



ENVIRONMENT AND SOCIAL MANAGEMENT
FRAMEWORK (ESMF)

Draft

Ministry of Industry, Trade and Supply (MOITS)



**Jordan Support for Jordan Industry Development Fund Project
(P178215)**

Draft

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Executive Summary

The World Bank is supporting Jordan's efforts to alleviate the impact of the pandemic on manufacturing sector and address key challenges they face in the ecosystem through the Jordan Support for Industry Development Fund Project, through a USD 100 million loan to Jordan. As part of Jordan's Economic Priorities Program approved for 2021-2023, the Government plans to establish an Industry Development Fund (the Fund) to stimulate the modernization and development of manufacturing firms. The project will support the implementation of Fund's main programs, as well as the development of the Fund's operational capacity to enable it to become an effective vehicle for the implementation of GOJ's industry development programs beyond the project lifetime

This project aims at assisting GoJ to establish a strong governance and effective delivery mechanisms of the Fund, as well as to provide support for the implementation of Fund's programs to modernize manufacturing process; enhance export-readiness; linking firms to new markets and expanding their exports in existing ones; increasing their access to finance; strengthening climate-resilience and implementing climate change mitigation solutions; boosting productive investment and job creation in higher value-added activities.

This Environmental and Social Management Framework (ESMF) has been developed to assist to the implementation of Jordan Support for Industry Development Fund Project (P178215) to set out the principles, rules, guidelines and procedures to assess the environmental and social risks and impacts in accordance with the World Bank's Environmental and Social Framework (ESF). The ESMF outlines the procedure to identify, mitigate the Environmental and Social Risks and Impacts associated with the project activities, the process for screening and evaluating subprojects from the E&S perspective and the requirements for development of site-specific E&S instruments.

As JLGC is identified as a Financial Intermediary for this project, an Environmental and Social Management System (ESMS) in line with ESS9 will be prepared and adopted and implemented.

The project will support the implementation of Fund's main programs, as well as the development of the Fund's operational capacity to enable it to become an effective vehicle for the implementation of GOJ's industry development programs beyond the project lifetime. The main activities financed by the fund will include the following programs: (i) a matching grants program to manufacturing firms to modernize their operations, improve product quality, increase their export potential and access new markets or expand in existing ones; (ii) outcome-based incentives program providing grants to firms that achieve targets in areas critical to achieve sector's full potential (female employment; energy/water efficiency; etc.); and (iii) easing access to export guarantees and to new supply chain finance products, with the focus on smaller and first-time exporters.

This project is tagged as Financial Intermediary Financing (FIF) because one of the Fund's programs will provide subsidy for selected manufacturing exporters to partly cover the export credit guarantee premium paid by firms to JLGC. As such, this project will increase the number of firms covered by JLGC export credit guarantee program, where guarantees work as an

insurance policy, which enables the participating firms to discount the invoices at the bank to maintain liquidity.

The project will be structured around two components: (1) Fund operationalization, and implementation of its main programs (US\$99 million); and (2) Fund management, monitoring, and evaluation of its activities under the umbrella of MoITS (US\$1 million).

The ESMF has analyzed the policies, legal and regulatory framework in relation to ESS, where a detailed description of Environmental and Social Standards (ESS) is given and their applicability for the project identified. Therefore, each of the applicable ESSs (ESS1, ESS2, ESS3, ESS4, ESS9, and ESS10) have been described along with the existing correspondent laws, bylaws or regulations in Jordan and the existence of any related strategies or policies. This has been followed by analyzing the Environment and Social Risks and Mitigation, following the different phases of the project. Based on this analysis, a detailed plan has been developed illustrating the activities and potential E&S issues and risks along with the proposed mitigation measures, responsibilities, timeline and budget. Procedures to Address Environmental and Social Issues were provided in the screening phase where, examples from all activities to be undertaken by the project will be screened according to illustrated special forms. The consultation and disclosure activities have been provided in addition to the review and approval as well as the implementation.

A Stakeholder Engagement Plan SEP has been prepared for the project and outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about project and any activities related to the project. The Grievance Mechanism GM for the MOITS, and for the Fund more specifically, was provided in the Stakeholders Engagement Plan (SEP), which aimed to assist to resolve complaints and grievances in a timely, effective, and efficient manner that satisfies all parties involved. Specifically, it provides a transparent and credible process for fair, effective, and lasting outcomes. For that, the project established a specific GM. Finally, the project implementation arrangements, responsibilities, and capacity building.

1. Background

GDP growth in 2020 and up to Q3-2021 suggests that Jordan's recovery has been broad-based, although many sub-sectors remain below their pre-pandemic level. Jordan's GDP contracted by 1.6 percent during 2020 as the COVID-19 pandemic unfolded (Figure 1). Jordan's real GDP registered a solid 3.2 percent year over year (y-o-y) rebound in Q2-2021, which has slowed down to 2.6 percent in Q3-2021. Service and industry sectors are among the main drivers of the recovery. Within industrial sector, manufacturing sub-sector took up over half of the sectoral growth, however, it remains below pre-pandemic level. While the impact of the pandemic was mitigated by the measures taken by Government of Jordan (GoJ), the COVID-19 shock has taken a toll on private sector, including industrial sector, which is a key contributor to Jordan goods' exports.

Jordan urgently needs to create broad-based and inclusive job opportunities. The working age population is expected to increase from 4.4 million in 2020 to 6 million in 2030 (NES 2011-2020). The labor market remains extremely segmented despite recent reforms. SMEs provide over 50 percent of jobs and over a third of Jordanians work informally – primarily in microenterprises. Job creation for unskilled labor, 58 percent of total labor, has been slower than for skilled labor. Women labor force participation in Jordan is one of the lowest in the world. This project will contribute to job creation, including for female employees, through increasing the capacity of manufacturing firms, expanding their export and growth potential, and through targeted results indicators to increase female employment and to make sure that female-owned/managed firms benefit from the Fund's programs.

Boosting private investment and strengthening the economy's export potential are among the top policy priorities in Jordan. MoITS, together with the Jordan Chamber of Industry, is currently preparing the National Export Strategy, aiming to increase exports and improve their competitiveness in global markets. In addition, increasing investment and exports is one of the pillars in the updated Jordan Reform Matrix, with concrete measures in areas such as trade facilitation, improving production quality, strengthening investment promotion and investor services.

As part of Jordan's Economic Priorities Program approved for 2021-2023, the Government plans to establish an Industry Development Fund (the Fund) to stimulate the modernization and development of manufacturing firms. The Economic Priorities Program is intended to accelerate the post Covid-19 recovery, complementing the broader private sector reforms under the Growth Matrix. This project aims at assisting GoJ to establish a strong governance and effective delivery mechanisms of the Fund, as well as to provide support for the implementation of Fund's programs to modernize manufacturing process; enhance export-readiness; linking firms to new markets and expanding their exports in existing ones; increasing their access to finance; strengthening climate-resilience and implementing climate change mitigation solutions; boosting productive investment and job creation in higher value-added activities.

The pandemic has created a significant liquidity shock to industry companies. Based on the June/July 2021 WBG tracker survey of Jordanian firms, more than 94 percent of manufacturing firms experienced decreased liquidity; more than 57 percent of them have delayed payments on

financial liabilities to suppliers, landlords, or tax authorities; and more than 45 percent are overdue on obligations to financial institutions. Share of manufacturing firms delaying payments for more than one week due to COVID-19 over the three rounds of the surveys increased from 44 to 58 percent. Among surveyed manufacturing firms, the average change in monthly sales compared to one year ago was -16 percent. More than 32 percent of manufacturing firms decreased total hours worked per week, and more than 42 percent indicated that they decreased total number of permanent workers since December 2019.

The Project aims to assist manufacturing firms in accelerating and diversifying exports through the support for operationalization of Industry Development Fund (InDF) and implementation of its programs. This will be achieved not only through supporting the implementation of the Fund programs, but also through building a robust operational foundation for the Fund itself, to enable it to support the transformation of the industrial sector in the longer term.

The project will be implemented by the Ministry of Industry and Trade (MOITS). The Industry Development Fund is housed within MOITS. MOITS will sign subsidiary agreements with implementing partners Jordan Export Development Corporation (JEDCO) and Jordan Exports (JE) as well as with a Financial Intermediary, Jordan Loans and Guarantee Corporation (JLGC).

The main activities financed by the Fund are the following:

- (i) Industry upgrading (implemented by JEDCO) and Export development (implemented by JE) programs providing matching grants to manufacturing firms to modernize their operations leading to improved product quality and modernized production processes, increased exports through access to new markets and expanding in existing ones, as well as reduction in resource consumption and in waste or emissions;
- (ii) outcome-based incentives program (implemented by MOITS/Fund) providing incentives to firms that achieve targets in areas critical to achieve sector's full potential (higher female employment; introduction of new exportable products; energy/water efficiency; emission reduction; etc.); and
- (iii) Easing access to export credit guarantees (implemented by JLGC) and to new supply chain finance products.

These three programs form an integrated support package for beneficiary manufacturing firms. The Fund will plan to implement a 'cohort-based' approach, where the financial support will be combined with technical business development support provided by implementing partners to selected groups of firms.

2. Objectives and Scope

The present Environmental and Social Management Framework (ESMF) is the primary instrument for MOITS as the implementing agency to manage environmental and Social (E&S) risks along the project progression by setting the principles, rules, guidelines and procedures for the Fund programs that will provide support to sub-projects within beneficiary firms. The

beneficiary firms will apply for support and have not yet been selected therefore a framework approach has been adopted

The ESMF follows the World Bank Environmental and Social Framework (ESF), and adopts the principles of proportionality and flexibility in managing risks and impacts. The objectives of the ESMF are the following:

- 1) Identify, evaluate and manage the environmental and social risks and impacts of the project activities consistent with the ESF. This includes the following activities:
 - (a) disbursing grants directly to beneficiary firms under the outcome-based incentives program
 - (b) other activities associated with selecting, channeling funds, and monitoring implementing partners (JE and JEDCO) that will support beneficiary firms under the Industry Upgrading and Export Development Program
 - (c) other activities associated with channeling project funds through JLGC to deliver the Export Guarantee Program for beneficiary firms, as well as developing and oversee rollout of new Supply Chain Financing products by JLGC.
- 2) To adopt and apply the mitigation hierarchy approach to:
 - (a) Anticipate and avoid risks and impacts
 - (b) Where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels
 - (c) Once risks and impacts have been minimized or reduced, mitigate, and;
 - (d) Where significant residual impacts remain, compensate or offset them, where technically and financially feasible.
- 3) To adopt differentiated measures to ensure that adverse impacts do not fall disproportionately on the disadvantaged or vulnerable
- 4) To utilize national environmental and social institutions, systems and laws, regulations and procedures where appropriate
- 5) To promote improved environmental and social performance of project implementing agencies and beneficiaries

2. Project Description

This Project aims to enhance competitiveness of manufacturing firms, to enable them to expand and diversify exports, and to address key challenges they face in the ecosystem. The Project will focus on providing targeted firm-level support through the Fund, to help manufacturing firms to modernize and upgrade their production processes, to access new markets and expand exports. The Fund will also incentivize manufacturing firms to improve performance in areas critical to realize the sector's full potential (such female employment, energy/water usage efficiency,

diversification of exportable products, etc.), as well as to facilitate spreading best practices across the economy.

The Project Development Objective (PDO) is to assist manufacturing firms in accelerating and diversifying exports through the support for operationalization of Industry Development Fund and implementation of its programs.” Based on that, this project was designed with two main components and these are:

2.1 Component 1: Development of the Fund’s operational capacity and implementation of its main programs

The Fund will be established based on a special bylaw. The Government has prepared a special bylaw that defines the fundamental elements of the Fund’s governance structure, management, mandate, financing sources, and financial management. According to the bylaw, the Fund will be housed at MoITS, and its management will be undertaken by the Steering Committee comprised from public and private sector representatives. A Fund Management Unit will be established to support the operations of the Fund and implementation and monitoring of its programs.

The Fund is not envisaged as a self-sustainable institution, rather as a vehicle to grant state support to private sector following an integrated approach. The Fund will not be regulated as a financial institution, and thus its oversight will not involve the Central Bank of Jordan, and the respective requirements for Fund’s operations and governance will be defined in a special bylaw, instructions, and methodologies that will also ensure high transparency and continuity of Fund’s operations. The Fund will be effectively a vehicle for the purposes of administering government support of industry competitiveness and implementing industrial transformation programs.

