

Second Programmatic Energy and Water Sector Reforms DPL¹

International Financier: World Bank

Status: Active

Board Date: 1 December 2016

Financial Information: Total cost US\$250 million (\$225 million as a regular market interest rate loan + \$25 million loan via Concessional Financing Facility with no interest)

Risk Rating: Substantial²

URL: <http://projects.worldbank.org/P160236?lang=en>

Objectives:

This project will support reforms in the energy and water sectors in Jordan, structured around two pillars: (1) improving the financial viability of the electricity and water sectors, and (2) increasing efficiency in the energy and water sectors.

Project Components:

1. Pillar A: improving the financial viability of the electricity and water sectors

This Development Policy Loan, or DPL, supports implementation of the Government of Jordan's program in the water sector by adopting an electricity tariff adjustment mechanism, a debt management plan for NEPCO (the National Electrical Power Company), and a set of measures to boost water sector revenues. This last component could include adjusting water tariffs and increasing collection efficiencies in order to improve cost recovery in the energy and water sectors.

2. Pillar B: increasing efficiency gains in the energy and water sectors

The DPL will also support policies aimed at sustaining Jordan's fuel and power generation diversification, institute new regulations for increasing transparency in renewable energy development, provide better access to renewable energy and energy efficiency, adopt protocols for integrating renewable energy in the transmission grid and reduce distribution losses which all will help to improve efficiency. In the water sector, support will be given to optimize utilization of water resources in the country, including the scaling up of energy efficiency in the water sector as important measure to reduce the cost of water in Jordan. It will also scale up the reuse of wastewater in agriculture as a tool to make fresh water available to the domestic sector by adopting a Water Substitution and Reuse Policy. This will be accompanied by the adoption of a Wastewater Treatment Plant National Plan for Operation and Maintenance, extending the use of performance-based operations of wastewater treatment plants by the private sector to include a plant in the Zaatar refugee camp among others.

Potential Issues:

1. Weak accountability in DPL Financing Instrument

While DPLs can allow for the World Bank to more directly support building capacity in a country's private institutions and processes, there are weaknesses in accountability, oversight, and environmental and social safeguards under this type of Bank funding. For example, complaints can only be accepted by the World Bank's complaint office, the Inspection Panel, before projects are 95% disbursed. Because DPLs typically have a shorter window for disbursing their loans as they do not generally fund long-operating physical infrastructure, there is a narrower window for impacted people to raise their grievances with the Inspection Panel. This is especially concerning when the project is targeting refugees, who may be particularly hesitant to voice concerns due to their tenuous situation in the country.

2. Likely price increases on basic services and insufficient social safety nets

For the poor and vulnerable, and especially for refugees living outside of camps, price increases on basic services like

¹ DPLs (Development Policy Loans) are programmatic loans that largely fund policy reform, often through rapidly-disbursed budgetary support, rather than project-based physical investments.

² The World Bank uses a tool called the Systematic Operations Risk-rating Tool (SORT) to classify risk as High, Substantial, Moderate, or Low on 8 different categories of risk, including environmental and social risk, as well as an overall risk rating for the program or project.

water and electricity can cause financial stress. Price increases on services should be accompanied by a strong social safety net for the poor and vulnerable. The project documents acknowledge that Jordan's current social safety net program for the poor does not cover about half of the country's low income population due to weaknesses in data collection and registration. With the increased population of refugees who are more likely to be living in poverty, the issue of identifying the poor and ensuring that they have access to social safety nets is especially critical. A poverty and social impact assessment was conducted as part of the preparation of this project and identified significant risks to the poor, however, the project does not include sufficient measures to mitigate these risks.

3. Coordination with international organizations and stakeholders in the Zaatari camp

Private management of wastewater treatment facilities in the Zaatari refugee camp will require private sector coordination with various UN agencies, international and national NGOs, and compliance with humanitarian aid standards. Refugee residents of the Zaatari camp should also be consulted as stakeholders.

4. Promotion of new fossil fuel imports

While this project does include measures to increase the percentage of Jordan's energy supply that comes from renewable resources, it also includes indicators linked to signing new natural gas contracts, which has the potential to continue the country's reliance on imported fossil fuels.

Opportunities to Engage:

1. **Monitoring and Supervision:** Civil society can view World Bank monitoring and supervision reports on the [project website](#), and can report discrepancies to project staff or file complaints to the [Inspection Panel](#) or [Grievance Redress Service](#) if they have been harmed by the project, or are concerned that harm may occur as a result of the project.
2. **Citizen engagement and outreach:** The project will conduct outreach and awareness-raising around the importance of energy efficiency and conservation. Communities can participate in these outreach opportunities, and can use the opportunity to raise issues with implementation or impact of price increases.

World Bank Group Contacts:

Caroline van den Berg, Lead Water Economist and project Task Team Leader

Phone: (202) 473-8121

Email: cvandenberg@worldbank.org

Mikul Bhatia, Senior Energy Economist and project Task Team Leader

Phone: (202) 473-0957

Email: mbhatia@worldbank.org

Borrower Government Contact:

H.E. Dr. Saleh Kharabsheh

Secretary General, Ministry of Planning and International Cooperation

Email: Saleh.kh@mop.gov.jo

Bank Information Center Contact:

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Katelyn Gallagher, Senior Associate for the Middle East and North Africa program

Phone: (202) 624-0639

Email: kgallagher@bankinformationcenter.org