

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 5 October 2022¹

JORDAN

AIN GHAZAL WASTEWATER TREATMENT PROJECT

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

ACAP	Anti-Corruption Action Plan
BIAP	Business Integrity Action Plan
BOT	Build Operate Transfer
CRW	Community Resilience Sub-Account
DSCR	Debt Service Cover Ratio
E&S	Environmental and Social
EBITDA	Earnings Before Interests, Tax, Depreciation and Amortisation
ESAP	Environmental and Social Action Plan
ESIA	Environmental and Social Impact Assessment
ESDD	Environmental and Social Due Diligence
EUD	European Union Delegation
FY	Financial Year
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Green House Gas
GoJ	Government of Jordan
IFI	International Financial Institution
MR3	Municipal Resilience Refugee Response Framework
MWC	Miyahuna Water Company
MWI	Ministry of Water and Irrigation
MOPIC	Ministry of Planning and International Cooperation
NIP	Neighbourhood Investment Platform
NTS	Non-Technical Summary
PP&R	EBRD's Procurement Policies and Rules
PSP	Private Sector Participation
SEP	Stakeholder Engagement Plan
SSF	Shareholders Special Fund
TC	Technical Co-operation
TI	Transition Impact
WAJ	Water Authority Jordan
WWTP	Wastewater Treatment Plant

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Hashemite Kingdom of Jordan (the Government of Jordan), are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to the Government of Jordan in the amount of up to USD 12.0 million (EUR 11.8 million equivalent). The operation will enable the Government of Jordan to provide the proceeds to the Ministry of Water and Irrigation to finance (i) the upgrade and expansion of the existing pre-treatment facility, and (ii) the decommissioning of the redundant septic tank reception facility, both located at the Ain Ghazal Treatment Plant on the outskirts of Amman.

The expected transition impact of the project is the significant environmental benefits in and around the project area including a reduction in pollution incidents, odour, noise and tanker traffic impacts. The Project qualifies for 100 per cent under the Bank's Green Economy Transaction (GET) Approach. The Project is also supporting the Water Authority of Jordan to continue its utilisation of the private sector in the provision of water and wastewater services through the long term outsourcing of the operations and maintenance of the pre-treatment facility to the private sector. The Project is part of a wider strategic intent by the Ministry of Water and Irrigation to expand wastewater service provision within the City of Amman and engage with the private sector.

TC support for this operation [REDACTED] includes a comprehensive feasibility study, procurement support, and project implementation support.

I am satisfied that the operation is consistent with the Bank's Strategy for Jordan, the Municipal and Environmental Infrastructure Sector Strategy, the Bank's Green Economy Transition Approach and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

JORDAN – Ain Ghazal Wastewater Treatment project - 51888	
Transaction / Board Decision	Board approval ² is sought for a sovereign loan of up to USD 12.0 million (EUR 12.09 million) in favour of the Government of Jordan. The project will 100 per cent financed by the EBRD. The loan will finance (i) the upgrade and expansion of the existing pre-treatment facility at Ain Ghazal Pre-Treatment Plant (“AGTP”) from a peak capacity of 330,000 m ³ /d to 726,712 m ³ /d in order to accept and treat the expected incoming flows at AGTP until 2045, and (ii) the decommissioning of the redundant septic tank reception facility, which will be replaced by a new, dedicated septic tank wastewater treatment plant in Al Ghabawi, financed by the Bank under another project.
Client	The borrower is the Hashemite Kingdom of Jordan (“ Borrower ”). The Water Authority Jordan (“ Beneficiary ”) is the ultimate beneficiary of the financing. The Bank has existing exposure in the amount of EUR 438 million (Portfolio) [REDACTED].
Main Elements of the Proposal	<p><i>Transition impact:</i></p> <ul style="list-style-type: none"> – Green: The project will rehabilitate and expand the existing wastewater pre-treatment facility at Ain Ghazal (AGTP) which pre-treats and then conveys wastewater to the As-Samra Wastewater Treatment Plant (“WWTP”) for further full treatment. The project will result in significant environmental and social benefits in and around the project area including a reduction in pollution incidents, reduced risk of groundwater contamination and less odour associated from the premature discharge of diluted raw sewage. It will also ensure that the As-Samra WWTP is more effective, resilient and that all treated wastewater is suitable for re-use in agriculture; it also assures the continued operation of the inlet hydro-power generation at the As-Samra facility through better management of grit and screens at the pre-treatment stage. The project is considered aligned with both the mitigation and adaptation goals of the Paris Agreement. Due to projected changes in climatic conditions, the incidence and intensity of heavy rainfall events is expected to increase which - if unabated - would result in further discharges of dilute raw sewage and greater environmental harm. The project will reduce the vulnerability of the treatment facility and the surrounding areas to the climate impacts resulting from increasing storm water flows during heavy rain events. – Competitive: The project will be operated by the private sector under an existing long term concession agreement with the Government of Jordan, which introduces cost efficiencies in the project’s operations and improves service quality. <p><i>Additionality:</i></p> <ul style="list-style-type: none"> – Long-term loans are not currently available from commercial banks. – EBRD provides quality and efficiency assurance by applying EBRD PP&R, ESAP, which will allow for best practice implementation of the Project. <p><i>Sound banking:</i></p> <ul style="list-style-type: none"> – The sovereign is the borrower. – Implementation risk will be mitigated by engaging an experienced Project Implementation Support and Engineering Supervision consultant.
Key Risks	Implementation risk: the counterparts’ capacity to manage Project implementation is improving but remains constrained: procurement will follow EBRD PP&R and WAJ will be supported by experienced consultants at both project preparation and implementation stages to minimise implementation risks. Credit risk: Jordan’s sovereign capacity currently remains satisfactory (B+/stable by S&P and B1/stable by Moody’s).
Strategic Fit Summary	The Project is in line with the Bank’s Municipal and Environmental Infrastructure Sector Strategy and the Country Strategy for Jordan, which encourages investment in urban sanitation infrastructure with a focus on the financing, upgrade and expansion of sustainable infrastructure, as well as improving operational performance with private sector participation, respectively.