Fund’s support will be channeled to beneficiaries through JEDCO, JE, and JLGC, which will act as implementing partners under subsidiary agreements signed with the Fund. Using these implementing partners will enable the Fund to make support more efficient by leveraging existing mechanisms and capacities, and to increase the outreach. JEDCO is an SME agency, with a board of directors chaired by the Minister of MOITS. JEDCO currently runs several development programs (technical assistance and grants), some of which support industrial companies to start or enhance their exports. JE is a not-for-profit public-private shareholding company mandated as the leading national organization responsible for the promotion of exports of Jordanian products and services. JEDCO and JE are not considered financial intermediaries as their activities are limited to providing technical assistance and channeling grants to beneficiary firms (grants are not considered financial intermediation).

JLGC is an autonomous and singular loan guarantee entity in Jordan and is subject to regulations of the Securities and Exchange Commission. JLGC is providing financial services (guarantees), however, it’s important to note that WB funding under this project will not be used to generate financial contractual obligations, because there will be no interest, repayment, or credit risk involved between Fund/JLGC and beneficiary firms, and, in addition, WB funds are not used to increase capitalization or liquidity of JLGC itself, as JLGC will continue issuing guarantees using its own capital; project funds are only used to cover part of the guarantee premium paid by beneficiary firms to JLGC, with no effect on other parameters of guarantee product. The JLGC’s

financial sustainability is not being affected by the project since it will continue to effectively charge a full premium for export guarantees.

Having simple, lean, but effective and robust mechanism for the selection of beneficiary firms will be one of the key success factors for the Fund's programs. Implementing entity (MOITS) and project implementing partners will establish transparent selection process including a qualified committee, to ensure systematic selection of beneficiaries. This committee will include private sector experts (incl. international ones) with proven track records that will review firms pre-qualified by implementing partners and will make a final approval of applications. Successful applicants will be made public, and unsuccessful applicants will be provided actionable feedback on why they were unsuccessful. The selection of beneficiaries for the export credit guarantee program will be conducted by JLGC following its standard procedure. The Fund will create and supervise a coordination mechanism among the implementing partners to ensure that the three programs are interconnected to create a transformational impact.

Fund programs

Industry upgrading (JEDCO) and Export development (JE) programs

The Fund will provide matching grants to manufacturing SMEs for industry upgrading as well as for enhancing export development. Industry upgrading program will support the activities such as the expansion of production lines; modernizing production processes to increase value-added, reduce energy/water demand, increase overall efficiency of input resources and materials, waste minimization, etc. Export development program will cover the costs that firms incur in accessing new markets or expanding in existing ones, including registration fees and establishment costs of business development offices at target markets; firm-level marketing and promotion activities at target markets; participation at trade fairs; voluntary "green" and "sustainable" certifications in accordance with international product certification standards. Firms will have to cover a pre-agreed share of 30-50 percent of eligible expenditures, with the remaining being covered by the grant from the Fund. There will be a maximum grant size (ceiling) defined, based on the size of the beneficiary firm.

Implementing partners will cover all the related administrative and operational costs linked to programs' implementation. The pre-identified partners to implement the programs are JEDCO and JE. They will have to submit an application/ proposal to MOITS to present a robust plan for the support of the implementation of Fund's programs, to confirm their readiness to support the project, and show that they are able to reach a sufficiently large set of SME beneficiaries. These implementing partners will use their resources to provide technical coaching to SMEs. Interested firms will be publicly invited to submit their applications.

The two programs are calibrated to be well-suited for manufacturing SMEs. For example, the grant size is smaller compared to the loans that bankable medium and large firms could normally get from banks. Target beneficiaries for these programs are SMEs facing barriers in accessing traditional commercial financing, and the share of matching is relatively small to encourage firms with limited access to finance to apply. There will be a handholding/ technical support

through mechanisms that have been used successfully in other countries, to fill existing gaps in managerial capacity, access to markets, etc.

The implementing partners will sign agreements with each company to provide matching grants against eligible expenditures. The beneficiary firms will provide evidence of eligible expenditures and milestones (mostly linked to a procurement process) to the implementing partners to receive payments based on the signed agreements. Eligible firms will procure services and goods to implement their production upgrading/export expansion plans directly from private sector vendors following commercial practices. Details of services and eligibility criteria and procurement procedures will be included in the POM. The key difference between the Industry upgrading and Export development programs is that the Export development support is focused on ‘soft’ measures, while Industry upgrading program includes upgrading production lines, expanding/modernizing asset base, etc. The same firm can apply to both types of matching grants, up to a certain ceiling combined for two programs over the lifetime of the project.

Outcome-based incentives program for manufacturing firms

This program will be managed directly by the Fund Management Unit, and MOITS will leverage the existing staff and their experience in implementing the current export rebate program. Under the program, the Fund will incentivize manufacturing firms to improve performance in areas critical to realize the sector’s full potential, as well as to facilitate spreading best practices across the economy. The program’s concept is a simplified version of the underlying mechanism for Development Impact Bonds’ outcome financing part. As such, the program is focused primarily on rewarding firms on key outcomes that are important for industrial development and transformation. It will provide incentive payments to manufacturing firms following the achievement of specific firm-level outcomes, to finance eligible expenditures that have been incurred and can be associated to the achievement of the agreed outcome.

The Fund will set and announce the list of Key Performance Indicators (KPIs) for eligibility to benefit from the program. KPIs will include but are not limited to the following: increasing production capacity; introducing new exportable products; replacing traditional energy means with renewable energy sources and increasing the efficiency of water/electricity and waste management; increasing number of female employees (to address the gender gap in manufacturing sector); increasing number of employees with special needs.

KPI values will be set to each firm based on a firm-level assessment conducted by qualified experts at MOITS/Fund. The target values for KPIs will have to be aligned with the pre-defined and publicly available range for each KPI. To be eligible to receive incentive payment from this program, small companies will have to achieve at least one KPI, medium firms – at least two KPIs, and large firms – at least three KPIs, one of which will have to be linked either to increased female employment or to climate change/resource efficiency solutions. This differentiation reflects the fact that many smaller firms in Jordan are facing technical capacity issues as well as the lack of financial resources, while larger firms have higher readiness to achieve more ambitious outcomes.

Manufacturing companies will enroll in the program at the beginning of the year to establish baselines and targets and these will be monitored as implementation advances. The Fund will dedicate qualified experts to establish firm-level baselines and targets. The experts will evaluate the performance of enrolled companies at the end of the year to confirm their achievement. They will confirm the eligibility of companies that achieve or exceed their pre-set firm-level targets.

Increased access to export credit guarantees and new supply chain finance products

The primary focus of this program is to ease access to export credit guarantees for manufacturing firms through JLGC, with the focus on SMEs. Export credit guarantees provide protection to exporters from a non-payment of buyers and include protection from commercial risks (such as a non-payment or insolvency of the buyer; refusal to accept the shipped goods) as well as political risks (such as any government decisions to prevent entry of goods), which might face their exports, by financially compensating them against possible losses. Thus, this program opens new markets and enables exporters to obtain comfortable payment conditions, other than letters of credit, such as open accounts and drafts. It also enables exporters to finance their operations on better terms, as long as the bank gets its dues from the JLGC, in case exporters failed to obtain their dues from the foreign buyer.

The following are key features of the existing JLGC export credit guarantee program: (i) maximum amount covered for one buyer is US\$11 million (can be increased depending on additional retention covered by reinsurers); (ii) maximum credit period (tenor of insurance) is 6 months; and (iii) guarantee percentage for one buyer is 90 percent (insured percentage of export value). JLGC provides an insurance policy, and exporters can use it with the Jordanian banks to discount the invoices at the bank to maintain liquidity. One of the benefits that exporters see from participating in this export credit guarantee program is to use the policy to get financing from the banks. This means that Fund's support to SMEs participating in this program will have positive spillover effect and will significantly increase the overall development impact through increased access to finance.

Since many smaller exporters are concentrated on riskier markets, this leads to a higher insurance premium, and cost of insurance tend to inhibit participation of companies that are not aware of the benefits of this instrument (currently, only around five to seven small firms participate in the program). Therefore, smaller exporters would benefit more from a temporary reduction in the export guarantee premiums to be supported by the Fund. It is worth mentioning that JLGC has developed information on the risk of buyers for Jordanian exporters in main markets, especially in MENA, and it has appropriate risk management in place which has been effective during the recent pandemic.

The Fund will cover part of the export guarantee premium for SMEs, based on a subsidiary agreement between the Fund and JLGC. The Fund will cover up to 75 percent of the export guarantee premium to SMEs and up to 50 percent to larger firms, depending on the actual demand. The maximum amount of the subsidy for single exporter should not exceed 35,000 JD annually. As indicated by JLGC, around 40 exporters are currently benefitting from the export credit guarantee program. Going forward, the Fund could support around 65 additional

companies, leading to around JD 420 million additional exports covered by the guarantee over three years.

The criteria for selecting the exporting firms to be included in the program will be agreed between JLGC and the Fund, with a focus on smaller exporters (incentivizing the participation of women-owned and led firms). Fund’s support will create additionally by targeting both a higher number of firms participating in export guarantee program as well as an increased amount of exports covered. Linked to that, largest firms currently covered by JGC export guarantees will be excluded from the Fund’s support under this program. The agreement would also entail JLGC’s commitment to conduct a broad awareness campaign to increase the number of applying firms, because lack of awareness on the benefits of export credit guarantees among smaller companies is an important barrier limiting the number of participating firms.

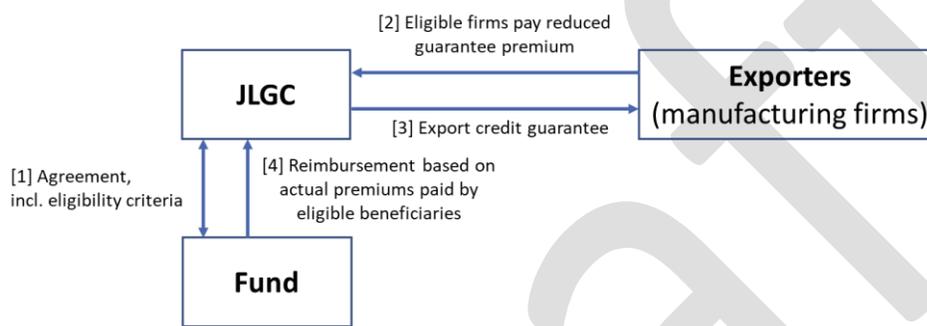


Figure 1. The flow of funds for the program to reduce costs for firms of export credit guarantee. Source: WB illustration.

To complement the JLGC export credit guarantee program, the Fund can support the roll out of supply chain finance (SCF) platform that will stimulate exports through optimizing manufacturing firms’ liquidity along the supply chain. This can be achieved through establishing a national supply chain platform providing access for manufacturing firms to SCF products, developed and prioritized based on the actual needs of manufacturing firms, and can include factoring, receivables discounting, distributor finance, or other products. The platform would connect exporters, suppliers, and financial institutions, through a modern technology that intermediates these three key parties and allows exporters to access the needed products faster, giving them more flexibility in trading products. Participating financial institutions would offer their SCF products on a competitive basis. In the Middle East region, supply chain finance accounts for only 10 percent of total trade finance; the rest are traditional trade finance instruments. This shows a significant potential for the expansion of innovative SCF solutions. There are successful examples in MENA region that could be leveraged in Jordan.

The platform would require an initial investment to develop the technology and infrastructure, and this can be supported through the Fund. In later stages, when the program reaches the scale, the platform can be maintained and upgraded through strategic partnerships and engagement of private sector and financial institutions. Depending on the ambition and success in the implementation, the platform could become regional.

The development of a national supply chain platform will require certain pre-conditions, including enhancing the related regulations, conducting diagnostic studies on supply and

demand. Commercial banks and other financial institutions would be involved in the development of the platform to make it aligned with commercial practices. Overall, the development of the SCF platform will require a more detailed stakeholder consultations, to: (i) assess the market demand and potential scale of the platform (sufficiently large supply and demand are among the key factors for the success of SCF platform); (ii) to clarify required enhancements in the existing regulatory framework; and (iii) to select the initial partners for the platform development. There has already been attempts to run similar supply chain finance programs by separate commercial banks in Jordan, and relevant lessons learned would have to be considered, namely, linked to the scalability, regulatory gaps, etc.

