Transportation Sector

The transportation sector plays a vital role in the economic development process due to its direct social and economic impacts, in addition to its cross-cutting nature with other sectors. The main reforms GoJ addressed in the past two years include launching the **implementation of the Intelligent Transportation Systems (ITS)** project that will provide accurate measures for transportation performance which will contribute towards better planning and valuation of tariffs among others.

Moreover, as the transport sector is the second highest carbon-emitting sector, GoJ developed an **action plan to decarbonize public and truck transport** which sets emissions and testing standards for fleet renewal and scrapping and reduce energy consumption on the sector. This is one among many other policy reforms that will reduce the sector's emissions which will contribute to Jordan's NDCs under the Paris Agreement as well as result in co-benefits for human health and the environment. Finally, GoJ developed a regulatory framework which is updated regularly for the trucking sector that includes digital platforms to enhancing the efficiency of the trucking sector. Moving forward, GoJ is adopting and developing National Public Transport Quality Standards and considering the integration of climate-environmental aspects into the Transportation Strategy.



Pillar 9: Energy Sector

Recognizing the substantial contribution of energy costs to the cost of doing business, and the high fiscal burden of the energy sector on the budget, GoJ paid specific attention to improving the efficiency of the energy sector. In 2019, GoJ adopted and started implementing a **Financial Sustainability Roadmap** for the energy sector, which includes concrete actions and measures to adopt international regulatory best practices; improve operational performance; address NEPCO's debt optimization; enhance the targeting of electricity cross-subsidies; and review the tariff structure. More recently, GoJ launched the updated **Jordan Energy Strategy (JES)** for the years 2020-2030, which focuses on security of energy supply, energy availability and affordability, energy sustainability, as well as increased dependence on local sources.

Moreover, one of the most important policy reforms that GoJ worked on 2021 was the **adoption of the Electricity Tariff and Subsidy Reforms** which focuses on reducing electricity tariffs for key business sectors, reforming the household tariff system to reduce distortions and generate savings in progressive manner. It is worth mentioning that all households will need to apply for the subsidy, and the information gathered during this application process will allow to refine subsidy eligibility criteria and improve the calibration of the discount system with a view to further enhancing the progressivity of the system. The rollout of the reform for both households and businesses

will take place early this year. Also, GoJ continues to increase electricity exports to neighbouring countries which will in turn enhance regional interconnections. Moving forward, GoJ will continue to optimize the usage of all available energy sources through adequate imports of gas (including from Egypt, the Mediterranean and LNG markets) to reduce costs and maximize efficiency.



Pillar 10: Water Sector

Jordan's water sector is facing tremendous challenges including extreme scarcity, increased demand for fresh and irrigation water, influx of refugees and severe impacts of climate change. Furthermore, the financial losses also continue to present strong challenges. Specifically in 2020 the GoJ **rolled out a plan for the utilization of smart metering technologies and solutions** for large consumers and households as continuous efforts to reduce water losses and improve the water sector technical and commercial performance. In 2021, GoJ continues to improve the water sector operational cost recovery and encourages the reuse of treated wastewater and better irrigation technologies. Furthermore, as the GoJ efforts continue towards better coordination between the water and energy sector strategies to balance the reduction of losses of both sectors, an **Action Plan for Reducing Non-Revenue Water and Energy Efficiency of the Water Sector** was prepared and agreed upon. Finally, GoJ continues to prepare **Water Sector Financial Sustainability Roadmap** that will guide reforms and underpin sector governance for the period up to 2040.