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A sovereign loan of up to USD 12.0 million (EUR 12.09 million)_to the Hashemite Kingdom of Jordan for the benefit of the Water Authority Jordan under the Ministry of Water and Irrigation. The loan will finance (i) the upgrade and expansion of the existing pre-treatment facility, and (ii) the decommissioning of the redundant septic tank reception facility, both located at the Ain Ghazal Treatment Plant (“AGTP”) on the outskirts of Amman (the “ Project ”). The loan will cover 100 per cent of the Project’s capex requirements, excluding taxes.
Existing Exposure	The EBRD’s sovereign portfolio for Jordan at 27 July 2022 stands at EUR 438 million [REDACTED]. It consists of four wastewater infrastructure projects with WAJ, one sovereign-guaranteed solid waste project with Greater Amman Municipality (“GAM”), and two sovereign-guaranteed energy projects with National Electric Power Company (“NEPCO”).
Maturity / Exit / Repayment	18-year tenor [REDACTED].
Potential AMI eligible financing	N/A
Use of Proceeds	<p>The loan proceeds will finance (i) the upgrade and expansion of the existing pre-treatment facility from a peak capacity of 330,000 m³/d to 726,712 m³/d in order to accept and treat the expected incoming flows at AGTP until 2045, and (ii) the decommissioning of the redundant septic tank reception facility, which will be replaced by a new, dedicated septic tank wastewater treatment plant in Al Ghabawi [REDACTED].</p> <p>Loan proceeds will be made available to the GoJ [REDACTED] against invoices confirming the use of proceeds. Disbursements will be in line with the Bank’s Disbursement Handbook for Public Sector and made against contracts procured in line with the EBRD PP&R. A supervising engineer will also be appointed to review and sign off on disbursement applications.</p>
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	<p>Borrower: Government of Jordan (through the Ministry of Planning and International Cooperation).</p> <p>Beneficiary: Water Authority of Jordan</p>
Conditions to Effectiveness	<ul style="list-style-type: none"> Financing agreements executed by all parties and all conditions precedent satisfied. [REDACTED] Legal opinions satisfactory to the Bank.
Conditions to disbursement	n/a
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign loan
Other material agreements	<ul style="list-style-type: none"> Loan agreement with the GoJ (represented by MOPIC). [REDACTED]
Associated Donor Funded TC and co-investment grants/concessional finance	<p><i>Pre-Signing TCs:</i></p> <p>TC 1: Feasibility Study and Technical Tender Support: technical, financial, environmental and social review of the Expansion component and in full for the Decommissioning component, including the preparation of specifications. [REDACTED].</p>

	<p>TC 2: Advanced Procurement Support and Tender Preparation to assist WAJ to prepare tender documents and supervise the tender process according to the PP&R [REDACTED].</p> <p><i>Post-Signing TCs:</i></p> <p>TC 3: Support for Implementation of Environmental and Social Action Plan (ESAP) , including Stakeholder Engagement Support throughout construction and implementation to communicate benefits to the local population and ESAP is implemented appropriately. [REDACTED].</p> <p>TC 4: Project Implementation Support to assist WAJ in project supervision including construction supervision, contract and disbursement management. [REDACTED].</p> <p><u>Reimbursement/Cost sharing:</u></p> <p>The above assignments are non-reimbursable transactional TCs, which are required to evaluate the investment and assist WAJ in Project implementation. [REDACTED]. MWI will be responsible for paying all VAT and other indirect taxes that are applied to client-contracted TC assignments as a parallel cost sharing contribution to the project (VAT is levied at 16 per cent in Jordan).</p>
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[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Jordan is one of the poorest countries worldwide in water resources with available water at 76 m³/capita/year (in 2014), which is far below the internationally recognised poverty line of 1,300 m³/capita/year³. The increasing population and the climatic conditions of the country have combined to create severe water shortages, increasing the need to utilise all possible alternative sources, including treated wastewater⁴. The increase of the population in the northern municipalities, as well as the influx of 1.3 million Syrians living outside of refugee camps, has placed unprecedented stress on infrastructure assets and municipal services [REDACTED].

In sanitation, one key challenge is the lack of capacity of the wastewater infrastructure relative to demand. Wastewater collection and treatment services were provided to approximately 63 per cent of the population in 2014. The remaining population in Amman and surrounding areas use septic tanks and cesspits as a cost-efficient alternative with the wastewater collected by tankers and disposed at the Ain Ghazal Pre-Treatment Plant; serving around 1 million people, including 10 per cent Syrians.

The Ain Ghazal Pre-Treatment Plant itself receives non-sewered septic waste via tankers and raw sewage from the sewer catchment, passing all flows onwards to the wastewater treatment facility at As-Samra for further processing. The current hydraulic capacity of AGTP does not allow for the treatment of all wastewater arriving during storm events. Flows in excess of the facility's peak design capacity of 330,000 m³/d have to be diverted at the inlet weir and are discharged to the adjacent wadi without any treatment in order to protect the facilities from flooding; the frequent discharge (and expected increasing frequency) of dilute raw sewage risks polluting groundwater sources used for drinking water in addition to unacceptable fly and odour nuisances, locally.

In order to accept and treat the expected incoming flows at AGTP of 726,712 m³/d in 2045, the observed effective capacity at AGTP of 330,000 m³/d needs to be more than doubled (expanded by an additional 396,712 m³/d). The required additional capacity is to a large extent driven by the increasing amount of stormwater arriving at AGTP which would be both disproportionately costly and difficult to reduce at source. It also supports the expected increase in demand for (foul only) wastewater services for those connected to the sewer system to 2045. In parallel, the Water Authority Jordan is currently planning the construction of a new, dedicated septic wastewater treatment plant Al Ghabawi to receive non-sewered septic waste via tankers. The existing septic tank at AGTP will become redundant after construction completion at Al Ghabawi.

The Project will finance (i) the upgrade and expansion of the existing pre-treatment facility at Ain Ghazal Pre-Treatment Plant from a peak capacity of 330,000 m³/d to 726,712 m³/d in order to accept and treat the expected incoming flows at AGTP until 2045, and (ii) the decommissioning of the redundant septic tank reception facility, which will be replaced by a new, dedicated septic wastewater treatment plant in Al Ghabawi. The pre-treated effluent will be conveyed to As Samra

³ Food and Agriculture Organization, AQUASTAT data.

⁴ Water Sector Strategy 2016-2025.

WWTP for further full treatment to become suitable for safe re-use in agriculture or irrigate parks, reducing reliance on constrained natural water resources.