Interconnectedness of Fund's programs

The fund will create and supervise a coordination mechanism between the three programs, and this will help to create a transformational development impact and will make the Fund's support more integrated. For example, the same firm can apply to all three programs of the Fund. Industry upgrading can help a firm to modernize its production. The same firm can apply to JLGC export credit guarantee, which will facilitate access to export markets. This, combined with a targeted export development support through Export development program, will contribute to increased export values, which can be one of the KPIs in the outcome-based incentives program. In addition, to create linkages between firms, and to benefit from the economy of scale, the Fund's programs will be planned to include the 'cohort-based' approach, where selected group of beneficiary firms receive an integrated support. However, while the same firm can apply to each program multiple times, there will be a cap on the support that one firm can get from the program over the project's lifetime, as well as the overall cap on the support combined from all programs.

2.2 Component 2: Fund Management, Monitoring and Evaluation

This component will cover management, administration, monitoring, and evaluation of the Fund activities and capacity building of its staff. The support will cover technical advisory services, to manage, coordinate, monitor and evaluate the project, including operating costs, and annual audits. This component also supports the development of the overall design of the initial Fund's programs. The Fund management will be undertaken by the Steering Committee, supported by the Fund Management Unit and additional experts engaged in designing programs and in conducting a verification/assessment for the outcome-based incentives program. The eligible expenditures under this component do not include all the administrative and operational costs linked to the Fund programs that will be implemented by project partners

2.3 Implementing Arrangements

MoITS will be the implementing agency for the project. A special Technical Secretariat at MoITS will perform the role of the PMU. The PMU will have the overall fiduciary responsibility for project implementation and ensure activities are executed in accordance with the Project Operational Manual (POM). PMU will have the overall responsibility for the monitoring and evaluation of project activities, as well as designing and implementing outreach activities, e.g., specifically targeting women. The project will include climate-sensitive elements and measures to benefit all vulnerable groups and enhance the gender balance.

MoITS does not have experience in implementing WBG investment projects, and their capacity for the implementation of this project will have to be strengthened. The existing MoITS knowledge and experience from engagement in previous WBG projects and related fiduciary and other responsibilities will be leveraged for a successful and smooth preparation and implementation of the proposed project. The areas where MoITS will need more support and institutional capacity building is linked to designing and operationalizing Fund and developing and implementing Fund's programs. MoITS is a chairing entity in JEDCO that is directly involved in providing SMEs and start-ups with the financial and technical support.

The Fund will have a separate Governing Board consisting of public/private sector representatives, to ensure strong management, robust governance, and sustainable operations of the fund. The Fund will have a special and independent account at the Central Bank. A Technical Secretariat will be designated at the Ministry to follow up on and monitor implementation of the programs of the Fund. The Secretariat will submit periodic progress reports to the Governing Board, and will provide technical and administrative assistance to the Governing Board to carry out its tasks and any other matters assigned to it by the Board. The Board will define the strategy of the Fund, decide on its main programs and budget allocations. The criteria for beneficiaries under each program will be reflected in SOP or Operational Manuals for each program. The Fund will be subject to the oversight of the Audit Bureau.

There will be a separate agreement signed between the Fund and JLGC linked to the subsidies that the Fund will provide to manufacturing firms to cover part of export credit guarantee premiums paid to JLGCs. JLGC, though has experience with the WBG lending projects and is familiar with the key relevant procedures and responsibilities (e.g., JLGC is an implementing agency in the WB lending operation "Innovative Startups Fund Project"), will not be an implementing agency, rather the Project partner. JLGC will continue providing export credit guarantees as they stand now, and, based on the agreement with the Fund, will share the respective information needed to clear the manufacturing firms' request to reimburse part of the guarantee premium subsidy.

It will be important to ensure an effective combination between the programs run by the Fund and the ones outsourced to third parties through a competitive selection. For example, existing entities such as JEDCO and JE are leading ongoing programs that may have significant synergies with the activities of the Fund. In addition, to ensure the appropriate coordination, JEDCO and JE could have their focal points participating in the Fund programs' selection committees, regular management meetings, and effective mechanisms for the exchange of relevant information will have to be established. Using competitively selected intermediaries and combining the programs managed by the Fund with the wholesale approach would allow to make support more efficient by leveraging existing mechanisms and capacity, and to increase the outreach, as well as to mitigate the risk of potentially lower Fund's capacity at the initial stages of its operation. Fund's outcome-based incentives program will be managed directly by the Fund, while matching grant programs will be implemented through competitively selected ecosystem intermediaries.

2.3 Eligibility and Criteria for Exclusion of Activities

Project eligible expenditures are twofold: (i) expenditures incurred for the implementation of Fund programs, covered under Component 1 (US\$99 million); and (ii) Fund's monitoring and evaluation (M&E) activities as well as audit of the project accounts under the Component 2 (US\$1 million). It is important to note that Fund resources would be used to directly finance manufacturing companies. Administrative/management costs of the outsourced programs would be borne by MOITS and private sector intermediaries as contributions to support the Fund. The Fund will be also open for donor contributions. The project will include disbursement conditions to make sure that all the necessary governance actions have been implemented, such as the appointment of the Governing Board (comprising private and public sector representatives), issuing ministerial instructions, adopting Standard Operating Procedures (SoP) and Action Plan (including Gender Action Plan) for the Fund. One of the project disbursement conditions will be linked to adequate staffing and systems in place for Fund management and administration. Administration costs are likely to be higher than US\$1 million covered by component 2 of the project, therefore, a clear MoITS commitment and/or co-financing from other donors will be needed to ensure that adequate resources are in place.

Eligible recipients:

- Registered MSMEs in Jordan with all necessary licenses in order.
- Credit worthiness (e.g., as shown by having positive profitability in 3 out of 5 years; not having unpaid loans).
- Associated with low to substantial environmental and social risks as per the screening criteria identified in the ESMF.
- Export track record, or prepared plans showing the intention to access export markets.
- 2+ year operations.
- Meets the GOJ's approved definition of MSME.

Eligible activities

Industry upgrading (implemented by JEDCO):

- Expansion of production lines.
- Modernizing production processes to increase value-added, incl. through firm digitization.
- Adopting quality standards/ obtaining quality certification for target markets.
- Developing products (creating new products, developing existing ones, or producing new/unique products based on patents).
- Adopting efficiency systems, incl. to the implementation of climate-smart solutions to increase water/energy/waste management efficiency.
- Improving product packaging.
- Others specified in the project operating manual.

Export development (implemented by JE):

- Registration fees and establishment costs of business development offices at target markets.
- Firm-level marketing and promotion activities at target markets.

- Participation at trade fairs on firm-level.
- B2B matchmaking.
- Targeted promotion and image building activities.
- Sales and business development.
- Market testing.
- Establishment of backward-forward linkages with large organizations.
- Access to exporters' databases or business groups at target market.
- Market intelligence reports.
- Market certification, incl. 'sustainability/green' certificates.

Others specified in the project operating manual.

This project will exclude the following type of activities as ineligible for financing under the Project:

- i. Any activity with significant environmental and social risks, the negative impacts of which will be considered diverse, varied, irreversible and unprecedented.
- ii. Any activity containing or involving the following: Production or activities involving forced labor / harmful child labor; Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements; Production or trade in weapons and munitions; Gambling, casinos and equivalent enterprises; Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); Production or trade in radioactive materials; Production or trade in or use of unbounded asbestos fibers; Production or trade in wood or other forestry products from unmanaged forests; Production or trade in products containing poly-chlorinated biphenyl, or PCBs; Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals; Production or trade in pharmaceuticals subject to international phase outs or bans; Production or trade in pesticides / herbicides subject to international phase outs or bans; Production or trade in ozone depleting substances subject to international phase out.
- iii. Activities covered by IFC exclusion list (Annex III)¹.
- iv. All the other excluded activities set out in the ESMF of the Project that are to high risks according to the risk evaluation criteria of the ESF as demonstrated in Annex IV.

3. Policy, Legal and Regulatory Framework

The World Bank has set ten Environmental and Social Framework (ESF), which will enable it and Borrowers to better manage environmental and social risks of projects and to improve development outcomes. The ESF offers broad and systematic coverage of environmental and

¹ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

social risks, and it makes important advances in areas such as transparency, non-discrimination, public participation, and accountability including expanded roles for grievance mechanisms. Table 1 illustrates the Jordanian legal instruments that are related to different ESSs. In addition, it illustrates the World Bank ESSs that are relevant to the project as described in the Environmental and Social Commitment Plan (ESCP). It is important to note that the irrelevant ESS was not included in this table.

Table 1: Policies, legal and regulatory framework in relation to ESS

World Bank ESS	Description of the relevant ESS
ESS1 Assessment and Management of Environmental and Social Risks and Impacts	It sets out the Borrower’s responsibilities for assessing, managing and monitoring environmental and social risks and impacts associated with each stage of a project, in order to achieve Environmental and Social Standards (ESSs)
Relevant legal instruments in Jordan	
<p>Environmental Classification and Licensing Regulation No. 69 of 2020 This Regulation is composed of 25 articles and 5 Annexes. Article 4 of the Regulation states that the Ministry of Environment is in charge of issuing an environmental classification to the activities practiced by facilities based on their level of impact on environment within four risk categories: high, medium, limited, and low risk. Article 5 defines the tasks and powers of the License & Pollution Mitigation Directorate. Appendices 1-4 provide a detailed list of economic activities falling under the four risk categories.</p> <p>Article (3) and 4-M of the Environmental Protection Law No. (6) of 2017 Articles states that the Ministry of Environment is the authority responsible for protecting the environment in the Kingdom, and it is responsible for monitoring and measuring the elements and components of the environment.</p> <p>Environmental Auditing instructions issued in 2014. According to those instructions, in case of dangerous violation, the violating institution will be notified on the obligation to do an environmental audit. The environmental audit must be performed by a consultant approved by the MoEnv within a certain timeline set by the MoE. When the EA is approved, the institution shall submit a commitment to implement the mitigation plan with a bank guarantee</p>	
World Bank ESS	Description of the relevant ESS
ESS2 Labor and Working Conditions:	It recognizes the importance of employment creation and income generation in the pursuit of poverty reduction and inclusive economic growth. Borrowers can promote sound worker-management relationships and enhance the development benefits of a project by treating workers in the project fairly and providing safe and healthy working conditions.
Relevant legal instruments in Jordan	
<p>Jordan's Constitution of 1952 with Amendments through 2011 Article 6 (ii) states that The Government shall ensure work and education within the limits of its possibilities, and it shall ensure a state of tranquility and equal opportunities to all</p>	

Jordanians.

Article 13 states that compulsory labour may not be imposed on any person, but any person may be required to do any work or to render any service in circumstances prescribed by law.

Article 23 (i) states that work is the right of every citizen, and the State shall provide opportunities for work to all citizens by directing the national economy and raising its standards. (ii) defined workers' rights in details

Jordanian Labor Law no. (8) of 1996

Article (10) states that the Ministry shall assume the functions of organizing the labor market, occupational guidance and formulation of the instructions necessary for providing work and employment opportunities to Jordanian citizens within and outside the Kingdom in collaboration with the concerned parties. In addition, Chapter Nine: Safety and Occupational Health, Article (78) provided an extensive texts on the necessity to provide precautions and measures to protect the Employees from the hazards and diseases that may result from the work as well as from machines used therein.

Article (70) states that the working woman shall have the right to obtain a maternity leave totaling ten weeks with full pay prior to and after delivery provided that the period subsequent to delivery may not be less than six weeks. It shall be prohibited to put her to work prior to the expiry of such period. Article 71 states the working woman shall have the right subsequent to the expiry of the maternity leave provided for under article (70) of this law, to obtain, within a year of the date of delivery, a period or periods not exceeding one hour in total per day with pay for the purpose of nursing her new born .

Chapter Eleven: Labor Unions & Employers Societies provides a full detail on working hours of the employees and defines sound worker-management relationships.

World Bank ESS	Description of the relevant ESS
ESS3 Resource Efficiency and Pollution Prevention and Management	This ESS sets out the requirements to address resource efficiency and pollution prevention and management throughout the project life-cycle consistent with GIIP.

