

Hashemite Kingdom of Jordan

Country Programme Evaluation

Agreement at completion point

A. Introduction

1. This is the first IFAD country programme evaluation (CPE) for Jordan since the Fund started its operations in the country in 1981. The CPE had two main objectives: (i) assess the performance and impact of IFAD-financed operations; and (ii) generate a series of findings and recommendations that will inform the definition of future cooperation between IFAD and the Government of Jordan.
2. This agreement at Completion Point (ACP) contains a summary of the main findings and recommendations from the CPE.
3. The ACP has been reached between the IFAD management (represented by the Programme Management Department) and the Government of Jordan (represented by the Ministry Of planning and International Cooperation), and reflects their understanding of the main findings from the CPE (see Section B below) as well as their commitment to adopt and implement the recommendations contained in section C of the ACP within specified timeframes.

B. The main CPE findings

4. IFAD has financed important initiatives in Jordan consistent with country priorities. Soil and water conservation (essential in a country with chronic water scarcity and subject to erosion and desertification) coupled with extension and production support have been in general successful in improving agricultural production. Positive results were also found in the strengthening of non-farm rural livelihoods supported through credit. However, results in other areas (community empowerment, policy and institutional development) were limited, and the evaluation found that IFAD-supported programmes have not achieved the overarching COSOP strategic objective of reaching the rural poor.
5. In view of its findings and the analysis carried out, the evaluation questions whether a purposeful partnership between IFAD and the Government of Jordan is feasible – especially under the prevailing country context and IFAD's own strategic objectives. The following points raised by the CPE (both in relation to context and to the limited results) would challenge the feasibility of an IFAD-Government of Jordan partnership.
6. Jordan is a highly urbanized upper-middle income country. It has a low rate of poverty (13 per cent) and the majority of poor people live in cities. The number of poor living in rural areas is close to 0.25 million (approximately one third of the total poor) and they are difficult to reach. Given IFAD's imperative to maximize the impact of its limited resources on rural poverty, the relatively small number of rural poor in the country may raise questions about the opportunity cost for IFAD of doing business in Jordan.
7. The agriculture sector in Jordan contributes only about 3 per cent of gross domestic product (GDP) and of employment and it offers limited growth opportunities. Severe constraints on land and water limit agricultural potential. Land fragmentation and absentee owners living in cities make it difficult to develop and implement effective agricultural programmes. These factors point to non-farm employment or social welfare for poor people unable to find employment as the likely instruments for rural poverty alleviation rather than land ownership-based interventions in agriculture that form the main part of the IFAD programme.