The objectives of the Project are to: improve and increase the capacity of wastewater treatment services, increase the amount of treated wastewater available for reuse, eliminate odour and environmental harm associated with discharges of diluted raw sewage in heavy rainfall events, secure the continued use of inlet hydro-power generation at the As-Samra facility, and reduce the downstream risk of contaminated groundwater and capitalise on the private sectors.

The Project is a part of the EBRD's wider engagement in the wastewater sector in Jordan, which includes EUR 205 million of critical wastewater investments (EUR 90 million of EBRD loans, the remainder in grants). The TC structure of this Project is designed to achieve a more efficient timeline between signing, effectiveness and disbursement than previous projects [REDACTED]. In addition, in responding to the need to ensure sustainability [REDACTED], the Project ensures the full expertise from the private sector is capitalised upon.

The Project is in line with the EBRD Sector Strategy for Municipal and Environmental Infrastructure and the EBRD Jordan Country Strategy, which encourages investment in urban sanitation infrastructure with a focus on the financing, upgrade and expansion of sustainable infrastructure, as well as improving operational performance with private sector participation, respectively. The Project is fully in line with the Bank's Green Economy Transition Approach.

The project is consistent with the ambitions of the United Nations Sustainable Development Goals in particular "SDG6" by assuring continued access to safe drinking water and effective sanitation for all, and with the reuse of treated effluent satisfying "SDG12" supporting sustainable consumption and production, particularly sustainable management and efficient use of natural resources

The provision of wastewater treatment is fully aligned with the Paris Agreement; whilst these facilities are inevitably large consumers of electricity to process wastewater such that the treated final effluent can be safely returned to the environment, the benefits far outweigh the harm from the emissions produced. Safeguarding the continued operation of the As-Samra inlet hydro-power generation unit allows the facility to continue to enjoy very low energy intensity compared with equivalent sites worldwide.

As everywhere, the COVID-19 pandemic has affected Jordan, despite the GoJ's strong response to protect the health and safety of citizens. According to IMF's estimates, Jordan's economy has contracted by around 1.6 per cent due to the impact of COVID-19 on the economy in 2020, but recovered by end of 2021 to reach 2.2 per cent. In light of the economic challenges and widening budget deficit, GoJ's debt-to-GDP ratio increased significantly, to reach 113.8 per cent by end of 2021.

WAJ's response to the impact of COVID-19 has mainly been focused on temporarily decreasing its operational costs which includes: i) downsizing maintenance work to focus only on critical and pressing operational issues, thus decreasing their overall maintenance expenses; and, ii) adopting a 'no-overtime' work policy, which has decreased salaries and wages. Revenues decreased from USD 407 million in 2019 to USD 380 million in 2020, mainly driven by a decrease in water revenues from user consumption during the pandemic. However WAJ succeeded in reducing in parallel its operating costs due its temporary measures, which enabled it to maintain a stable net margin during the pandemic.

1.2 TRANSITION IMPACT

Primary Quality: Green

Obj. No.	Objective	Details
1.1	<i>The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance exceeds 50%.</i>	The project will expand and rehabilitate the existing wastewater pre-treatment facility at Ain Ghazal which pre-treats and then conveys wastewater to the As-Samra WWTP for further full treatment. The project will result in significant environmental and social benefits in and around the project area including a reduction in pollution incidents, reduced risk of groundwater contamination and less odour associated from the premature discharge of diluted raw sewage. It will also ensure that the As-Samra WWTP is more effective, resilient and that all treated wastewater is suitable for re-use; it also assures the continued operation of the inlet hydro-power generation at the As-Samra facility through better management of grit and screens at the pre-treatment stage. Due to projected changes in climatic conditions, the incidence and intensity of heavy rainfall events is expected to increase which - if unabated - would result in further discharges of dilute raw sewage and greater environmental harm; the project will to reduce the vulnerability of the treatment facility and the surrounding areas to the climate impacts resulting from increasing storm water flows during heavy rain events. It also supports the expected uplift in demand for wastewater services for those connected to the sewer system to 2045.
1.2	<i>The project results in water savings [REDACTED], so significantly contributes to reducing the national water footprint.</i>	The Project will treat combined storm water and foul wastewater especially during storm events, which currently bypass the pre-treatment facility to protect it. Given all waters would be passed forward to the As-Samra WWTP for further treatment and its re-use downstream, the Project will contribute to reducing the national water footprint. [REDACTED].

Secondary Quality: Competitive

Obj. No.	Objective	Details
2.1	<i>This PPP/concession will complete the investment commitment on time and within budget.</i>	As Samra Project Company privately operates the wastewater treatment facilities within the As Samra sewerage network under a long-term concession agreement, including the current facilities at AGTP, and the additional facilities that will be constructed under the Project. The operation by the private sector introduces cost efficiencies in the project's operations and improves service quality.

Delivery risk arises primarily from two considerations: firstly, the ability of WAJ to provide an operational facility on time and within budget and in conjunction with other capital projects under the responsibility of the same WAJ staff. To mitigate this risk, the Bank will mobilise experienced, best-practice consultants to support WAJ and MWI throughout the Project's construction and O&M phase to ensure timely (and cost appropriate) implementation. The consultant will support WAJ in ensuring the transition from the construction to the operation phase is done appropriately, including the introduction of KPIs which WAJ will monitor to ensure the expected performance of the plant. Secondly, there is a risk that the asset cannot be managed correctly by the public utility due to the relatively complex nature of the treatment mechanisms and the number of staff required. To mitigate this risk, the Project will be operated by the private sector under a long term concession agreement already in place.

Water sector reform: The National Water Strategy of Jordan involved the key pillar "Structural Benchmark Action Plan" which is a nationwide sectoral reform programme that aims at (i) achieving cost recovery in the water sector; (ii) contributing to the country's commitment under the 2016 Extended Facility IMF agreement, and (iii) reducing non-revenue water (NRW) by targeting both system losses and revenue collection. While USAID is the lead institution in supporting MWI with this programme, the Bank together with the donor/IFI community coordinated efforts closely in developing the National Water Strategy, in addition to linking reforms with financing provided by the Bank. [REDACTED].

In parallel, the World Bank has been working on the Financial Sustainability Roadmap (FSR), which aims to assist the sector in achieving cost recovery. In that respect, the World Bank and USAID are working on integrating the FSR with an updated National Water Strategy. In relation to those initiatives, the Bank has been working closely with USAID and the World Bank as part of a regular Core Donor Group which also includes other development partners (such as KfW, AFD and GIZ). The EBRD will continue to work very closely with the Core Donor Group to advance the reform initiatives.