Relevant legal instruments in Jordan

Environmental Protection Law No. (6) of 2017: Article (3) states that the Ministry of Environment is the authority responsible for protecting the environment in the Kingdom

Air Protection Regulation No. (28) for the year 2005 issued under the Environmental Protection Law, governs the activities that emit pollutants into the ambient air.

Framework Law for Waste Management Law No (16) of 2020.

The Law requires waste generators to apply reduction, reuse and recovery of waste and for remaining waste to be treated and disposed according to proper environmental procedures. The Law requires the forming of a High Guiding Committee for Waste Management, with representation from line ministries, which is mandated to approve the national plan for waste management and the associated policies, action plans and related periodic reports, legislation and standards. The Law assigns each specialized entity the management of their correspondent special waste. The Law requires that generators of any amount of hazardous waste to keep records of those amounts and how they are handled, and requires operators of hazardous waste facilities to be licensed

from MoE and to apply processes that would minimize the environmental impacts of handling and disposal of such hazardous wastes.

Regulation for the Management of Hazardous Substances, Transport and Handling No. 24 of 2005.

Instructions for managing and handling hazardous wastes for the year 2003

Management of harmful and hazardous materials Bylaw, 43/1999.

Jordanian Standard 286/2008. Technical Regulations on Drinking Water

Jordanian Standard 893/2006. Reclaimed Domestic Wastewater.

Three Jordanian Standard 202/1991. Industrial Wastewater. The standard sets norms for the release of industrial wastewater to the environment.

1. **Jordanian Standard 1145/2006.** Uses of Treated Sludge in Agriculture
2. **Jordanian Standard 1189/2006:** maximum allowable limits of air pollutants emitted from stationary sources. These standards set emission limits for total suspended particulates by type of industry as well as gaseous substances and define acceptable measurement methods.
3. **Jordanian Standard 1140/2006:** Ambient air quality standards provide limits for ambient air quality for particulates (TSP and PM10) as well as gaseous substances (SO₂, CO, NO₂, H₂S, and Pb)

World Bank ESS	Description of the relevant ESS
ESS4 Community Health and Safety	Addresses the health, safety, and security risks and impacts on project-affected communities and the corresponding responsibility of Borrowers to avoid or minimize such risks and impacts, with particular attention to people who, because of their particular circumstances, may be vulnerable.
Relevant legal instruments in Jordan	
Public Health Law No. 47 of 2008 and its amendments:	
This Law consisting of 75 articles aims at regulating issues related to the public health system in the Kingdom of Jordan. The Law governs all professions related to public health and conditions and necessary procedures required for practicing in the medical profession. Art.4 states also that the Ministry of Health is the competent authority accountable for the protection of public health in the country. It is also responsible for monitoring the water and food quality to ensure its safety and adequacy for human consumption.	
World Bank ESS	Description of the relevant ESS
ESS9 Financial Intermediaries (FI)	The Environmental and Social Standard on Financial Intermediaries (ESS9) sets out the requirements to Financial Intermediaries (FIs) to develop and maintain in form of an Environmental and Social Management System (ESMS), effective environmental and social systems, procedures and capacity for assessing and managing and

	monitoring environmental and social risks and impacts associated with the subprojects it finances.
Relevant legal instruments in Jordan	
Civil Procedural Law of 1988 and the Usury Regulation of 1926 set an interest rate cap of 9 percent on all civil and commercial transactions.	
World Bank ESS	Description of the relevant ESS
ESS10 Stakeholder Engagement and Information Disclosure	Recognizes the importance of open and transparent engagement between the Borrower and project stakeholders as an essential element of good international practice.
Relevant legal instruments in Jordan	
National law recognizes the right to obtain the information according to Law No. 47 for the year 2017.	

In addition to the relevant ESSs, the World Bank Group General Environmental, Health and Safety (EHS) Guidelines are also relevant to this project. The EHS Guidelines are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP). These General EHS Guidelines are designed to be used together with the relevant Industry Sector EHS Guidelines which provide guidance to users on EHS issues in specific industry sectors. A complete list of industry-sector guidelines can be found at www.ifc.org/ehsguidelines.

In view of the COVID-19 crisis, client is required to adhere to and incorporate various COVID-19 considerations in worksites arrangement. Various WHO advice and guidance will apply.

4. Environmental and Social Baseline

Jordan covers an area of 89,318 km², where land constitutes 88,802 Km², and 540 Km² is covered by water including 26km long coastline of the Gulf of Aqaba (Al Tawaha et al, 2019²; MOE, 2014³; Disi et al, 2001⁴). The altitude varies from -430 m at the surface of the Dead Sea (the lowest point on earth) to 1,854 m of Jabal Umm ad Dami. Generally, around 90% of Jordan's land is arid to semi-arid, and the rainy season extends from October to May with 80% of the seasonal rainfall occurs through the months of December to March (TNC, 2014⁵). The annual average rainfall ranges between 600 mm in the northern uplands and less than 50 mm in the southern and eastern desert areas. About 90% of the country receives less than 150 mm\season. Most of the precipitation falls in the form of rain or drizzle, snow may fall on highlands, and hail is frequent during thunderstorms.

Jordan is not as richly endowed with natural resources as its neighbors and therefore relies on 96% of its fuel and energy requirements on imports, which equals about 17.5% of the country's GDP. The Government of Jordan (GoJ) has implemented its straightforward National Energy Strategy (NES), which runs from 2007 to 2020, underpinning the Kingdom's energy transition. This policy will not only lower Jordan's energy costs but will also make more affordable energy solutions available to local sectors, allowing them to continue to thrive in line with the Jordan Economic Growth Plan 2018-2022 targeting 20% of Renewable energy of the total energy mix in 2020. Jordan looks to increase the contribution of renewable energy sources in electricity generation up to 10% by 2020. Over the years, Jordan has fostered numerous public-private partnerships (PPPs) to establish projects that will help diversify the energy mix and reduce its costs. Investments in Jordan's renewable energy sector have exceeded US\$ 1.4 billion, prompting the country to achieve its desired ambition of 10% of its electricity from renewable energy by 2020. The contribution of the renewable energy sector to the total energy mix has grown from 0% to 6% since 2015 while conventional energy resources still generate 4.3 GW. The capacity of renewable energy projects (solar & wind) being constructed, under constructed or under developed have amounted to 1350 MW. The capacity of small scale of RE systems (Net Metering, Weeling) have amounted to 100 MW⁶.

Extreme water scarcity is one of Jordan's greatest sustainability challenges, threatening its economic growth potential, environmental sustainability, and social development. Jordan is one of the most water scarce countries in the world¹⁰, as a result of naturally low occurring water resources, recurring droughts, overconsumption of water, and inefficiencies in distribution. Climate change is exacerbating this situation, linked to a decrease of 20% in annual precipitation

² Al Tawaha, M., Benzoni, F., Eid, E and Abu Awali, A. 2019. The Hard Corals of Jordan; a Field Guide. The Royal Marine Conservation Society of Jordan. Amman, Jordan. ISBN: 978-9957-8740-4-9. 400pp

³ Anonymous. 2014. Jordanian Fifth National Report on the Implementation of the Convention on Biological Diversity. Ministry of Environment, Amman, Jordan.

⁴ Disi, A.M.; Modry, D.; Necas, P. and Rifai, L. (2001): Amphibians and reptiles of the Hashemite Kingdom of Jordan. - Edition Chimaira, Frankfurt, 408 pp.

⁵ Anonymous. 2014. Third National Communication Report on Climate Change (TNC). Ministry of Environment, Amman, Jordan

⁶ Overview of the Energy Sector in Jordan. USAID

over the last few decades and severe water shortages. Water pollution, limited surface water supplies, and over abstraction have all taken a toll on ecosystem services⁷.

In 2018, 91% of Jordan's population lived in urban areas, a historically high rate of urbanization that reflects the 'typical' challenges associated with rapid and unplanned growth, in addition to the challenges posed by the unique demands placed on services as a result of the Syrian refugee crisis. On average, Jordanians produce 0.81kg of municipal waste per capita per day⁸, a rate 26% higher than counterparts in other upper middle income countries⁹, with city dwellers in Jordan producing up to 50% more municipal solid waste when compared with their rural counterparts¹⁰. The waste situation in Jordan is a key priority green growth agenda that presents both environmental challenges and socioeconomic opportunities. In terms of the composition of Jordan's municipal solid waste, over 50% of the waste generated by households in Jordan is food waste¹¹, and the recycling rate for

According to a study released by the Department of Statistics (DOS) in, July 10, 2019, the population of Jordan rose from about 586,000 people in 1952 to 10.309 million until the end of 2018. Jordan witnessed sharp demographic transitions during the second half of the last century that affected the age structure of the population. During 1952-2018, the crude death rate decreased from 22% in 1952 to 6.0% in 2018 with a percentage of 72%. The infant mortality rate dropped at the same time period from about 122 per every 1,000 in 1952 to 17 in 2018. In light of the changes in population growth components manifested in fertility, death rates and net migration rates, the age structure of the population in Jordan has not witnessed any fundamental changes during the period that extends from 2006 to 2014, as for the percentage of children under the age of 15 and the percentage of the population between the ages of 15 and 64 have remained constant. Also the percentage of the population at the age of 65 or over has remained constant. Nevertheless, the percentage of children is regarded to be a high percentage comparably, which alludes to an expected higher increase in the population and also to higher numbers regarding people between the ages of 15 and 64 whom are expected to form the workforce and manpower of the future along with the continuation of the high dependency ratio.

Since the start of the conflict in Syria in 2011, Jordan has shouldered the impact of a massive influx of Syrian refugees. Over 650,000 Syrians have registered with UNHCR in Jordan, where the vast majority of these refugees live in cities and towns instead of camps. This has caused an increase in Jordan's population, which caused massive pressures on the infrastructure, the provided services of (education, healthcare and housing), and natural resources of (water, agricultural lands and environment). The massive number of non-Jordanians newcomers into the labour market has formed a constant pressure on the available employment opportunities. Nevertheless, the waves of migration have not been limited to the migrants' workers, even;

⁷ IWMI. "Groundwater Governance in Jordan: The case of Azraq Basin," 2017.

⁸ Statista. "Projected per capita generation of municipal solid waste worldwide in 2016 and 2050, by income group," 2018.

⁹ GIZ. "Country Report on the Solid Waste Management in Jordan," 2014.

¹⁰ GIZ. "Country Report on the Solid Waste Management in Jordan," 2014.

¹¹ Statista. "Recycling rates worldwide in 2015, by select country," 2018

Jordan has witnessed successive waves of forced migration due to the political conflicts in the region during the last century¹².

The economic factors also played a role in this decline, especially through the increase in the proportion of females in the labor force, where it reached 15.4% in 2018. On the other hand, the education sector in Jordan has achieved great progress, with illiteracy rates dropping from 16.7% in 1991 to 5.1% in 2018. School enrollment has also increased to 96.7% for the academic year 2017/2018. In early 2020, Jordan, like the rest of the world, was shaken by the global COVID19 pandemic. The implementation of public health measures to limit the spread of the virus brought the economy to a standstill, leaving many Jordanians worse-off¹³. This new economic situation poses a significant risk to Jordan in the short term. With an unemployment rate of 19%⁵ at the end of 2019 and a slowdown of business-as-usual economic activity, families and small business will struggle municipal waste, standing at 7%, is low, even when compared with the average of 10% across the Gulf Cooperation Council (GCC) states¹⁴. Other types of waste, such as hazardous waste, medical waste, construction and demolition waste, and electronic waste are also generated in substantial or growing volumes in Jordan, with inadequate treatment and disposal means, as well as generally weak enforcement regimes. In terms of the environmental impact, landfilled waste is an important component of Jordan's GHG emissions profile, contributing 10% of GHG emissions¹⁵, a figure that is expected to grow as the population grows.