8. The Jordanian population enjoys a significant safety net, both from private sources (mainly remittances from relatives working in the Gulf countries) and from public programmes. Also, Jordan receives significant aid of which a large part is provided on grant or highly concessionary terms.
9. In terms of results, the evaluation found, first, that IFAD-supported programmes have not reached the poor. The land-ownership-based soil and water conservation (SWC) investments supported by IFAD has been inherently unsuitable for reaching the poor in Jordan. Few of the IFAD target groups as defined in the COSOP (families earning less than US\$2 per day) are land owners, or own only small plots.
10. Credit did not reach the intended beneficiaries either. The collateral requirements – land and a payment guarantee from someone with a salary or pension – established by (the Agricultural Credit Corporation [ACC]) essentially precluded the poor and landless from benefiting from credit. IFAD made periodic attempts to persuade the ACC to modify its approach, but only a few marginal changes were achieved.
11. Community empowerment, a mainstay of IFAD strategy for rural poverty alleviation in Jordan, also has been mostly unsuccessful thus far. The most recent project – the Agricultural Resource Management Project – Phase II (ARMP-II) has attempted to reenergize the concept of community planning with financing from the Global Environment Facility (GEF).
12. Impact on policy and institutional development was also limited. The proposed agenda for policy dialogue was too broad and proved unfeasible to pursue. While IFAD was successful in mobilizing significant grant resources by and large they have not been linked to the COSOP's policy dialogue objectives. Furthermore, MOA's capacity remains limited and it has not yet defined a clear vision for agriculture and the role it can – and should – play, despite IFAD's intentions, particularly during the earlier part of the programme.
13. There are, however, positive aspects of the IFAD-Government of Jordan partnership and accomplishments of IFAD-funded projects which, although not challenging the critical points raised by the CPE, need to be mentioned. IFAD is a long-standing partner of Jordan (30 years) in agriculture and rural development in rainfed and semi-arid areas. Although IFAD's financial contribution has been modest the Fund enjoys a good relationship with the country, being the only donor that has provided sustained support for the sector in the last 15 years. IFAD has also ensured adequate co-financing in the last two projects approved in the country and provided or mobilized significant grant assistance for research and studies in the sector.
14. The IFAD-supported programme has contributed to main areas of concern of the Government's strategy for agriculture and rural development, focusing primarily on improving rural incomes through increased agriculture production (mainly olives and fruit trees) in the marginal lands in arid or semi-arid regions of the country. The combined effects of SWC along with extension and production support services have enhanced agriculture production and have to date improved over 12,000 hectares of previously un- or under-utilized land. The beneficiaries of the credit component – most of whom have been women – have increased their income through home-based enterprises, mostly in food processing. These are important accomplishments by IFAD-funded projects.
15. All in all, despite an established partnership and some progress achieved in a few areas relevant for the country, the value added of the IFAD-supported programme towards poverty reduction in Jordan has been limited. The country programme has been challenged not only by Jordan's context, but also by the fact that it was not guided by a sound strategy supported by an appropriate choice of interventions.

16. In light of the challenges of devising and implementing a rural poverty alleviation strategy in the country, the overall limited results achieved in this respect, and the efforts deployed by IFAD to improve country selectivity it appears clear that a business-as-usual scenario for the country programme is not an option. Future IFAD-Government of Jordan cooperation, if feasible, will need to carefully consider these issues, including the need to increase institutional efficiency and prioritize the use of IFAD's own limited resources across countries and regions with the aim of maximizing impact on rural poverty alleviation globally, and both parties will have to face important decisions concerning the partnership.

C. Agreement at completion point

17. This section addresses each of the recommendations prepared by IOE which are contained in the CPE report.

18. **Recommendation 1: "Options for future Government of Jordan – IFAD partnership.** *The CPE present two options. Founded on context and past achievement, and in view of current allocation of PBAs for 2013-15 (in which no allocation from IFAD's own resources is foreseen as loans to Jordan) as well as efforts deployed by IFAD to improve country selectivity the CPE recommends two options with option 1 as the preferred one. It is not easy for the CPE to make this suggestion as it is fully aware that this option will have political implications with the GOJ and IFAD. Nonetheless the CPE reckons this would be the more coherent one with the evaluation conclusions. Option 2 proposes a number of recommendations as a less preferred alternative".*

Option 1. Disengage from the provision of loans to Jordan

In view of the limited potential for rural poverty alleviation in the country (small number of rural poor in and urbanized middle-income country), small scale and limited growth opportunities of rainfed agriculture, and availability of alternative financing sources in the form of grants from other donors, IFAD and the Government of Jordan could agree on disengaging from the current partnership, especially by discontinuing the provision of loans to the country. The need to increase the effectiveness and prioritize the use of IFAD's own limited resources across countries and regions with the aim of maximizing impact on rural poverty alleviation globally would be the main argument underpinning this option.

Under this scenario, IFAD could still however remain engaged in the country through two avenues: the mobilization of non-IFAD resources; and through non-lending activities including grant activities. IFAD is currently the implementing agency of two GEF grants in Jordan. One more is in the pipeline. GEF grants are/will be supporting sustainable land and water management, ecosystem management and new irrigation technology. The projects include policy dialogue and institutional development as part of their objectives. While these grants pursue mainly an environmental goal, they contribute through natural resource management to help the broader rural economy and might well indirectly benefit the poor. Thus IFAD could remain engaged in Jordan as an implementing agency for the GEF as its main entry point supporting agriculture resource management. This is clearly an area where IFAD has a comparative advantage and it can build on the past experience, benefiting from lessons from what has worked and what has not. In addition to benefits on the ground, the association with the GEF brings potential opportunities for policy dialogue, particularly in climate change.