Pillar 11: Agriculture Sector

As one of the main sectors that holds a great potential towards increasing Jordan's export value, the agriculture sector is considered the largest consumer of water in Jordan considering that it consumes more than 52% of Jordan's water resources. GoJ continues to implement several policy reforms in 2021. Among those reforms was the adoption of the **Food Security Strategy** considering the impacts of climate change and COVID-19 pandemic aiming to assess the country to realize its position and potential as a strategic regional hub for food security and achieve efficient utilization of available resources, potentials, and opportunities to accelerate progress towards the achievement of relevant Sustainable Development Goals targets. Moreover, the **Agricultural Risk Fund Law** was amended and enacted covering all agricultural risks affecting the farmers. Finally, GoJ issued a **National Cooperatives Strategy** that proposes a comprehensive and pragmatic cooperative development strategy.



Pillar 12: Tourism Sector

Being a main contributor to economic development, job creation, and supporting the country's foreign reserves, the mid-term review exercise of the Reform Matrix and the consultation with the different stakeholders have yield the introduction of the tourism sector reforms pillar. The reforms under this pillar address key aspects of the sector that respond to the hard hit by the COVID-19 pandemic and call for urgency in taking reform measures to mitigate economic and social impacts primarily for countries with higher dependency on tourism, as is the case in Jordan.

In 2020 and 2021, GoJ focused on the **response** and **recovery** measures to limit damage to the economy, including those in the tourism sector by focusing on financial liquidity and employment protection. Also, GoJ launched a new **National Tourism Strategy** for the years 2021-2025 along with the **Gender and Inclusion Action Plan** that provides the basis for the sector to achieve new levels of success and productivity after the challenges of the COVID pandemic.

Moving forward, GoJ will focus on the **resilience** of the sector to get back to pre-COVID-19 levels including the launch of several niche tourism products; launch of the **Tourism Resilience Fund** which provides a protective layer to the tourism sector to shield it from the pandemic's impacts; and address ecosystem of the tourism sector, such as market access conditions, and registration and licensing procedures, aiming at enhancing the competitiveness of the sector.

REFORM SECRETARIAT

BACKGROUND

Following the launch of the Reform Matrix, the **Reform Secretariat (RS)** was established in November 2019 within the Ministry of Planning and International Cooperation (MoPIC), to coordinate, support and drive the implementation of reforms under the Reform Matrix and coordinate between GoJ entities and development partners to ensure the implementation and alignment of donor programs with national priorities with the vision to increase equitable growth and job creation. Currently, the RS is being funded through the Jordan Growth Multi-Donor Trust Fund. To date, RS has grown to 17 staff and continues to be an integral coordinator and facilitator towards the implementation of the Reform Matrix.

Alongside overseeing the implementation of the Reform Matrix, the Reform Secretariat continues to manage the implementation of the World Bank Development Policy Loans, World Bank-Financed Programs for Results, Women Business and the Law and other programs that are in line with the Reform Matrix.

PROGRESS UPDATE

The **RS continues to work on supporting the GoJ agencies in the implementation of the Reform Matrix**. This support occurred in different ways such as: 1) following up and coordinating the implementation of policy reforms; 2) providing support through hiring technical expertise who are seconded to the implementing agencies; and 3) playing a centralized role in engaging between implementing agencies and the international community.

One of the most important activities that was led by the RS since late 2020 was the review and updating of the Reform Matrix in light of COVID-19 pandemic and with the aim to revisit growth and reform priorities. Throughout the review process, the RS held multiple consultations and discussion meetings with the GoJ agencies, subject matter experts, WB technical team, donor community, and most importantly the private sector.

Moreover, throughout last year the RS has been working internally on enhancing its functions in developing a communications strategy, stakeholder engagement plan, and monitoring and evaluation plan that captures the range of activities that the RS is involved in. Also, the RS has been issuing newsletters to highlight key policy reforms that GoJ has been working on. Those functions will be further developed and soon launched once the updated Reform Matrix is approved by the Council of Ministers.

Furthermore, the RS continued to play an integral role in the implementation of the policy reforms within the Reform Matrix, notably:

- Continued to coordinate the preparation of the new **Water Financial Sustainability Roadmap** and support on high level dialogue towards the finalization of the roadmap. This opportunity was identified by the RS during the midterm review of the Reform Matrix to work on developing a roadmap that would capture several measures to address the financial challenges of the water sector.