The unemployment percentage has marked 10.1% males in comparison with 20.7% females, whilst the percentage of unemployment of both genders has reached 11.9%. The percentage of unemployment in urban centers has marked 9.9% of males compared to 20.4% of females, whereas in rural areas the percentage has marked 10.8% males compared to 22.1% females. Nevertheless, the governorate of Al-Balqa'a has the highest percentage of unemployment of males which is 15.0% compared to the capital city Amman that has the lowest percentage of unemployment between males reaching 8.5%¹⁶. In addition, the highest percentage of unemployment amongst females in the governorate of Al-Mafraq is 26.2% compared to 12.6% in the governorate of Al-Aqaba which has the lowest percentage of female unemployment. In addition to that, the percentage of youth unemployment between the ages 15 to 24 is 26.3% males compared to 53.3% females. The population projections of the estimations of the Higher Population Council and the Department of Statistics indicate that 16% of the total Jordanian population (one million individuals) are expected to reach the legal working age during the next ten years. Estimations have indicated that the workforce is predicted to witness a major increase by the year of 2020 with a percentage of 5%, promoting the workforce numbers from 1.4 to 2.4 million by then.

The industrial sector is considered one of the major sectors that contribute in driving economic growth, support employment, attracting quality investments, accessing global markets and

¹² Jordan's State of Environment Second Report 2016.

¹³ Reuters. "Many Jordanians struggling as country emerges from COVID-19 lockdown, U.N. agency says," 2020.

¹⁴ GoJ. "Intended Nationally Determined Contributions (NDCs)," 2015.

¹⁵ GoJ. "Intended Nationally Determined Contributions (NDCs)," 2015

¹⁶ Jordan's State of Environment Second Report 2016

showing the image and identity of Jordanian products. According to the Jordan investment commission, the industrial sector is a high contributor to Jordan's GDP as it contributed approximately with 24% in 2017, employing more than 240,000 people, most of them Jordanians, in some 18,000 industrial facilities across the Kingdom. Currently, the sector is governed through the Jordan Chamber of Industry (JCI), which was founded under the Chambers of Industry Law no. 10 for the year 2005. JCI aims to:

- Participating in formulation the general policy for industry and in setting up the strategy and the plans required for executing the same.
- Participating in effecting the growth and development of the National Industry.
- Looking after the interests of all Industrial and Micro Enterprises.
- Fostering of cooperation among chambers of industry as well as between these Chambers and the Arab and Foreign Federations and chambers of industry.
- Seeking to foster the capabilities of the chambers of industry and coordinate their efforts.

Moreover, JCI is working on four main levels which are:

1. The level of Industrial sector as a whole
2. The level of specialized Industrial sectors
3. The level of national economic and legislative environment, and
4. The regional and international level.

The industrial sector contributed directly to about 22.5% of the national economy over the period of 2014-2016 (JCI, 2007). This contribution increased to 30% in 2019 due to its close ties with various economic sectors and its role in increasing their activity (JCI, 2020). In addition, it contributed to employs approximately 245,000 workers, most of whom are Jordanians working in approximately 18,000 industrial establishments scattered in all governorates of the Kingdom constituting about 21% of the total Jordanian workforce. The Jordan's industrial sector is composed mainly of "Mining and Quarrying" and "manufacturing". The mining consists mainly of phosphate and potash mining and the industrial production of cement, fertilizers and refined petroleum. The manufacturing sector has a wide range of activities, and it was classified into 11 sub- sectors according to a decree issued by the Jordan Cabinet on August 13, 2005 and as follows:

- Leather and Garments Sector
- Therapeutics and Medical Sector
- Chemical and Cosmetics Sector
- Plastic and Rubber Sectors
- Engineering, Electrical Industries and Information Technology Sector
- Furniture and Wooden Sector
- Construction Sector
- Food, Supplies, Agricultural and Livestock Sector
- Packing, Packaging, Paper, Cartoon and Stationeries Sector
- Mining Sector
- Micro-enterprises

The industry also contributes to enhancing the Jordanian dinar exchange rate and its stability by supplying the Kingdom's official foreign exchange reserves with more than \$ 9 billion annually. As a result of its acquisition of more than 90% of the total national exports, this achieved growth of nearly 10% during 2019 and reached about 140 countries around the world. This confirms the quality and international standards enjoyed by the industrial products, in addition to the industry's acquisition of more than 70 % of the investment flowing into the Kingdom during the past decade, and therefore it is considered an attractive sector for investment (JCI, 2022).

Manufacturing is the second largest employer in Jordan's private sector. The share of employees in manufacturing sector stood at 11 percent in Q3-2021 and has increased from 9.6 percent in 2018. From all newly registered companies in Jordan in 2016-2020, around 26 percent were industrial companies. Four largest manufacturing sub-sectors by their value added are chemicals; food, beverages, and tobacco; textiles and clothing; and machinery and transport equipment. The industry in Jordan is facing several environmental challenges including but not limited to

- The available infrastructure to receive and adequately manage industrial hazardous waste
- The availability of industrial wastewater treatment plants, and whether the majority of industries have pre-treatment units to comply with the effluent standards
- The availability of means (suppliers, O&M, means of finance ... etc) for complying with air emission standards
- Management of hazards substances and risks to neighboring communities
- OHS systems and availability of expertise
- Overall management of industrial parks

There is an increasing urgency to innovate, expand, and diversify Jordan's exports. According to Product complexity index, which measures the knowledge intensity of a product by considering the knowledge intensity of its exporters, the highest complexity exports of Jordan are wire of stainless steel, glues and adhesives, ceramic, glass pigments, etc. However, the share of these higher-complexity exports is low in the Jordan's export structure. Overall, the largest contribution to export growth has been coming from moderate and low complexity products, particularly travel and tourism and apparel. Jordan's export dynamic in the past five years has been driven by services. Worryingly, exports in services, especially in tourism sector, have been experiencing a hard hit from the COVID-19 pandemic.

Jordan's manufacturing sector will be experiencing the effects of climate change in the coming decades. Compounding and interconnected shocks can have negative impacts on the coping capacity of productive sectors, including industry, and the larger economy. The climate hazards that Jordan faces are significant temperature increases, precipitation decreases, increased incidents of drought and increased evaporation. Yet, Jordan is heavily dependent on fossil-fuel imports, with limited natural resource, extremely scarce water supply (Jordan is among the most water poor countries in the world). Extreme heat and water scarcity are driving up energy demand, price and fiscal burden; and climate variability is damaging infrastructure and affecting services, all of which is interlinked with industrial sector value chains, especially when it comes to an already high water/energy insecurity. Jordan's fiscal situation demands that it finds private sector solutions to these challenges, and that it incentivizes these solutions as part of its development model, to build resilience and economic growth.

Jordan's manufacturing sector can be affected by climate change both through physical as well as transition risk channels. Climate variability in Jordan can affect manufacturing firms' physical infrastructure and/or force some firms to relocate their operations geographically. As indicated above, climate change is likely to exacerbate existing water/energy insecurity issues, which have already become a key constraint for doing business in Jordan's manufacturing sector. Transition effects, such as changing consumer preferences; increasing demand for green products; climate-responsive trade standards (e.g., the EU Carbon Border Adjustment Mechanism, CBAM), all can impact the volume and dynamics of Jordan's manufacturing exports.

The proposed project will support manufacturing firms in addressing the above challenges and in scaling up their efforts in climate change mitigation and adaptation, to transition to climate-smart and more resilient technology and processes that promote long-term sustainability and efficiency in the use of resources, particularly as regards efficiency of industrial processes, water and energy use efficiency, and waste minimization.

Matching grants provided through the Fund's industry upgrade and export development program will support firms in implementing climate-smart solutions; modernizing production processes; attaining green certification; and other actions that will increase their resilience and sustainability from the climate change perspective. Moreover, replacing traditional energy means with renewable energy, and increasing the efficiency of water and electricity use, and improving waste management, will be included as one of the criteria in the outcome-based incentives program. Industry is the third sector by the CO₂ emissions in Jordan. Two other sectors in Jordanian economy whose CO₂ emissions have been on the rise in the last three decades, were electricity and heat production, and transport. As such, implementing energy efficiency solutions through the support of this project to manufacturing firms, could also contribute to lower CO₂ emissions in Jordan's energy sector. Manufacturing is one of five priority systems/sectors in the World Bank Climate Change Action Plan 2021-2025.

5. Potential Environmental and Social Risks and Mitigation

5.1 Overview- World Bank Environmental and Social Standard and Project Risk

The Project will be implemented across the whole country. The project will support an estimated number of 700 manufacturing firms which have become more vulnerable with the associated high business costs and related COVID-19 shock. Although GDP has rebounded in Q2 – 2021 but the recovery has not boosted job creation. Unemployment reached 24.8 percent in Q2-2021, with youth and female unemployment at 48 (Q1-2021) and 33 (Q2-2021) percent, respectively.

The project targets the following types of SMEs: a) Export-ready manufacturing SMEs that aim to access new markets, scale up in existing ones, and/or innovate, diversify, and expand their production capacity; b) First-time exporters who need support in expanding their capacity, increasing product offering, accessing new markets c) Growing manufacturing firms who need to increase their export readiness, through improved products and performance to realize export market opportunities; d) Women-owned/managed manufacturing SMEs.

Most manufacturing SMEs and industrial plants are concentrated in 3 of the 12 governorates in Jordan, which are Amman, Zarqa and Erbid. Industries are typically located in urban areas away from any sites of possible environmental and social sensitivity, such as natural habitats or culturally valuable sites, therefore, there are no specific salient physical characteristics which

would be directly affected by the activities supported by the project. The environmental issues related to the operation of industries are normally connected to the existing waste handling infrastructure (sewerage systems and solid waste handling facilities and air pollution) serving the urban areas and how the final disposal of such waste is being performed.

The Project is expected to bring positive socio-economic impacts by targeting manufacturing firms affected by the high costs of doing business, pandemic and climate change. Specifically, the project will support the resilience and recovery of existing manufacturing firms by providing performance based matching grants for technology or production upgrades, and outcome-based incentives that might include promoting the increase number of women employees. The sectors that are likely to be supported will include chemical industries and textiles, fertilizers and metals. The project will not involve direct adverse social impacts related to land acquisition or major civil works, and land acquisition will be an exclusion criteria for beneficiary firm proposals for matching grants. The main social risk is related to ensuring equal access to project benefits for firms applying for matching grants or export guarantees that would need to be mitigated through high transparency in eligibility criteria, selection processes, adequate outreach and consultation mechanisms. In addition, there are social risks related to labor and working conditions, including terms of employment, health and safety, child and forced labor risks for workers in manufacturing and industrial settings, within beneficiary enterprises.

5.1.1 ESS 1 - Assessment and Management of Environmental and Social Risks and Impacts

MoITS will be the implementing agency for the project. A special Technical Secretariat at MoITS will perform the role of the PMU. The PMU will have the overall fiduciary responsibility for project implementation and ensure activities are executed in accordance with the Project Operational Manual (POM). PMU will have the overall responsibility for the monitoring and evaluation of project activities, as well as designing and implementing outreach activities, e.g., specifically targeting women. The project will include climate-sensitive elements and measures to benefit all vulnerable groups and enhance the gender balance. Implementation and operations of the Fund will follow ministerial instructions and Standard Operating Procedures (SoP), which will detail the Fund's scope, objectives, organizational structure, administrative and financial procedures

Since the information about the final beneficiaries and/ or SMEs types of this project are not available, and are not known at the time of preparing this ESMF, it is possible that additional risks, not specifically identified here, could apply at some SMEs, or appropriate mitigation measures at a particular SMEs might differ from the general measures proposed. Therefore, the project will conduct screening and risk assessment of the proposed SMEs (Annex IV). The risk is to have less coordinated project implementation, which may limit the exposure of SMEs in accessing the support provided by the project. The project team will ensure developing clear beneficiary selection criteria by the technical executive committee considering gender and most vulnerable community's needs.

Management of ESS risks in SMEs contracts will be achieved primarily through standardized contractual obligations for labor and working conditions standards; and sub-project

environmental and social management plans in a simple matrix format detailing measures to be implemented. Climate change is considered one of the biggest risks facing the world generally, and Jordan specifically and as a result, many organizations are increasing efforts to minimize activities that cause environmental damage. Therefore, efforts to minimize environmental damage is to adopt use of low carbon technologies and other clean-tech initiatives, which is supported by this project.

A stakeholder engagement plan was to identify the key stakeholders, ensure appropriate stakeholder engagement, proper awareness raising and timely information dissemination. Towards addressing the risks, following instruments were prepared: (i) ESMF (ii) Stakeholder Engagement Plan (SEP) and (iii) Labor Management Procedures (LMP).