In addition, IFAD could support Jordan through knowledge products and services, policy advice, analysis, and partnership building in a limited number of areas agreed between IFAD and the Government of Jordan. The positive contribution of IFAD sub-regional and regional grants to agricultural research, knowledge exchange activities within the region, and dialogue between international institutions (e.g. ICARDA, IDRC) and the government merit consideration of further IFAD support to Jordan through these type of services".

NEN does not agree with this option because of the following reasons:

- a) **Technical (Opportunities for Rural Development and Poverty Reduction):** Recognising that the CPE has identified a number of weakness in the past performance of the country programme, IFAD and Jordan nevertheless have a long standing partnership which, as highlighted in the CPE findings (ACP #4), has supported important initiatives consistent with country priorities. This has included: soil and water conservation, extension and production support and strengthening of non-farm rural livelihoods through access to credit. Option 2 in the ACP also identifies a number of realistic and promising options for future IFAD loan financed projects in Jordan (pro-poor rural microfinance targeting increased rural non-farm income and employment, small scale livestock production and the government's development oriented safety-net programmes). NEN therefore sees no reason for prohibiting the Government of Jordan from all future borrowing from IFAD when there are opportunities available to invest in activities which contribute to IFAD's mandate of reducing rural poverty and food insecurity. Furthermore, given high cofinancing requirements of GEF (and other sources of non-IFAD resources) it is not feasible to remain engaged in Jordan as a GEF implementing agency without the availability of core IFAD resources. The recent decline in availability of regional grant resources within IFAD will also lead to a dramatic shrinkage of IFAD's own grant portfolio in Jordan and the wider NEN region. The possibility to use core IFAD resources must remain an option open both to IFAD and the Government of Jordan.
- b) **Policy (Middle Income Countries Policy):** NEN (PMD) is bound to operate within the framework of the IFAD **Policy on Engagement with Middle Income Countries** as approved by the IFAD Executive Board in May 2011. This called upon IFAD to "develop a graduation policy consistent with the voluntary practice of other IFIs" and in all cases inferred that the decision to cease borrowing from IFAD would be a voluntary one made by the country. In no case does the policy suggest that IFAD may decide to "disengage from the provision of loans to Jordan" as recommended by Option 1. If it is contrary to the EB-approved policy then neither NEN nor PMD may take a decision to cease lending to Jordan and therefore this is not an option which can be put to NEN or PMD to take.
- c) **Legal (IFAD's Basic Legal Texts):** The legal argument is similar but has two strands: (i) decisions on lending are taken by the Executive Board, not PMD, so neither NEN or PMD have the legal power to approve or reject any particular loan, therefore neither NEN or PMD are in a position to choose Option 1; (ii) NEN is unclear whether the **Agreement Establishing IFAD** gives the Executive Board the authority to decide that no further lending to a particular country will ever be approved again. As a member state Jordan has a right to request a loan. This could be rejected by the EB on the grounds that the particular project is poorly designed or unlikely to meet its development objectives but not for any other reason. This is NEN's understanding.

Option 2. Renewed lending programme, but with a much sharper and realistic focus and clear poverty orientation.

The second option would be to continue IFAD lending programme in Jordan, but with a renewed¹ and much more narrowly focused strategy that has realistic

¹The Aide Memoire of an IFAD mission to the country in May 2011 provides three possible options to the government with the aim of enhancing relevance, respond to desires of target groups and reducing allocations with limited demand and disbursement: i) pro-poor micro-enterprise development; ii) women's savings and credit groups; iii) value chain development for herbal, medicinal and aromatic plants. At the moment of the evaluation the proposal was not mature enough for the CPE to comment on.

objectives and recognizes both the circumstances of rural poverty and IFAD's limitations as a small donor mentioned earlier".