- Remained playing a vital role in coordinating policy reforms that involve multiple stakeholders among that is supporting the **Good Regulatory Practices reform agenda** namely organizing a series of workshops which aimed at introducing officials to the basic concepts of RIA, formed working groups to work on the three selected pilots for the implementation of RIA among others.
- During the implementation of the **Competitiveness Reinforcement Initiative**, the issue of high maximum residue levels for pesticides in export produce was identified, which resulted in an effort between Ministry of Agriculture, WB and RS to increase the awareness of all stakeholders on safe use of pesticides which resulted in initiating the preparation of the guidelines for the safe application of pesticides for different agriculture products.
- Supported the Ministry of Tourism and Antiquities as the **Tourism Sector** was added to the updated Reform Matrix. The support provided by the RS included helping in identifying priority projects within the National Tourism Strategy (2021 – 2025) and secured technical support to conduct Value Chain Analysis on the Tourism Sector to better understand the current evolving marketplace in the wake of COVID through a tourism value chain analysis among other type of support.
- Supported key environmental and climate change policies included by not limited to supporting the Ministry of Environment to consult on the **Green Bonds Guidelines** which were developed in collaboration with the Central Bank of Jordan, Jordan Securities Commission, MoF, RS, PPP, and the Companies Control Department.

In addition to the above, the **RS engaged strategically in identifying and setting the priorities of the government for the coming two years namely the Government Priorities Program (2021 – 2023)**. The involvement of the RS ranged from supporting implementing agencies in reviewing its plans and identifying the priorities that would be worked on, engaging in stakeholder engagement activities such as meetings with the private sector and parliamentarians among others. Following the launch of the GPP, the RS continued to play an integral part in following up on the implementation of those priorities through providing technical progress updates and inputs to the Delivery Unit at Prime Minister’s Office (PMO) who are mandated to provide progress reports to the Prime Minister on the implementation of GPP. The RS is considering further structuring its coordination and engagement mechanism with the Delivery Unit at the PMO in coming period.

It is important to mention that more than 60% of the government priorities in the GPP are linked to the Reform Matrix. Examples of priorities that are in the RM include simplifying licensing and registration procedures, digitizing highest priority public services, reducing electricity costs for specified economic sectors, launching a unified supervision umbrella controlling exports and imports and

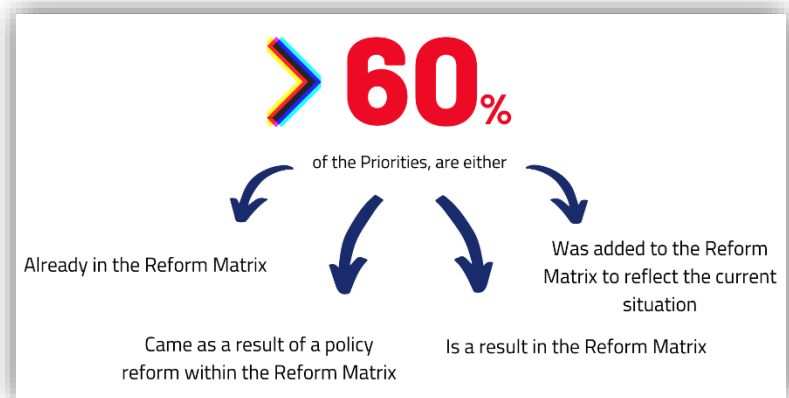


Diagram 4: Linkages between the Reform Matrix and Government Priorities Program

enacting a new Omnibus 'Investment and Doing Business Law' among others.

Finally, the RS spent noticeable efforts in supporting GoJ and other stakeholder in designing and developing programs that respond to GoJ agenda towards economic growth and job creation.

For more information on the work of the Reform Secretariat please visit:

https://www.mop.gov.jo/EN/List/Reform_secretariat?View=1088

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