In general, the extent of E&S impacts depends on the scale and complexity of the SME's activities, as well as geographic context. Therefore, mitigation measures are typically simple and cost effective, and help improve bottom line of the SME. The risks on SMEs might include various reasons including the loss of market share, disruption of SMEs due to changing social conditions or changing environmental conditions, barriers in accessing traditional commercial financing, etc. In addition, risk might occur due to regulatory issues such as license requirements, and occupational health and safety standards and the obligations and market reduction is another risk which will affect SMEs.

5.1.2 ESS 2 - Labor and Working Conditions

The Project shall be carried out in accordance with the applicable requirements of ESS2, in a manner acceptable to the Bank, including through, inter alia, implementing adequate occupational health and safety measures (including emergency preparedness and response measures), prohibiting child labor (for children under 18) while activities involve hazardous work environment, setting out grievance arrangements for Project workers, and incorporating labor requirements into the ESHS specifications of the procurement documents and contracts with contractors and supervising firms.

The Borrower shall implement the above measures in accordance with Labor Management Procedures (LMP) to be adopted for the Project, including bilateral agreement between the Fund and JLGC, and other beneficiaries' intermediaries involved in the implementation of Fund's program, in a manner acceptable to the Bank and consistent with ESS2.

The ESMF includes sections on Environment Health and Safety (EHS), including specific instruments that will need to be prepared either by the client or the contractor prior to commencement of works (ESH checklists, codes of conduct; safety training etc.). The project is envisioned to entail only small scale civil works, e.g., for upgrading of manufacturing firms' production lines through grants provided by the Fund. All civil works contracts, as expansion of or renovation of production lines may need some civil works and supervising firms, will include industry standard Codes of Conduct that include measures to prevent Gender Based Violence/ Sexual Exploitation and Abuse (GBV/ SEA). GBV assessment too has been done. A locally-based Grievance Mechanism (GM), specifically for direct and contracted workers, will be provided.

Several risks are expected such as:

1. Health and safety risks to SMEs workers especially those living in remote areas
2. Unfair treatment of contracted SMEs workers
3. Workers' rights to organize and access to grievance mechanisms not respected
4. Child labor, most likely in workforce
5. Risks of emergency events

The project will employ the following definitions of child labor and hazardous work as per ESS2, and ensure that these requirements are cascaded through subsidiary agreements with JEDCO, JE and JLGC.

- A child under the minimum age shall not be employed. The minimum age of employment is 16 as per the Jordanian National law
- A child over the minimum age, and under the age of 18, may be employed or engaged only under the following specific conditions: (1) the work is not hazardous, or interfere with the child's education or be harmful to the child's health or physical, mental, spiritual, moral or social development 2) an appropriate risk assessment has been conducted 3) regular monitoring is undertaken of health and working conditions
- Work considered hazardous for children is work that is likely to jeopardize the health, safety or morals of children. Examples include exposure to physical, psychological, or sexual abuse; with dangerous machinery, equipment or tools; in unhealthy environments exposing children to hazardous substances, or temperatures; under difficult conditions such as work for long hours, during the night or in confinement on the premises of the employer.

5.1.3 ESS 3 - Resource and Efficiency, Pollution Prevention and Management

Generally, manufacturing SMEs may impact several environmental and social categories to different extents, during design, operation and dismantling of the projects. The following are some of these categories

- Waste (solid, liquid and hazardous materials)
- Air emissions (Smells/irritants)
- Noise levels
- Water and energy consumption
- Fire risk
- Health and safety
- Labor and working conditions
- Labor representation
- Relations with local communities
- Employment and employment capita
- Job creation
- Direct and in-direct economic costs and benefits

The operation of the manufacturing facilities will be associated with consumption of energy, water and raw materials, and will generate some wastes, including hazardous waste, related to

the correspondent activities. The project interventions include improving process efficiency that would include water and energy savings and climate smart interventions. For example, matching grants will support the implementation of efficiency systems, climate-smart solutions, which can help reduce the burden linked to energy/water/waste management and costs. This project will support manufacturing firms in addressing the climate change challenges and in scaling up their efforts in climate change mitigation and adaptation, to transition to climate-smart and more resilient technology and processes that promote long-term sustainability and efficiency in the use of resources, particularly as regards efficiency of industrial processes, water and energy use efficiency, and waste minimization.

5.1.4 ESS 4 - Community Health and Safety

This project should avoid any adverse impacts on the communities' health and safety, and to promote quality and safety considerations related to climate change in the design phase. MOITS/Fund and intermediaries involved in program implementation shall establish and implement appropriate quality management systems to anticipate and minimize risks and impacts that such services may have on community health and safety. There will be risks of exposure to COVID-19 while providing capacity-building support, participations of SMEs in trade fairs technical advisory services activities. The counterparts will follow the precautions and measures in accordance with national health regulations and World Health Organization (WHO) recommendations. The project will provide adequate facilities and PPEs to the project workers and beneficiaries as appropriate, and may consider opportunities to promote universal access within SME establishments, where technically and financially feasible.

As the project supports SME engaged in industrial and manufacturing sectors to improve technology or processes, this may entail procurement, transport and storage of raw materials, including possible hazardous substances, which, if leaked, could cause risk of exposure to the public. Therefore, SMEs receiving grants that include transportation of goods should prepare a traffic management plan as part of the site-specific instrument per the screening process in Annex IV. Traffic management plans for transporting hazardous substances should include the specifications of the vehicle to prevent any release of the substance, and emergency plan to contain the leakage if happened.

Also, as some project activities will take place in a multitude of training, job settings, and facilities where vulnerable youth and women owned businesses may be exposed to sexual harassment SEA/SH risks, appropriate mitigation measures include a code of conduct applicable to project workers and beneficiary establishments.

5.1.5 ESS9 - Financial Intermediaries (FI)

The project will ensure the preparation, adoption and maintaining the Environmental and Social Management System (ESMS) in line with ESS9 for JLGC. The ESMS should include (A) An Environmental and Social Policy; (B) Environmental and Social Procedures reflecting and implementing the E&S Policy with respect to the principles: a. Screening all subprojects under

the Project against any exclusions in the legal agreement; b. Screen, review, and categorize the subprojects under the Project according to their potential environmental and social risks and impacts. c. Requiring that all subprojects under the Project are assessed, prepared, and implemented to meet national law and the relevant requirements of the ESSs are applied. (C) Maintain organizational Capacity and Competency as defined in the ESMS based on an evaluation of the staffing needs according to the nature of portfolio and the expected workload, and acceptable to the Bank. (D) Monitoring and Reporting - environmental and social performance of the subprojects under the Project in a manner proportionate to the risks and impacts of the subprojects, and provide regular progress reports to the senior management.

Comply with any exclusions in the subsidiary legal agreement and apply relevant national law for all FI-subprojects. In addition, to provide and maintain appropriate labor management procedures, consistent with the Project's LMP and ESS2. Finally, to develop a procedures for external communications on environmental and social matters proportionate to the risks and impacts of JLGC's portfolio of investments supported under the project.

5.1.6 ESS 10 - Stakeholder Engagement and Information Disclosure

As part of the lessons learned from other projects in supporting development funds, there is a need for a strong and systematic stakeholder engagement process. The Project includes a standalone stakeholder engagement plan (SEP) that is based on meaningful consultation and disclosure of appropriate information, considering the specific challenges associated with manufacturing SMEs. Specifically, the SEP includes strategies that will be adopted during the entire project cycle to disclose information relating to the project to different groups of stakeholders, receive feedback from them (for example, one of the project's results indicators is linked to conducting regular surveys of beneficiary firms), while also attending to the particular challenges with engaging marginalized and vulnerable social groups such as foreign workers, persons with disabilities, people in remote or inaccessible areas, etc. Further, as laid out in the SEP, people affected by or otherwise involved in project-supported activities, including different types of health care workers, will be provided with accessible and inclusive means to raise concerns or lodge complaints, via the Grievance Mechanism (GM).

5.2 Project Environmental and Social Risks and Mitigations

Table 2: the project Environmental and Social Risks and Mitigations

SN	Potential Risks	Proposed Mitigation Measures	Responsibilities	Timeline
ESS 1 - Assessment and Management of Environmental and Social Risks and Impacts				
1 Planning, Design, Operation and Decommissioning Stages				
1.1	Specific environmental and social risks not identified during design and planning including those related to waste management, handling of hazardous substances, air emissions, noise, health and safety, working conditions, COVID infections, and GBV/SEA. (Please see Chapter 5 for more details)	All SMEs applications are screened at an early stage and a risk assessment conducted according to the process in Annex IV. Based on the findings, an Environmental and Social Management Plan (ESMP) or an Environmental and Social Audit (ESA) will be prepared, used as a guide during site studies, and updated as appropriate. The instruments should provide mitigation measures to different risks including management plans for hazardous and non-hazardous wastes, control of air emissions and noise, health and safety plans adapted to the site conditions, prevention of COVID transmission, codes of conduct or other measures to address GBV/SEA risks.	PMU-MOITS such as JLGCO, JEDCO, JE implementing partners	During design and preparation of subprojects
1.2	Adverse impacts on vulnerable and marginalized groups	Site specific instruments (ESMP or ESA) will identify vulnerable and marginalized groups who will be consulted to identify potential adverse impacts. Appropriate mitigation measures will be included in the ESMP	PMU-MOITS implementing partners	During design preparation and operation of subprojects
1.3	Non-compliance with ESS requirements by contractors	A standard Environment, Social, Health and Safety Specification will be developed and integrated in contracts based on site specific instruments (ESMP or ESA). Project will develop awareness raising and training to ensure contractors, especially local contractors, are able to comply	PMU-MOITS implementing partners	During design preparation and operation of subprojects
1.4	Climate change impacts reduce viability or sustainability of project outputs	Climate change trends to be considered in selecting interventions and in site-specific instruments	PMU-MOITS implementing partners	During design preparation and operation of subprojects

1.5	Procurement of goods and supplies that is not environmental friendly	<ul style="list-style-type: none"> Procure goods and services following the any restrictions or preferences mentioned in the site-specific instruments 	PMU-MOITS implementing partners	During design preparation and operation of subprojects
1.6	Impact on residential population	<ul style="list-style-type: none"> This will depend on the SMEs type, however, the location of this SME should follow national laws and regulations (i.e. distance from residential areas) 	PMU-MOITS implementing partners	During operation phase
1.7	Disruption of social/ community cohesion and exclusion of vulnerable groups	<p>Maximization of local employment Ensure that appropriate consultation is completed during design process</p> <ul style="list-style-type: none"> Partnering with and supporting host governments 	PMU-MOITS implementing partners	During operation phase
ESS 2 - Labor and Working Conditions				
2 Planning, Design, Operation and Decommissioning Stages				
2.1	Health and safety risks to SMEs workers especially those living in remote areas	Types of worker in the SMEs covered by ESS2 identified in site specific instruments (ESMP and ESAs)	PMU-MOITS implementing partners	Design and Operation
2.2	Unfair treatment of contracted SMEs holders	<ul style="list-style-type: none"> Contractors and suppliers to be obliged to comply with labor laws and ESS2 requirements for employment conditions Develop clear criteria which take into considerations vulnerable groups and gender perspectives 	PMU-MOITS implementing partners	Design and Operation
2.3	Workers' rights to organize and access to grievance mechanisms not respected	Labor Management Plan Procedure to be adopted	PMU-MOITS implementing partners	Design and Operation
2.4	Child labor, most likely in workforce	facilities/processes of high OHS risk should prepare emergency plan		
2.5	Risks of emergency events			
2.6	Excessive or inappropriate use of child labor in SMEs projects	Training and awareness raising of supervisory staff of SMEs	PMU-MOITS implementing partners	Design and Operation
2.7	Occupational Health Impacts	Identify occupational health and safety measures and implement them Provide workers with protective the needed safety equipment's	PMU-MOITS implementing partners	During operation phase