1.3 ADDITIONALITY

There is little/no appetite from the market to invest directly in water and wastewater projects in Jordan and therefore IFIs/DFIs are the primary financiers of water and wastewater infrastructure. The Bank liaises closely with other IFIs/DFIs to ensure complementarity and effectiveness of efforts in the sector. Alongside EBRD, AFD, USAID and KfW are the other main financiers of this sector. EBRD is also providing significant technical assistance for the implementation of the Project, and using EBRD's Procurement Policies and Rules ("PP&R") in the procurement of TC and capex, which will improve the capacity within WAJ and ensure that international best practice is exercised.

Identified triggers	Description
No triggers identified.	n/a

Additionality sources	Description of additionality sources
Financing Structure - EBRD offers a tenor , which is above the market average and is necessary to structure the project.	EBRD is providing financing to the GoJ with a tenor that is not available in the market to facilitate the financing of a long-term asset.
Standard-setting: helping projects and clients achieve higher standards Client seeks EBRD expertise on best international procurement standards.	With EBRD's support, the project will benefit from a comprehensive implementation support TC, bringing Consultant's expertise to support WAJ in conducting its procurement for the project under the Bank PP&R.
Risk mitigation EBRD helps the client to mitigate environmental, social and governance (ESG) risks through identification of risks related to the depletion of natural capital assets, raw materials and water availability, etc., and to manage these risks.	With EBRD's support, the project will benefit from comprehensive Environmental and Social TC, bringing Consultant's expertise to support the project on an Environmental and Social Action Plan implementation, including stakeholder engagements and capacity building.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Borrowers creditworthiness	Low / Medium	Although Jordan's real GDP was estimated to contract by 3 to 5 per cent (the first in the past three decades) in 2020, the main three ratings agencies have maintained their ratings at B+ (S&P), B1 (Moody's) and BB- (Fitch Ratings). According to Fitch, Jordan was able to maintain its rating during the pandemic, due to its strong track record of gradual fiscal and economic reforms, a liquid banking sector and sufficient foreign reserves. Fitch Solutions expects that Jordan's budget deficit will narrow from 5.6 per cent of GDP in 2021 to 4.6 per cent in 2022, forecasting real GDP growth of 3.0 per cent in 2022, up from 2.2 per cent in 2021, with this increase in economic activity driving sales, corporate and income tax growth higher. [REDACTED]. [M]uch of Jordan's external debt, which makes up around 40 per cent of total public debt, is made up of multilateral and bilateral credit. [REDACTED]. The IMF estimated that in 2020, debt servicing costs on external debt were equal to 17.6 per cent of revenues - a relatively low figure by regional standards. [REDACTED].
Implementation risk	Medium / Medium	The implementation risk has been assessed by the Bank in detail [REDACTED]. Drawing on lessons learned, the risk is mitigated by: (a) staging TC assignments into two phases, to improve implementation by ensuring a more streamlined and timely procurement process. [REDACTED] and, (b) building on the institutional knowledge transferred so far: procurement will be carried out under the PP&R for goods. WAJ will be supported by experienced consultants at all stages, including project preparation and implementation, through the Bank-mobilised TC assignments. This project will be the fifth project that the Bank will develop with WAJ and the Bank has already observed some improvements in WAJ's ability to process PP&R. In addition, ECEPP will be used. See Annex 1 for sector risk analysis.
Delivery risk	Medium / Medium	[REDACTED][T]he Project will be operated by the private sector under an existing long term concession agreement.
Political risk	Low / Medium	[REDACTED][P]olitical risk stems mainly from a potential slow economic growth and the implications of the Ukraine crisis on energy and food security.

		Access to international food and energy markets is unlikely to be disrupted, but access to financing will remain critical to safeguard food and energy security. Although Jordan's GDP growth is expected to increase by 2.2 per cent in 2022, this increase will not be sufficient to decrease unemployment rates [REDACTED].
FX risk	Medium / Medium	The loan's currency is USD. While government revenues are mostly denominated in Jordanian Dinar, the Jordanian Dinar is pegged to the USD. This peg has been in place for more than 25 years and there is currently no medium term FX risk of JOD/USD as peg is expected to remain in place, supported by strong foreign reserves at the Central Bank of Jordan.
COVID-19	Medium / Medium	Jordan responded very quickly to the global COVID-19 pandemic, which has limited the potential health crisis, but has placed significant strain on the economy due to the strict lockdown that was adopted. The impact on WAJ was a 7 per cent reduction in revenues due to: i) the diminished spending power of most citizens (due to salary decreases); and, ii) a general shift in spending behaviour to focus only on food and medicine, especially given GoJ's commitment to provide all essential services (mainly water and electricity) during the lockdown, even if invoices are unpaid. Despite the COVID-19 situation in Jordan and the impact on WAJ's financial situation, the GoJ and WAJ remained committed to implementing critical infrastructure investments, in particular the provision of clean water and sanitation for safeguarding public health. [REDACTED].
Interface risk	Medium / Medium	The Project is part of the wastewater system that is managed by the Samra Project Company under their concession with MWI. The construction of the Project needs to ensure that the new components are integrated properly with the existing wastewater infrastructure, to ensure appropriate wastewater flows and quality of discharge. This is mitigated by the fact that the Samra Water Company will be part of the project committee within WAJ, and they will opine and approve tender documents. They will also be part of construction supervision to ensure that the integration is appropriately implemented.

2. MEASURING / MONITORING SUCCESS

Obj. No.	Monitoring Indicator	Details	Baseline	Target	Due date
Primary Quality: Green					
1.1	Wastewater treated (m3/year)	The project will treat combined storm water and foul wastewater that would otherwise be discharged in the nearby valley untreated and make them available for re-use.	[REDACTED]	[REDACTED]	[REDACTED]
Secondary Quality: Competitive					
2.1	PPP contractor concession implemented	The pre-treatment facility is operated and maintained privately under a long-term concession agreement by the Samra Project Company.	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER / INVESTEE COMPANY

The borrower is the GoJ. The loan agreement will be signed by MOPIC on behalf of the GoJ. The proceeds will be provided to WAJ, the Bank's implementation counterpart for the purpose of the Project.

Jordan's sovereign rating is four notches below the investment grade: S&P B+ (Outlook Stable) and Moody's B1 (Outlook Stable). [REDACTED].