Proposed follow up: Jordan is an important Middle Income country in NEN portfolio. and there has been a marked improvement in the country programme in recent years (e.g. the recent ARMP-II loan amendment to introduce market-driven investments and women's savings and credit groups for the rural poor).

The Government of Jordan and IFAD are long-term strategic partners and should continue to be so in the future. The Government of Jordan and NEN are in communication regarding the renewal of the country programme, and in particular the development of a new project focused on rural economic growth and sustainable rural employment generation which will be major shifts in any future portfolio that will enable re focusing the priorities of IFAD's strategic and selective work in Jordan. The *Aide Memoires* of the May 2011, September 2011 and June 2012 IFAD missions provide a list of possible investment options in rural sub-sectors with comparative advantage, market demand and growth potential; with focus on poor rural women and men. A concept note has now been developed for the proposed Rural Economic Growth and Employment Project

The project is cleared by MOPIC and is under discussion at the Ministry of Finance and the Debt Committee which MOF leads. In alignment with MOPIC's request to diversify implementing partners, the new project would be managed by the Jordan Enterprise Development Corporation (JEDCO) which aims at enhancing the Jordanian Economy, Increase the competitiveness of the SMEs in industrial, services and agriculture sectors, Developing and supporting the entrepreneurship and innovation.

In parallel, IFAD has been successful in mobilising grant co-financing from partners (such as GEF) to complement the country programme with non-lending activities. The current IFAD portfolio in Jordan consists of 54% IFAD loans and 46% IFAD and IFAD-administered grants, in alignment with the new Policy on Engagement in Middle Income Countries. Furthermore, in compliance with this new Policy, IFAD is developing new type of products and services which could be provided and considered in next Lending cycles.

Deadline date for implementation: The concept note for the proposed Rural Economic Growth and Employment Project is being reviewed by Government. The future direction of the country programme will depend on IFAD-GOJ consultations regarding this proposed project. These consultations are an on-going process, as Jordan is currently experiencing a degree of political instability, and is implementing macro-economic adjustment policies in partnership with the IMF.

Entities responsible for implementation: Government of Jordan and IFAD.

19. Recommendation 2: "Much sharper and realistic focus and clear orientation on poverty alleviation. *Given the small size of the country and its higher income level, IFAD's programme for Jordan will continue to be relatively small. Even with additional grants and co-financing that IFAD may mobilize, the total allocation will still be small compared to the programmes of many other donors. The most obvious issue going forward to ensure the most effective use of IFAD resources is to narrow the focus. A future IFAD- Government of Jordan strategy would have to be realistic and based on a rigorous analysis of the feasibility of achieving the promised outcomes and a clear link between the proposed actions and the intended results. It should also lend itself to monitoring. Moreover, contrary to some diverging views², any future IFAD strategy in the country, including all supporting initiatives should provide a clear rational for rural poverty alleviation. It should*

²Comments by the current CPM point that the new IFAD strategic framework focuses on commercial stakeholders, the entrepreneurial youth, and rural women, and consequently this recommendation is outdated.

include well-defined targeting criteria including effective mechanisms to reach the poor”.

Proposed follow up: IFAD’s business model already indicates that country strategies and programmes have to be realistic, focused, based on rigorous feasibility analysis, verifiable, consistent with the Fund’s overarching Strategic Framework 2011-2015, and most importantly in line with the strategies of the Borrower. It is confirmed that the future country strategy will continue to be based on these principles.

Deadline date for implementation: To be incorporated in the future country strategy and new project designs as appropriate.

Entities responsible for implementation: Government of Jordan and IFAD.