		Provide first aid box for emergency health care Appropriate training should be given and promoted among beneficiaries		
ESS 3 - Resource and Efficiency, Pollution Prevention and Management				
3 Planning, Design, Operation and Decommissioning Stages				
3.1	Handling, storage and use of waste materials including hazardous materials - (i.e. chemicals, fuels, oils, paints and varnishes)	<ul style="list-style-type: none"> • Implementation of appropriate procedures and protocols for storage, handling and use of waste including hazardous substances • Waste Minimization at source, reuse or recycle • Training and instruction shall be given to increase awareness and draw attention to waste management issues and the need to minimize waste generation • Reputable waste haulers shall be used to collect and transport the wastes to the appropriate disposal points • Wastes shall be handled and stored in a manner, which ensures that they are held securely without loss or leakage thereby minimizing the potential for pollution • Waste storage areas shall be well maintained and cleaned regularly • Implementation of appropriate waste identification, segregation and disposal protocols and procedures • Promote the use of grey-water to recycle water and use it in gardening purposes 	PMU-MOITS implementing partners	During operation phase
3.4	Supply chain sustainability due to inadequate transparency, difficulty of control and lack of trust	<ul style="list-style-type: none"> • Encourage revenue transparency and good governance • Compliance with national regulations • Maximization of local employment 	JLGC, other implementation intermediaries	During operation phase
3.6	Water and energy consumption	Adopt water-harvesting, grey-water, monitor water	PMU-MOITS	During operation

		leakage and water conservation techniques Adopt Renewable Energy and Energy Efficiency techniques	implementing partners	phase
3.7	Limited participation of females in project implementation and/ or accessing funds	Gender is mainstreamed throughout the project design, and integrated into the selection criteria	PMU-MOITS implementing partners	During operation phase
3.8	Environmental and social risks associated with SMEs dismantling old equipment to be replaced	Develop an assessment of the E&S risks of dismantling SMEs equipment and propose appropriate mitigation measures Waste minimization, re-use and recycling – appropriate waste disposal techniques Management of community tensions, grievances and concerns through transparent formal grievance mechanism Employee skills training in community relations management and cultural awareness	PMU-MOITS implementing partners	During operation and decommissioning phase
3.9	Risks of new equipment causing air emissions or noise/vibrations affecting surrounding environment	Regular maintenance for equipment's and use advance technologies to ensure no noise/ vibration or air emissions will be released.	PMU-MOITS implementing partners	During operation and decommissioning phase
3.10	Risk of discharging wastewater to the environment (in case some of industries are not connected to sewerage system)	<ul style="list-style-type: none"> Implement a monitoring program on a regular base to ensure no discharge of wastewater to the environment Implementation of appropriate waste identification, segregation and disposal protocols and procedures 	PMU-MOITS implementing partners	During operation and decommissioning phase
3.11	Risks of contaminating lands caused by improper containment of hazardous substances	<ul style="list-style-type: none"> Reputable waste haulers shall be used to collect and transport the wastes to the appropriate disposal points Wastes shall be handled and stored in a manner, which ensures that they are held securely without loss or leakage thereby minimizing the potential for pollution Waste storage areas shall be well maintained and cleaned regularly 	PMU-MOITS implementing partners	During operation and decommissioning phase
ESS 4 - Community Health and Safety				

4 Planning, Design, Operation and Decommissioning Stages				
4.1	Exposure of project beneficiaries to climate risk (floods and droughts)	Identify risk from climate disaster or impacts, emergency preparedness and response management plans	PMU-MOITS implementing partners	During operation
4.2	Health impacts of contaminated water supplies for SMEs producing bottled water	All water sources tested for Arsenic and for chemical pollutants. Repeat testing for biological contamination and disinfection where needed	PMU-MOITS implementing partners	During operation
4.3	Injuries from road traffic accidents	<ul style="list-style-type: none"> develop a traffic plan for those SMEs that use intensive transfer of products or raw materials Road safety campaigns 	PMU-MOITS implementing partners	During operation
4.5	Reduced access to support for victims of GBV	Support Women and Children's committees to campaign on GBV Raise awareness of local authorities	PMU-MOITS implementing partners	During operation
ESS 9 – Financial Intermediaries				
5.1	SMEs benefiting from export guarantees program have environmental and social issues	<ul style="list-style-type: none"> Develop an environmental and social policy to be used by the FIs to ensure that the benefiting SMEs are following sound E&S procedures as required by the ESF An ESMS prepared to ensure that beneficiary SMEs are screened according to relevant ESF requirements 	JLGC Supervision by PMU-MOITS	Before disbursement of guarantee premiums
ESS 10 - Stakeholder Engagement and Information Disclosure				
6 Planning, Design, Operation and Decommissioning Stages				
6.1	Unfair engagement and grievance access	<ul style="list-style-type: none"> Stakeholder engagement plan Grievance Redress Mechanism 	JLGC, other implementation intermediaries Supervised by PMU-MOITS	During operation

6. Procedure to Address Environmental and Social Issues

The Implementing Agency (MOITS) is responsible for the overall implementation of the project, and a Project Management Unit will be established with day-to-day responsibility for project management and support, including ensuring that project implementation is compliant with the World Bank's ESF, GoJ laws and regulations, and this ESMF. MOITS will sign agreements with JLGC, other implementation partners (JEDCO and JE) to implement relevant subcomponents. MOITS will hire one full time environmental and social specialist whom will be responsible for the overall environmental and social management of the project, and to oversee the Environment and Social risks at JLGC Intermediaries implementing matching grant programs, adherence to E&S instruments, monitoring and reporting. Implementing partners (JEDCO, JE and JLGC) each will assign an environmental and social focal point who will be responsible for the environmental and social correspondent to their organizations. JLGC will prepare, adopt, and maintain and implement an Environmental and Social Management System (ESMS). The ESMS should include (A) An Environmental and Social Policy; (B) Environmental and Social Procedures reflecting and implementing the E&S Policy with respect to the principles: i. Screening all subprojects under the Project against any exclusions in the legal agreement; ii. Screen, review, and categorize the subprojects under the Project according to their potential environmental and social risks and impacts. iii. Requiring that all subprojects under the Project are assessed, prepared, and implemented to meet national law and the relevant requirements of the ESSs are applied. (C) Maintain organizational Capacity and Competency as defined in the ESMS based on an evaluation of the staffing needs according to the nature of portfolio and the expected workload, and acceptable to the Bank. (D) Monitoring and Reporting - environmental and social performance of the subprojects under the Project in a manner proportionate to the risks and impacts of the subprojects, and provide regular progress reports to the senior management.

Implementation of this ESMF will include the following activities, to be undertaken by the MOITS working closely with the other implementing partners:

1) Screening

- MOITS oversee the Environment and Social risks at JLGC Intermediaries implementing matching grant programs, adherence to E&S instruments, monitoring and reporting. In addition, MOITS responsible staff members will file copies of screening forms after revision. MOITS in return will send periodic report to the Bank including copies of each screening undertaken.
- The implementing partners represented by JEDCO and JE will be responsible for issuing the grants, thus, they will have to undertake a screening for all projects activities using the form provides in Annex IV in order to exclude certain high risk activities, identify potential ES issues, and classify the ES risks.
- MOITS in coordination with other implementation partners will prepare the necessary ES instruments for each of the activities financed under the project to be implemented by the project beneficiaries. This will be part of the grant agreement which will be signed with the beneficiaries

2) Consultation and Disclosure

- The environmental and social assessment process will be available to the public, thus all the involved parties and beneficiary will be consulted on project safeguards instruments at least once during the process as per ESS1. The Public Consultation is required to take place for the documents related to the overall project including this ESMF and others.
- For the ESMF, the Public Consultation will be organized during March 2022 by the MOITS with the relevant stakeholders and beneficiaries in the Project's area. All participants in the consultation of this document will be invited and presented with the main accompanying

documents related to the Project such as a summary of the purpose and objectives of the Project and Project Components.

- The objectives of the public consultations will be-i) to inform the public and stakeholders about the objectives and project developments and the expected of environmental and social effects; ii) to collect information and data from the public and/or the communities that will be affected by the project; and iii) to ensure participation of the local communities and vulnerable groups in process and support for the project.
- MOITS's team will prepare the Minutes of the Consultation Meeting and will be added as an integral part of this ESMF. The Minutes will include a summary of the main discussions points of the meeting, and how the team will address and reflect the consultations' findings in the project's documents.
- As all E&S instruments, the ESMF will be finalized and disclosed on the MOITS website.

3) Review and Approval

- The individual instruments will be prepared by MOITS in coordination with the beneficiary. It will be reviewed and cleared by PMU team before they are implemented. Updates instruments will also be sent to WB for review, guidance, and comments. The WB team will provide guidance on what those instruments need to cover

4) Implementation

- Eligible beneficiary firms will be responsible for implementation of the instruments developed. Their obligations will be defined in the grant agreements. JLGC, and other implementation partners will be responsible for monitoring implementation of the instruments, under overall management from MOITS.

5) Monitoring and Reporting

- Monitoring and evaluation (M&E) activities will be the responsibility of MOITS, which will ensure that project activity results are reported accurately and in a timely manner.
- The WBG will conduct regular implementation support missions (including virtual missions while travel restriction remain in place). This is to: (a) review implementation progress, challenges, achievement and intermediate indicators; (b) provide support for any implementation issues that may arise; and (c) discuss relevant risks and mitigation measures.

7. Public Consultation and Disclosure

A public consultation workshop was conducted with relevant stakeholders from the Jordan Chamber of Industry, Jordan River Foundation, Awraq for environmental development non for profit organization, Jordan Export and JLGC. This meeting aimed to:

1. Disseminate information about the project scope, aims and components
2. Discuss potential impacts and risks based on the World Bank Environmental and Social Standards (ESS)
3. Gather feedback, suggestions and recommendations on the following E&S safeguard documents:

This meeting started by welcoming the participants and a quick round of introduction. The project components and activities were presented which followed by detailed descriptions of the safeguards instruments including:

1. Environmental and Social Management Framework (ESMF)
2. Labor Management Procedures (LMP)
3. Stakeholder Engagement Plan (SEP)
4. Environmental and Social Management System (ESMS)
5. Environmental and Social Commitment Plan (ESCP)

The discussion was very rich and main points raised are related to the regulations and the necessity to open a stakeholder consultation for. In addition, several questions were highlighted on the role of the private sector in the design phase of this project which was answered by stating that the design was done in partnership with the private sector. Details of the consultation workshop is available in Annex V.

8. Stakeholder Engagement

A Separate Stakeholder Engagement Plan SEP has been prepared, that outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about project and any activities related to the project. The speed and urgency with which this project has been developed to meet the growing economic challenges in Jordan. Project will continue to coordinate with stakeholders to lay out in the SEP to receive additional feedback and use it to refine the approach, procedure and implementation arrangements of the project components. The SEP is still an internal document to the Bank and MOITS, and is not yet disclosed publicly. In addition, once consultation is initiated, all comments will be considered/incorporated and draft version will be finalized and uploaded on the ministry website.

9. Grievance Redress Mechanism

The main objective of a Grievance Mechanism (GM) is to assist to resolve complaints and grievances in a timely, effective and efficient manner that satisfies all parties involved. Specifically, it provides a transparent and credible process for fair, effective and lasting outcomes. It also builds trust and cooperation as an integral component of broader community consultation that facilitates corrective actions. Specifically, the GM:

1. Provides affected people with avenues for making a complaint or resolving any dispute that may arise during the course of the implementation of projects;
2. Ensures that appropriate and mutually acceptable redress actions are identified and implemented to the satisfaction of complainants; and
3. Avoids the need to resort to judicial proceedings.

The project will use MOITS's established GM process for handling complaints, queries and concerns using established Standard Operating Procedures (SOPs). The other agencies involved

in implementation (JLGC and intermediaries implementing matching grant programs) have their respective GMs including uptake channels (e.g. complaints' box, email). They also have their own procedures to handle and process complaints from their stakeholders. Grievances will be handled at the PMU level by the Social Specialist/ GM focal point. This officer will be in charge of reviewing all complaints received through the different agreed (stated below) uptake channels and capturing/tagging those related to the project. He/ She will then document them (manually and electronically) in a "complaints' log" the Director of the PMU will also be involved in handling the received project-related complaints and will be consulted for deciding on the resolution. Complainants will be notified of the resolution to their complaints in a reasonable and timely manner.

The GM for workers who will be hired and working under the project will be developed and be in place by project's Effective Date as per the ESCP. The project's officers who will be assigned to JLGC and intermediaries implementing matching grant programs will also coordinate with the GM Focal Point at the PMU to report received complaints against the project and how addressed, and to escalate where appropriate (escalation criteria to be defined in the Project Operations Manual). More details on the GRM is available in the SEP.