The Kingdom faces [REDACTED] challenges in maintaining and improving basic municipal infrastructure amidst the Syrian refugee and the COVID-19 crises. In response to mounting fiscal pressures over the past few years, the authorities have embarked on an IMF-supported fiscal consolidation plan that was last extended in mid-2020. The Extended Fund Facility is focusing on gradual fiscal consolidation and structural reforms to promote inclusive growth, employment, reduce public debt and enhance the resilience of the Jordanian economy amid a [REDACTED] challenging external environment. Structural reforms focus on issues including increasing labour force participation, energy and water sector sustainability and increasing public accountability.

3.2 BENEFICIARY

The Ministry of Water and Irrigation was established in 1992, in response to the need for an integrated approach to national water management. MWI is the official body responsible for the formulation of national water strategies and policies, the monitoring of the water sector, planning and management, and procurement of financial resources. Its role also includes the provision of centralised water-related data, standardisation and consolidation of data. MWI are responsible for all

investments in the water sector and have therefore overseen the implementation of numerous donor and IFI funded projects.

The Water Authority Jordan is a state-owned corporation under the jurisdiction of MWI. WAJ has direct responsibility for the planning, construction, operation and maintenance of water and wastewater services in Jordan and is therefore involved at the management and technical level for investments in the water sector. WAJ provides water and wastewater services directly and indirectly through its subsidiaries: 1, MWC provides services mainly in the Governorate of Amman; 2, Yarmouk Water Company provides services in the northern governorates of Jordan; and 3, Aqaba Water Company provides services in the south of Jordan.

The As Samra BOT ‘Special Projects Unit’ was established within WAJ in 2018 and is responsible for the management of the As Samra Wastewater Concession and all related infrastructure projects, including this project, as well as other projects being structured on a BOT basis. The Unit reports directly to the Secretary General of WAJ.

Samra Project Company (“SPC”), owned by Suez, is the concessionaire for the As Samra WWTP (and its feeder network). The company was contracted through the Restated Project Agreement to operate all pre-treatment and pumping stations of conveyor pipelines that connect to the WWTP, including the Ain Ghazal pipeline for the duration of the concession agreement [REDACTED]. SPC is responsible for the operations and maintenance of the existing pre-treatment plant at Ain Ghazal, will be responsible for O&M for the new facilities to be constructed under this Project at Ain Ghazal, and is also responsible of the O&M of the secondary treatment plant at As Samra and other wastewater treatment facilities within As Samra wastewater network. [REDACTED].

4. MARKET CONTEXT

WAJ provides water directly and indirectly through its subsidiaries utility companies: MWC, Aqaba Water Company and Yarmouk Water Company. There is no independent regulatory authority and tariffs are set by the Cabinet of Ministers upon proposals from MWI.

Residential water and wastewater tariffs use an increasing-block system, under which users pay a higher tariff per m³ if they consume more water. The first block, corresponding to a consumption of 18m³ per quarter, is a minimum charge independent of the amount of water consumed. Water and wastewater tariffs for non-residential use (commercial and industrial users) are approximately ten to twenty times higher respectively than residential water and wastewater tariffs in the lowest consumption block.

The sector is governed primarily according to the MWI Action Plan, including the MWI Structural Benchmark Action Plan (together the “Action Plan”), which was originally endorsed in 2013 and updated in 2016 and most recently in 2020.

Historically, WAJ’s investment programmes have been financed through a combination of mainly concessional loans, domestic bonds and grants. The major external providers of grants and loans for Jordan’s water and wastewater sector are Kreditanstalt für Wiederaufbau (KfW), European Investment Bank (EIB), Agence Française de Développement (AFD), United States Agency for International Development (USAID), the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development, the Abu Dhabi Fund, and the Arab Fund for Economic and Social Development. Other donors and financial institutions active in the sector include Deutsche

Gesellschaft für Internationale Zusammenarbeit (GIZ), the United Nations (UN), the World Bank Group (WBG), and the Islamic Development Bank (IsDB). In 2018, KfW and AFD co-financed a policy support loan to the sector, which was provided on the condition that WAJ's debt was consolidated at the Ministry of Finance. There is a strong cooperation between the donor agencies/IFIs and the EBRD in relation to supporting the water/wastewater in Jordan and tackling the long standing issues, including water scarcity, non-revenue water, and policy reform.

EBRD and a number of other donors have ongoing programmes with WAJ to support their capacity to respond to the Syrian refugee crisis, manage investments and involve the private sector where possible. More specifically, EBRD has mobilised a number of technical assistance initiatives to assist WAJ to build their capacity to manage private sector participation in the water sector. EBRD is working closely with WAJ and other stakeholders to ensure the complementarity of initiatives that support WAJ and the water sector's resilience.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (2019 ESP). The decommissioning of an aging, and soon to be redundant, septic tank reception facility, which is associated with substantial nuisance to neighbouring properties, and the expansion of the existing pre-treatment facility are expected to result in environmental and social ("E&S") benefits, including reduced odour, noise, tanker traffic and stakeholder related issues and increased wastewater pre-treatment capacity. Project implementation is expected to result in some temporary E&S risks and impacts but these are expected to be readily mitigated or addressed.

Environmental and social due diligence (ESDD) was conducted by an independent consultant as part of a feasibility study and included a review of current facility performance, an assessment of project E&S impacts, the development of a Stakeholder Engagement Plan (SEP), Non-Technical Summary (NTS) as well as an Environmental and Social Action Plan (ESAP) to structure the Project in line with the EBRD's E&S requirements. Key E&S risks and impacts considered in the ESDD included: potential legacy contamination, management of decommissioning, construction and operational waste, health and safety risks, noise, odour, dust and stakeholder concerns. The ESDD confirmed that this impacts can be sufficiently mitigated through appropriate mitigation measures and management plans and that the Project will address many long standing impacts through operation of the septic tank facility which will be decommissioned and a new facility established at Al Ghabawi east of Amman.

E&S, including health and safety, management provisions are already in place at AGTP and these will extend to the expansion of the facility. Construction/decommissioning impacts will be managed

through appropriate policies, plans and procedures with oversight and support from independent advisors. Existing management and monitoring systems will be enhanced, including with respect to contractors and supply chains. HR provisions are in line with PR2 requirements and specific provisions on contractors will be required, including with respect to GBVH.