20. Recommendation 3: **“Select one key area of support.** *IFAD-Government of Jordan future strategy should concentrate in one area of support. The CPE proposes three potential areas for consideration and further elaboration by IFAD and the Government. One area is pro-poor rural microfinance, as it has not been covered adequately so far in the otherwise very successful (but mostly urban) microfinance initiative in Jordan and contributes to augmenting non-farm income through self-employment. It would require IFAD being a partner in the multi-donor dialogue on microfinance, including mobilizing the necessary expertise to be able to contribute to the process. A serious effort in rural finance could consume the entire IFAD support.*

Another option would be for IFAD to support poor small livestock keepers, mostly vulnerable herders in the Badia who are faced with significant input costs (free grazing covers at the maximum 3 months per year) and is resulting in the reduction in number of animals in the herd below the viability threshold. IFAD assistance could be provided through the promotion of equitable cooperative organizations combined with access to micro-credit to purchase feed and access services (health, breeding). A third possibility for IFAD would be to support the Government’s on-going safety net programme aimed at interrupting the intergenerational transfer of poverty , such as the Pockets of Poverty and the Hakoura programme. This would be most consistent with IFAD’s poverty alleviation mandate. It would mean, however, IFAD’s support shifting its primary attention away from agriculture and working with a different set of partners (see recommendation on partnerships below)”.

Proposed follow up: The focus areas for the new directions of the country programme will be based on the outcomes of ongoing consultations between the Government of Jordan and IFAD. It is likely that the focus will be on rural economic growth and employment creation for poor rural women and men, with appropriate supporting investments and instruments. Efforts would be made to leverage co-financing resources from development partners and the private sector to ensure harmonisation and coordination and to allow the country programme to operate at scale. The EU has already indicated that it would like to partner with IFAD, as it is perceived as the lead partner in agriculture, and co-finance a possible new project focusing on the rural economy and the agriculture sector.

Deadline date for implementation: During 2013.

Entities responsible for implementation: Government of Jordan and IFAD

21. Recommendation 4: **“Focused non-lending services.** *Supporting non-lending activities should be at the core of IFAD’s programme in a middle-income country like Jordan, particularly also in view of its access to many other larger sources of aid. Leveraging the limited financial resources to pursue policy dialogue, transfer knowledge and promote partnerships could be a main thrust of IFAD strategy in Jordan. The next strategy should therefore identify the most critical reforms that it*

would pursue and link these to grants, either from IFAD's own resources or from other donors.

Potential areas for policy dialogue include: a) pro-poor rural micro-finance aimed at contributing and shaping the current multi-donor dialogue on microfinance, which is focused mostly in urban areas so far; and b) support the government identify effective measures that can reach the poor within its institutional capacity. MOPIC is currently in the process of defining such a strategy with UNDP assistance. IFAD should join this effort.

Promotion of new partnerships and strengthening some of the existing ones should also be also a key area of attention of a renewed IFAD-supported programme in Jordan. IFAD should identify institutional partners committed to pro-poor microfinance and have an interest in expanding to rural areas. Moreover, given that - as discussed in the report - the nature of rural poverty in Jordan is such that the solutions are unlikely to be in, or predominantly in, agriculture, IFAD will need to think very differently and diversify its interlocutors in the government beyond the MOA to include MOPIC, Ministry of Social Development, and NGOs".

Proposed follow up: The range of non-lending services IFAD will make available to the Government of Jordan will be guided by the requests of the Government of Jordan and by IFAD's Policy on Engagement with Middle Income Countries. The suggestions indicated by the CPE as captured in the ACP will be considered as well. Should the lending programme be renewed, IFAD could provide a range of additional non-lending services and partnership development.

Deadline date for implementation: to be determined in 2013.

Entities responsible for implementation: Government of Jordan and IFAD

D. Comments by the Office of Evaluation

22. This section is optional. If either IFAD Management and/or the Government have expressed disagreement on any of the findings and/or on one or more of the recommendations, fully or partially, deriving from the evaluation, IOE will add a further section to the ACP. In this section, IOE will provide its final views on the disagreement of IFAD Management and/or the Government on any of the finding(s) or recommendation(s) (or parts of recommendations), and share the final ACP with the Evaluation Committee for its consideration (see paragraphs 11-13).

Signed by:

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