

# Hashemite Kingdom of Jordan

## Country Programme Evaluation

### Executive Summary

1. This is the first IFAD country programme evaluation (CPE) for Jordan since the Fund started its operations in the country in 1981. The evaluation has made it possible to assess the results and impact of IFAD-supported activities in the country, and has generated findings and recommendations that will inform the definition of future cooperation between IFAD and the Government of Jordan.
2. 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.
3. 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, being often scattered in remote and marginal lands. 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.
4. The agriculture sector in Jordan contributes only about 3 per cent of gross domestic product (GDP) and employment and 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<sup>1</sup> rather than land ownership-based interventions in agriculture that form the main part of the IFAD programme.
5. 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 including various consumption subsidies, access to free or low-cost health and education, and cash transfers to the poor.
6. Jordan receives significant aid (an average of US\$630 million per annum in the last 10 years; and an average of US\$1,200 million in the last three years), of which a large part is provided on grant or highly concessionary terms. Major donors (e.g. United States Agency for International Development [USAID], the World Bank, Arab Fund for Economic and Social Development [AFESD], and European Union [EU]) have a significant presence in the country. This creates a particular challenge for IFAD to be relevant with its limited resources. Moreover, the statutory debt ceiling of 60 per cent of GDP adopted by the Government and the revision of IFAD lending terms for the country to ordinary terms in 2007 may have a bearing on IFAD's ability to lend in Jordan.<sup>2</sup> However, in view of the relative small size of IFAD loans to Jordan, these factors may not constitute an insurmountable constraint.

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<sup>1</sup> This is in line with the agriculture-for-development agenda proposed for urbanized countries (World Development Report, Agriculture for Development, 2008).

<sup>2</sup> The last project funded by IFAD in Jordan was approved by the Executive Board more than seven years ago, in December 2004.

7. In terms of results, the evaluation found, first, that IFAD-supported programmes have not achieved the overarching country strategic opportunities programme (COSOP) strategic objective of reaching the poor. The land-ownership-based soil and water conservation (SWC) investments supported by IFAD – while important from the point of view of natural resource management and increasing agriculture production, 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.
8. 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 institution responsible for implementing the component (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. Despite the government decision to partner with ACC, the lack of agreement with ACC on this important issue undermined the rationale/effectiveness of IFAD's engagement. IFAD also missed the opportunity to participate in the broader government efforts on microfinance that have been quite successful in the country.
9. Community empowerment, a mainstay of IFAD strategy for rural poverty alleviation in Jordan, also has been mostly unsuccessful thus far. Empowerment of communities has been affected by a number of challenges, such as lack of commitment of the Ministry of Agriculture (MOA) to the concept, absentee farmers, and weak project management unit (PMU) capacity. Water user associations (WUAs), which are considered essential for sustainability, have also proved difficult to form and/or have been ineffective. 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) (some 48 community action plans have been formulated), but the evidence so far does not point to IFAD or the Government having devised a workable approach for community empowerment.
10. Impact on policy and institutional development was also limited. The COSOP proposed a very broad agenda for policy dialogue with the Government, which 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, and thus did not contribute materially to progress in these areas. The National Programme for Rangeland Rehabilitation and Development – Phase I had no role in the formulation of the Government's major initiative in this area under its Badia Fund. Similarly, SWC projects have remained largely as isolated interventions and have not had any significant influence on similar MOA programmes. SWC has yet to emerge as a coherent national programme.
11. 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. The institutional instability associated with frequent changes in ministers in the MOA partly explains this situation.
12. 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 (US\$70 million in loans over 30 years), 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 cofinancing in the last

two projects approved in the country<sup>3</sup> and provided or mobilized significant grant assistance for research and studies in the sector.

13. The IFAD-supported programme has financed important initiatives consistent with the Government's strategy for agriculture and rural development. The IFAD programme over the last 15 years has focused 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, and on augmenting non-farm income through self-employment. SWC (essential in a country with chronic water scarcity and subject to erosion and desertification) coupled with extension and production support have been the instruments to increase agriculture production. Non-farm rural livelihoods have been supported through the provision of credit, supplemented with training.
14. SWC interventions and efforts towards enhancing access to credit were generally effective, notwithstanding start-up and implementation delays. They were in general successful in improving agricultural 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. In the view of the CPE, the implementation of the two COSOPs suffered from being too diffused both across the interventions and within specific projects. Each one of the areas supported (rangelands, SWC in rainfed areas and microfinance) would have required a concerted effort both in the initial project and, more importantly, in the scaling up of the projects into broader national programmes. In reality, IFAD achieved either no impact (rangelands and microfinance) or only marginal impact (SWC) over the review period.
16. Moreover, the COSOPs had highly ambitious objectives that were not backed up by adequate analysis, implementation details, and a commensurate level of resources. The IFAD strategy was not tailored to IFAD's limited role as a donor and was inconsistent with Jordan's status as a middle-income country. In these circumstances, provision of financial assistance is not the most important aspect of IFAD's strategy in the country. Rather, the strategy must be rooted in IFAD's ability to act as a knowledge source for specific areas. Neither the COSOPs nor the implementation experience reflect this.
17. In light of the challenges of devising and implementing a rural poverty alleviation strategy in the country and the overall limited results achieved in this respect, 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 and both parties will have to face important decisions concerning the partnership.