The Project incorporates into its design energy and resource provisions and while energy consumption is expected to increase with the additional capacity this is expected to be limited. Measures to avoid pollution and waste management risks and general nuisance issues are in place but will be enhanced, including with respect to odour. Climate change risks have been considered and the project design incorporates measures to accommodate surges in storm water in-flow and avoid/minimise flood risk and wastewater discharges. Water stress, drought potential and extreme heat events have also been considered. The AGTP provides pre-treatment. Further treatment to EU standards will be conducted at the existing As-Samra WWTP before eventual re-use. Pre-treated water will be transferred to As-Samra via an existing pipeline. No biodiversity or cultural heritage risks have been identified as the project is located at an existing facility. Nevertheless chance finds potential will be considered. A stakeholder engagement plan (SEP) has been developed for the project, has been disclosed and will be implemented together with a grievance mechanism. A project non-technical summary has also been disclosed.

All required E&S measures are included in ESAP. A consultant will be retained to support the project on ESAP implementation, including stakeholder engagement and capacity building.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the Ministry of Water and Irrigation (MWI), Water Authority of Jordan (WAJ), As Samra Wastewater Treatment Plant Company (the SPC), and its three shareholders: Morganti Inc (50%) and its parent Consolidated Contractors Company (CCC), Infilco Degremont (30%), and Suez SA (20%), senior management and other affiliated parties. [REDACTED]. It has been concluded that [REDACTED] this project does not pose unacceptable integrity or reputational risks to the Bank. WAJ and MWI are repeat, existing Bank clients and the experience to date has been positive. [REDACTED].

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

ANNEXES TO OPERATION REPORT

ANNEX 1	Procurement Assessment and Plan
ANNEX 2	Green Assessments
ANNEX 3	Transition Impact Scoring Chart
ANNEX 4	Economic Developments in Jordan

ANNEX 1 – PROJECT IMPLEMENTATION

Procurement classification – *Public sovereign*

[REDACTED]. The Beneficiary has previous experience in implementation of the international donor's financed projects, and has relatively reasonable experience in implementing EBRD financed project for ongoing project in Ain Ghazal Wastewater Conveyor, West Irbid Wastewater Network, AL Ghabawi Septic Tank Facility Project. However, still WAJ need to enforce their staff capacity (which currently in process) and work on knowledge transfer from the projects' consultants. So, to facilitate the implementation process WAJ will be supported by experienced procurement consultants who will assist with tendering procedures. WAJ will be also supported with reputable supervision engineer, who will assist WAJ with construction supervision under FIDIC contract terms.

Contracts risk assessment

-High

Project implementation arrangements:

The WAJ's PIU will be responsible for overall project implementation, including procurement of works and services and monitoring of contracts performance and supervision. The PIU is staffed by experienced professional staff allocated for day-to-day work together with the consultants. WAJ will be supported by (Advance Procurement Consultant) to build the procurement capacity through on the job training during tendering process. The (Advance Procurement Consultant) will be Bank contracted and finance by donors' technical cooperation grant. PIU will be supported by a PIU support and Supervision and an Environmental & Social and Health & Safety Implementation Support consultant.

Procurement arrangements:

The Project is classified as a public sector operation for procurement purposes. The only Works contract financed from the Bank's loan (*Stage 1: upgrade and expansion of the existing pre-treatment facility & Stage 2: Decommissioning of the redundant septic tank*) will be procured using a Two- stage open tendering procedure via ECEPP in accordance with Section III of the PP&R and will use the Bank's Standard Tender Documents. Decommissioning of the redundant septic tank will commence after the new tanker discharge station at Al-Ghabawi has been successfully commissioned. This allows for the existing tanker discharge station at AGTP to remain available as a backup during the initial operation phase of the new Al-Ghabawi tanker discharge station.

The two Consultancy contracts financed by donors (*Project Implementation Support*) & (*Implementation of Environmental and Social Action Plan Support*) will be procured using single-stage open competitive selection procedures via ECEPP in accordance with PP&R Section III chapter 5.

All contracts procured under the Bank's PP&R will be subject to prior review by the Bank.
[REDACTED].

ANNEX 2 – GREEN ASSESSMENTS

1. Introduction

The Annex provides an overview of the considerations relevant to the Paris alignment assessment, the GET attribution, and the Green Finance monitoring plan. Based on the assignments undertaken, the project is considered aligned with both the mitigation and adaptation goals of the Paris Agreement. In terms of mitigation, none of the project activities are on the joint MDB “non-aligned list”. Concerning adaptation, materiality checks have been undertaken for each potential physical climate hazard and mitigation measures are incorporated in the Project to reduce vulnerability of the project. These resilience measures coupled with environmental benefits result in a GET share of 100 per cent for this project. The project received the CT score 4, but scoring is not applicable for Sovereign projects. Physical climate risk screening (Climate and Carbon Transition Risk Assessment) does not apply at this stage for sovereign transactions.

2. Paris Alignment

a. BB1 Mitigation

- Positive list: Water Supply and Wastewater projects are considered aligned.
- NDC review: Jordan’s NDC considers the water sector is a high energy-consuming sector, the strategy sets a target the aligned with the Water Sector Strategy to reduce the consumption of energy [REDACTED] through improving the energy efficiency measures [REDACTED].
- Low carbon pathways: There are no known low carbon pathways that are addressing the GHG emissions of support activities for the water sector, but initiatives from development organisations exist to assist Jordan and Jordanian water companies to develop roadmaps to shift towards low-carbon water services.

Therefore, the project is Paris aligned on climate change mitigation (BB1).

b. BB2 Adaptation

[REDACTED]. Materiality checks (i.e., second-stage assessments) have been undertaken for all identified physical climate hazards and, where necessary, mitigation measures have been incorporated in the project. The feasibility study and ESDD included a climate change resilience assessment, which also informed project design. The same climate change risks were identified as those screened above. Below is a materiality assessment and indication of the need for mitigation measures.

- **Water stress.** Jordan is a highly water stressed country and this project is supporting the collection and pre-treatment of wastewater before onward transfer and further treatment at another facility to allow for re-use. The project assures that all flows can be passed forwarded to maximise that re-use potential; re-use of treated effluent in agriculture increases the availability of existing, finite resources for drinking water purposes. The project also safeguards existing below-ground drinking water sources in Amman that are currently at risk of becoming contaminated from premature discharges of dilute raw sewage from the under-capacity pre-treatment facility. Meantime, Jordan is planning to develop further water resources through desalination to alleviate pressure on existing resources (mainly groundwater). The project will further be expanding to increase capacity to allow it to respond to increased wastewater flows with an increased population and increased water demand. Increased water stress is not expected to affect the project.