## **Recommendations**

18. The findings and conclusions of the CPE form the basis of a number of recommendations covering options for IFAD's future in Jordan, for consideration by IFAD and the Government of Jordan. Founded on context and past achievement, and in view of current allocation under the performance-based allocation system (PBAS) for 2013-2015 (in which no allocation from IFAD's own resources is foreseen for loans to Jordan) as well as efforts deployed by IFAD to improve

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<sup>3</sup> Approved in April 1999 and December 2004 respectively.

country selectivity, the CPE recommends 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 Government of Jordan and IFAD. Nonetheless, the CPE considers that this would be the route that is most coherent with the evaluation's conclusions. Option 2 proposes a number of recommendations as a less-preferred alternative.

#### **Option 1. Disengage from the provision of loans to Jordan**

19. In view of the limited potential for rural poverty alleviation in the country (the small number of rural poor present in an urbanized middle-income country), small-scale and limited growth opportunities in 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.
20. Under this scenario, however, IFAD could still 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 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 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, in support of agricultural resource management. This is clearly an area where IFAD has a comparative advantage and it can build on past experience, benefiting from lessons learned on 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 on climate change.
21. 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 subregional 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.

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

22. The second option would be to continue the IFAD lending programme in Jordan, but with a renewed<sup>4</sup> and much more narrowly focused strategy that has realistic objectives and recognizes both the circumstances of rural poverty and IFAD's limitations as a small donor, as discussed earlier.
23. **Much sharper and realistic focus on and clear orientation towards 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 the additional grants and cofinancing that IFAD may mobilize, the total allocation will still be limited compared to the programmes of many other donors. The most obvious

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<sup>4</sup> The 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, responding to the desires of target groups and reducing allocations with limited demand and disbursement: i) pro-poor microenterprise 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.

priority in a decision to continue the lending programme is to ensure the most effective use of resources by narrowing IFAD's 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. The strategy should also be conducive to monitoring. Moreover, contrary to some diverging views<sup>5</sup>, any future IFAD strategy in the country, including all supporting initiatives, should provide a clear rationale for rural poverty alleviation. It should include well-defined targeting criteria and effective mechanisms to reach the poor.

24. **Select one key area of support.** A future IFAD-Government of Jordan strategy should concentrate on one area of support. The CPE proposes three potential areas for consideration and further elaboration by IFAD and the Government. One is pro-poor rural microfinance, as this has not been covered adequately so far in the otherwise very successful (but mostly urban) microfinance initiative in Jordan that has contributed to augmenting non-farm income through self-employment. A focus on this area would require IFAD to be 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 all available IFAD support.
25. 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 three months per year), which is resulting in a reduction in the 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 microcredit to purchase feed and access services (health, breeding). A third possibility for IFAD would be to support the Government's ongoing safety net programmes aimed at interrupting the intergenerational transfer of poverty, such as the Pockets of Poverty and the Hakoura programmes. This would be most consistent with IFAD's poverty alleviation mandate. It would mean, however, IFAD shifting its primary attention away from agriculture and working with a different set of partners (see recommendation on partnerships below).
26. **Focused non-lending services.** Supporting non-lending activities should be at the core of IFAD's programme in a middle-income country such as Jordan, particularly in view of the country's access to many other larger sources of aid. Leveraging the limited financial resources to pursue policy dialogue, transfer knowledge and promote partnerships could be the main thrust of the IFAD strategy in Jordan. The next strategy should therefore identify the most critical reforms that should be pursued and link these to grants, either from IFAD's own resources or from other donors.
27. Potential areas for policy dialogue include: (a) pro-poor rural microfinance aimed at contributing and shaping the current multi-donor dialogue on microfinance, which has focused mostly on urban areas so far; and (b) support the Government in identifying effective measures within its institutional capacity that can reach the poor. MOPIC is currently in the process of defining such a strategy with UNDP assistance. IFAD should join this effort.
28. Promotion of new partnerships and strengthening some of the existing ones should also be a key area of attention for a renewed IFAD-supported programme in Jordan. IFAD should identify institutional partners committed to pro-poor microfinance and with an interest in expanding to rural areas. As discussed in the report, given that 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

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<sup>5</sup> Comments by the current CPM point out that the new IFAD strategic framework focuses on commercial stakeholders, entrepreneurial youth, and rural women, and consequently this recommendation is outdated.

differently and diversify its interlocutors in the Government beyond the MOA to include MOPIC, MOSD and NGOs.