- **Drought.** The project provides pre-treatment of wastewater (grit removal and screening) and does not include biological treatment which is provided at the onward facility. Water supply in Amman is principally from groundwater and some surface water and in the future desalination (in the next few years) to address chronic water supply shortfalls. Drought is not expected to affect the functionality of the project. By capturing significant volumes of wastewater and conveying them to the As-Samra WWTP, they will become available for irrigation and thus contribute to stress relief regarding the scarce Jordanian water resources.
- **Flood.** The Project is located in a small valley in Amman city and is in a flood risk zone. A wadi/drainage canal is located adjacent to the facility for surface water management and the project design includes provision for a surge in the storm water component into the facility. This surge protection has been appropriately sized. Sufficient flood protection measures have been incorporated into the project design.
- **Extreme heat event.** Equipment to be selected will consider environmental operating temperatures and sufficiently protected/shaded to minimise heat-related outages.

In light of the above, the key physical climate change risks that may affect the Project are considered as either immaterial or sufficiently mitigated by the specific features of the Project delivering resilience benefits. Jordan's NDC outlines the role of water utilities (wastewater treatment plants, water desalination plants and water distribution utilities) as major elements of the water resource management scope in the country. Enhancing their effective performance and resilience to climate change impacts and reducing their environmental impacts is a major objective for strengthening the adaptive capacity of the whole sector and the water system. Therefore the project is considered aligned with the adaptation goals of the Paris agreement.

3. GET attribution

A. Project GET typology and GET finance

Climate Change Mitigation n/a	Climate Change Adaptation 9. Water and wastewater systems 9.2 Wastewater infrastructure 36% GET Share	Environmental Activities Sustainable use and protection of water and marine resources Improvement of wastewater quality, including wastewater treatment and the efficiency of the wastewater collection network 100 per cent GET Share
Overall GET Share: 100%		

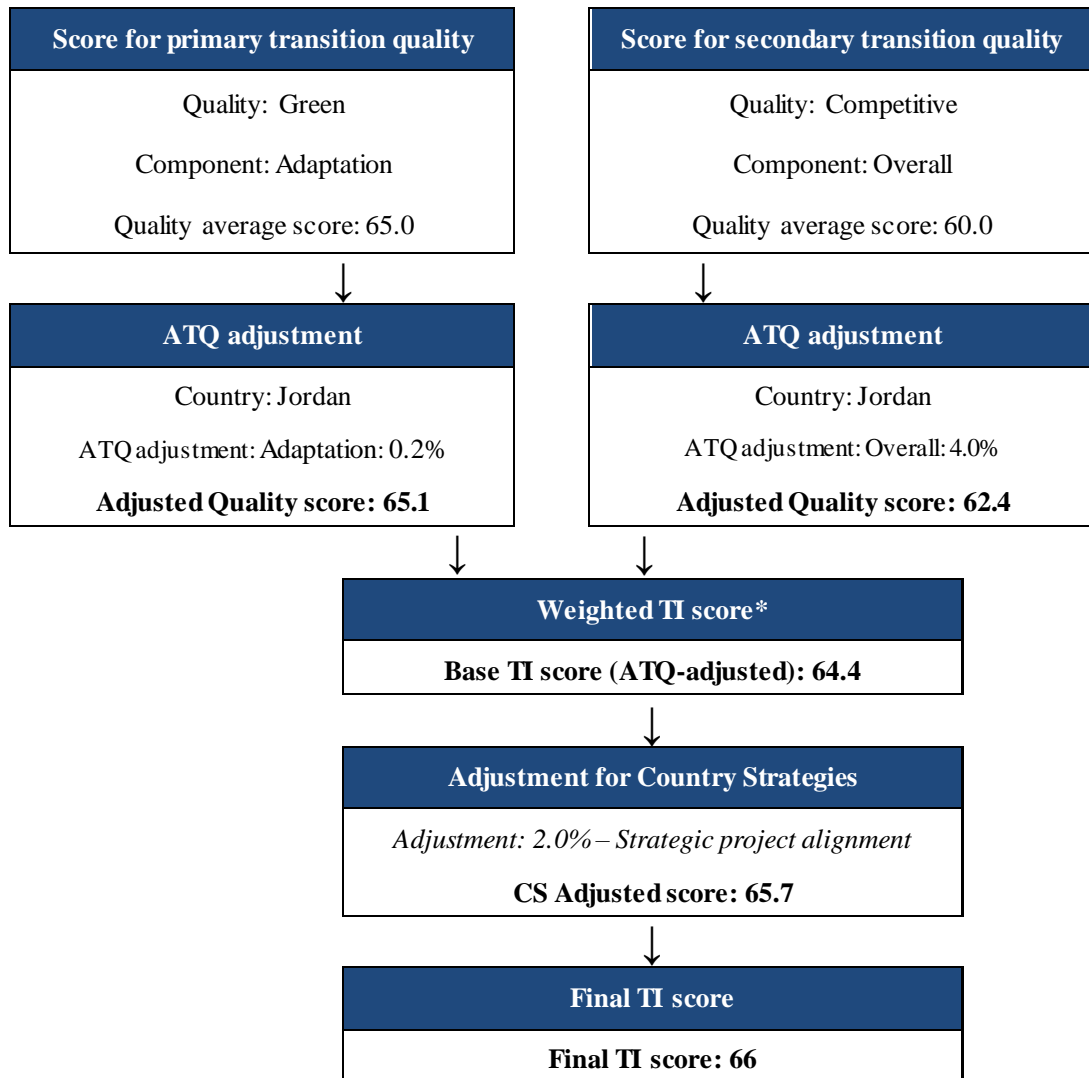
4. Green Economy Transition	
B. CC Adaptation Finance	
Climate risk addressed and climate resilience benefit narrative:	Flood. Reducing the impacts from storm water events on the treatment facility and local wadi.
'STEP 1: 'Context of climate change vulnerability in project region: Consider both the impacts of climate change as well as the risks related to climate variability in the project region. Provide the source of information (Country's NDCs, development plan, etc):	Due to projected changes in climatic conditions, the intensity of heavy rainfall events is expected to increase and lead to a higher wastewater flow into the system. The facility is already experiencing high flow rates during storm water events. During heavy rain events, water is discharged untreated to the wadi. Since sewer separation measures to mitigate increased amounts of rainwater entering the system require significant capital cost it can be expected that the amount of storm water entering the system will very likely continue to increase within the project timeframe.
'STEP 2: 'Statement of intent of the Bank to address climate resilience: 1- Which category of risks are intended to be addressed? i) increasing water stress, ii) increasing heat stress, iii) increasing hydrological variability, iv) increasing soil degradation and v) increasing extreme weather events , 2- Please explain why this/these risk/s are needed to be addressed.	The Project is addressing increasing hydrological variability and flooding. The additionally required capacity for the treatment plant is to a large extent driven by the storm water component. The intent of the project is to reduce the vulnerability of the treatment facility and the wadi to the climate impacts resulting from increasing storm water flows during heavy rain events.
'STEP 3: 'Link between climate vulnerability context and project activities: 1-Please define the baseline and articulate a clear link between stated climate vulnerability and project finance.	The existing wastewater collection and conveyance system is part of the wastewater infrastructure of the Amman-Zarqa River Basin area. The majority of the wastewater generated in the Amman area is collected and pre-treated at AGTP. The pre-treated wastewater is conveyed to the As-Samra WWTP. The sewer network in the AGTP catchment is a sanitary sewer network collecting only wastewater. However, significant stormwater intrusion is observed, mainly due to the connection of road surface drainage and roof drainage to the sewer network. During heavy rain events, wastewater (dilute raw sewage) has to be discharged to the wadi without any treatment in order to avoid flooding the facilities. At high flows the current screens are overloaded, causing blockages and forcing the operator to use the emergency bypass channel in order to avoid flooding. The current hydraulic capacity of AGTP does not allow for the treatment of all wastewater arriving during storm events. In order to cope with the currently

	<p>encountered wet-weather flows and with the projected increase of wastewater flows in the future, the capacities of the treatment facilities at AGTP will be expanded. This will no longer allow the routine discharge of untreated or only partially treated wastewater to the environment (unless in an emergency) and to keep in step with the planned capacity expansions of the wastewater conveyance system. Wastewater from AGTP will be conveyed to As-Samra WWTP for further treatment in an EU-compliant treatment facility.</p> <p>The pre-treatment will include: stone trap, fine screens, coarse screens, aerated grit and grease channels, retention capacity as well as the expansion of ancillary facilities such as: screenings conveyor and compactor, blower system for aerated grit and grease channels, service water supply.</p>
Comment: Please provide the assumptions used in calculations for physical and valorised data.	<p>Relevant TPV: Equal to TPV</p> <p>SWP: Raw water price for Jordan 0.5 EUR/m³ has been used to valorise the impact of reduced discharge of untreated wastewater from storm water events to the wadi. The treated wastewater is conveyed to As-Samra WWTP for on-treatment and not discharged to the wadi. As such, no dilution factor methodology has been applied. However, to valorise the benefits of captured stormwater and avoided pollution, a valorisation with the raw water price has been considered.</p>
C. Environmental Finance	
Environmental Activities Sustainable use and protection of water and marine resources Improvement of wastewater quality, including wastewater treatment and the efficiency of the wastewater collection network.	Pre-treatment of wastewater at AGTP for further on-treatment at As Samra WWTP EU-compliant treatment facility.
Sources for GET story and GET Impact Calculation:	<ul style="list-style-type: none"> - Jordan NDC - Final Feasibility Study Report [REDACTED]

5. Green finance project monitoring plan

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC
1.1	Wastewater treated (m ³ /year)	The project will treat additional storm water and wastewater	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

ANNEX 3 – TRANSITION IMPACT SCORING CHART



ANNEX 4 – ECONOMIC DEVELOPMENTS IN JORDAN

The economy is recovering slowly in Jordan. After a 1.6 per cent contraction in 2020, growth rebounded to 2.1 per cent year-on-year in the first three quarters of 2021, driven by financial services, manufacturing, and trade. Recovery in the tourism sector remained slow as health restrictions lingered into 2021 and visitor arrivals to the SEMED region remained below pre-pandemic levels.

A return to positive growth is expected in 2021, accelerating in 2022. We currently project that GDP will expand [REDACTED] in 2021, as restrictions on movement and activity are gradually lifted. Growth is expected to pick up in 2022 [REDACTED], sustained by stronger cross-border trade and a partial recovery of the tourism sector. However, both conditions are susceptible to spill-overs from the Russia/Ukraine war to global tourism flows and supply chains disruptions. The economy is expected to benefit from IMF-supported reforms in the long term [REDACTED].

Unemployment remained [REDACTED] elevated, amounting to 23.2 per cent during Q3 2021, compared to 24.8 per cent in the previous quarter. [REDACTED].

Inflation is picking up after a year of subdued growth in prices. Year-on-year inflation rose by an average of 1.3 per cent during 2021, on the backdrop of increasing food, transportation and housing prices. In March 2020, the Central Bank of Jordan lowered the key interest rate by 150 basis points (to 2.50 per cent) in response to Covid-19 crisis and maintained this rate to date.

The current account deficit widened to 15.0 per cent of GDP in H1 2021. The increase was driven by rising demand on imports of goods, which more than offset the improvements in exports, in addition to modest tourism income as travel restrictions persist. Gross official reserves rose slightly from 2020, amounting to US\$ 18.0 billion by end of 2021 and covering around 9.5 months of imports.

Fiscal conditions recovered slightly but debt remains elevated. The overall fiscal deficit (excluding foreign grants) narrowed to 5.5 per cent of GDP in H1 2021, as growth in revenues outpaced the increase in current expenditures. However, public debt remains elevated (over 100 per cent of GDP when including guarantees in 2021). Such levels are well above the 60 per cent threshold stipulated by the Public Debt Management Law of 2001, and more than offset the marginal decline in debt levels since 2016 under the IMF reform programme.

COVID-19 health restrictions on travel are loosened as daily cases in Jordan decline from their latest peak in February (~1.7 million infected; 13,882 deaths; 16,449 daily count recorded on 7 March 2022). Testing and quarantine requirements are slowly reduced more foreign nationals are welcomed into the country. As of early March 2022, around 43 per cent of the population are fully vaccinated