10. Project Implementation Arrangements, Responsibilities and Capacity Building

The MOITS will be the implementing agency for the project. The PMU will be represented by the Fund Management Unit at MOITS, where it will have the overall fiduciary responsibility for project implementation and ensure activities are executed in accordance with the Project Operational Manual (POM). PMU will have the overall responsibility for the monitoring and evaluation of project activities, as well as designing and implementing outreach activities, e.g., specifically targeting women. The project will include climate-sensitive elements and measures to benefit all vulnerable groups and enhance the gender balance.

The Fund will have a separate Steering Committee consisting of public/private sector representatives, to ensure strong management, robust governance, and sustainable operations of the Fund. A Fund Management Unit will be designated at the MOITS to follow up on and monitor implementation of the programs of the Fund. This unit will submit periodic progress reports to the Steering Committee and will provide technical and administrative assistance to the Steering Committee to carry out its tasks and any other matters assigned to it by the Steering Committee. The Committee will define the strategy of the Fund, decide on its main programs and budget allocations. The criteria for beneficiaries under each program will be reflected in SOP or Operational Manuals for each program. These criteria will be publicly available and will be used in the selection process conducted by implementing partners and a qualified committee. The Fund will be subject to the oversight of the Audit Bureau or other independent audit company.

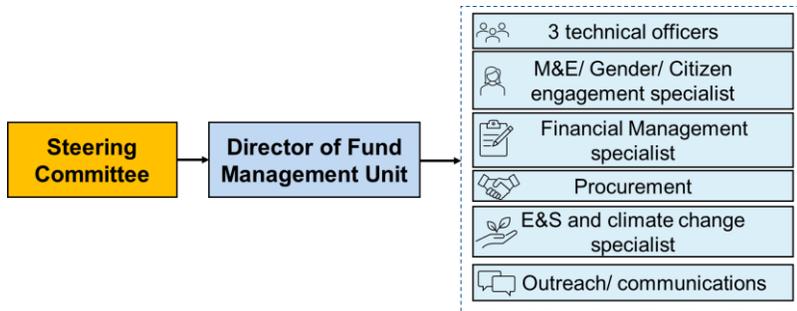


Figure 3. Fund’s organizational structure.

Fund’s Steering Committee will sign subsidiary agreements with partners that will implement Fund’s programs:

- 1) JLGC will continue providing export credit guarantees under the existing guarantee program and will apply its standard risk management procedures in assessing and selecting firms. The agreement between the Fund and JLGC will entail key eligibility criteria for beneficiary firms that can receive Fund’s support for the export credit guarantee premium (focus on SMEs, etc.).
- 2) For Industry upgrading and Export development programs, the role of implementing partners will include: collect applications; conduct a pre-assessment and screening of applicant firms to confirm their eligibility; assess and select companies (with a final approval of selected firms provided by a qualified committee at MOITS/Fund); enable technical support and coaching services; ensure procurement is carried out by beneficiary firms in accordance with the procedures outlined in the POM; disburse grants based on the signed agreements with beneficiary firms and on the evidence of eligible expenditures and/or achieved milestones; and report back on results for the Fund.

The Fund will transfer a 10 percent advance of the allocated funds upon signing subsidiary agreements with each implementing partner. Further transfers will be made in tranches linked to the signed agreements between each partner and beneficiary firms. Project diagram reflecting key implementation arrangements is provided in Figure 9.

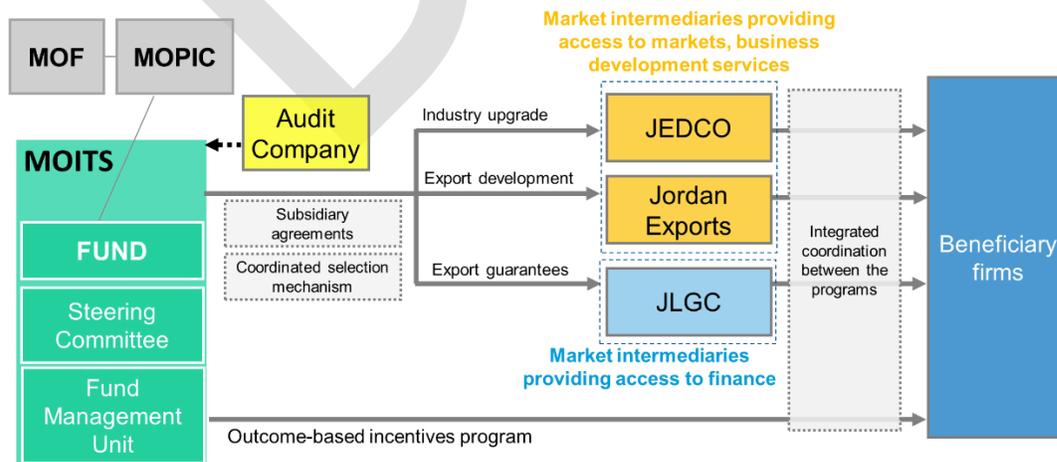


Figure 4. Project implementation arrangements’ diagram.

B. Results Monitoring and Evaluation Arrangements

82. The PMU will have a dedicated M&E specialist.

11 ESMF Implementation Budget

ESMF implementation costs will be incurred by PMU and implementing partners while preparing E&S instruments and implementing their recommendations will be incurred by beneficiary SMEs. Table 3 illustrates this cost

Table 3: ESMF implementation cost

ESMF Implementation Costs	USD
Training and workshops	
<ul style="list-style-type: none"> • Training on E&S good practice during the lifetime of the project • Training on SMEs • Workshops for project staff and raising awareness campaigns 	50,000
Information and Communication	
Production and dissemination of communication materials targeting the vulnerable groups	10,000
Supervision, monitoring, and reporting	
1. Travel to for training and conducting monitoring and reporting	10,000
2. Monitoring including preparation of monitoring report for application of the ESMF	
TOTAL	70,000

12. ESMF Disclosure

13.. List of Annexes

1. Abbreviations and Acronyms
2. Template TORs for Third Party Monitoring
3. Annex III: Work Exclusion List (2007)
4. Annex IV: Environment and Social Screening Process
5. Annex V: Stakeholders consultation report

Annex I: Abbreviations and Acronyms

BP	Bank Procedures
AFESD	Arab Fund for Economic and Social Development
B2B	Business-to-Business
COVID-19	Coronavirus disease 2019
CERC	Contingent Emergency Response Component
CPF	Country Partnership Framework
CRM	Customer Relationship Management
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
EFF	Extended Funding Facility
E&S	Environmental and Social
ESIA	Environmental and Social Impact Assessment
ESHS	Environmental, Social, Health and Safety
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESCP	Environmental and Social Commitment Plan
ERP	Economic Recovery Plan
GDP	Gross Domestic Product
HBB	Home-Based Businesses
GEF	The Global Environment Facility
ICT	Information and Communications Technology
IDA	International Development Association
IFC	International Finance Corporation
IBRD	International Bank for Reconstruction and Development
ILO	International Labor Organization
ISSF	Innovative SMEs and Startup Fund
JE	Jordan Exports
JEDCO	Jordan Enterprise Development Corporation
JLGC	Jordan Loan Guarantee Corporation
KPIs	Key Performance Indicators
KYC	Know Your Customer
MENA	Middle East and North Africa
MFI	Microfinance Institutions
M&E	Monitoring and evaluation
MOE	Ministry of Environment
MOIT	Ministry of Industry and Trade
MODEE	Ministry of Digital Economy and Entrepreneurship
MSMEs	Micro Small and Medium Enterprises
NBFIs	Non-Bank Financial Institutions
PMU	Project Management Unit
PDO	Project Development Objective
SMEs	Small and Medium Enterprises
TA	Technical Assistant

WBG	World Bank Group
TOR	Term of References
WB	World Bank
ESMP	Environmental and Social Management Plan

Draft

Annex II: Template TORs For Third Party Monitoring

Objectives:

An introductory section should briefly present the Project, the monitoring goals and objectives and how it fits in the overall scheme of project implementation. B. Tasks divided in major project phase, or location or type of activity This section should provide a general outline of the monitoring program and attach the detailed ESCP/ESMPs, as well as Stakeholder Engagement Plan, or other relevant documents. The Borrower should highlight any specific incidents/accidents/events/changes in project or project schedule that need to be taken into account. A link should be provided to the environmental and social documents, where available on a website, so that the prospective monitor can understand the complexity of the assignment.

Planning of monitoring visit: provide proposed parameters (schedule, meetings proposed, locations, any complex travel logistics, and so forth). List of initial documents to be reviewed and data to be made available

Schedule: For single monitoring trips, preferred timing window and duration of visit. For longer monitoring assignments with multiple trips: preferred timing window for first visit, estimate of frequency of visits during each phase (for example, quarterly visits during construction, annual visits during operation, and higher frequency during sensitive phases...), expected duration of each visit. Expectation of initial and close out meetings for Borrower/Project Implementation Unit, as appropriate.

Scope of discussions with stakeholders: provide some context, locations of communities to be visited (if large-scale project, suggested numbers and locations to be confirmed by selected monitor), and background on key issues and impacts that might be raised (which can influence which specialist is most appropriate to undertake the assignment)

Methodologies to be used, or request expert/monitoring firm to propose methodology

Any technology requirements, and any specifications for format and content of output needed in monitoring report, so that the Borrower can access and analyze the information for its own use and/or reporting

Reporting/Outputs Clarify the focus/purpose of the reports, how findings should be presented/rated, and how conclusions and recommendations should be presented. Propose changes to ESCP, where appropriate; updates to the Stakeholder Engagement Plan, and so forth. Reports should be sent to the Borrower and the Bank at the same time for feedback on any factual inaccuracy. This allows the Bank to see initial and independent recommendations. To ensure independence and credibility, evidence-based conclusions and recommendations of the third-party-monitor should be maintained unless there are factual inaccuracies on which the conclusions and recommendations are based.

The Borrower should provide the Bank with their comments to the monitor regarding the report. In controversial or complex projects, the draft report may be shared publicly for maximum transparency and to build trust. Clarify expected language of reporting and intended audience.

Qualifications: The TORs should list the following:

- Expertise needed: minimum or range of number of experts, and specialty areas needed to be covered depending on issues in the scope agreed. These may include: project management and specialists on environmental or social issues, indigenous peoples, public health, biodiversity, resettlement, health and safety, labor, communications and stakeholder engagement, and capacity building.
- Expected level of expertise, such as types of degree or certification (for example, environmental, social, engineering), and acceptable combination of level of education and years of experience
- Experience with/knowledge of international and World Bank standards, the local context, the project sector, applicable regulations
- Language skills needed, and confirmation that the contractor will provide support for setting up logistics locally, such as meetings, clarity on which party will provide translation, and so forth.

Require CVs of all key personnel and organization's experience and credentials. These are needed to demonstrate to the World Bank that the experts/specialists are appropriate for the required scope of work.

Once a monitor is accepted, personnel should not be substituted without permission and should have equivalent expertise.

Eligibility/independence requirements For example (a) absence of existing contracts with Borrower contractors on the project, and (b) no participation in earlier phases of the project or in the design of environmental or social programs associated with the project. The more complex and controversial the project, the higher the eligibility and independence needed.

Duration of contract and minimum commitment Expected minimum and/or maximum duration of contract, as applicable and any minimal commitment expected from the third-party monitoring provider.

Excluded costs Logistical support, travel and accommodation that will be provided by Borrower that should not be included in the cost estimate. H. Conflicts of Interest disclosure any past or current arrangements that would prevent the third-party from providing advice independent of the Borrower and the project

Confidentiality and proprietary information Any specific arrangements for reports and other outputs to be confidential or proprietary to the Borrower J. Format of proposal The TORs should indicate how the cost estimate should be made for undertaking the monitoring assignment: by task, sub-tasks, expected number of people, and daily rate and/or lump sum. If tasks in the TORs are not fully defined, clarify how the budget should approach these tasks.

Annex III: Word Bank (WB) Exclusion List (2007)

World Bank does not finance the following projects:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions¹⁷.
- Production or trade in alcoholic beverages (excluding beer and wine).¹
- Production or trade in tobacco.¹
- Gambling, casinos and equivalent enterprises.¹
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

All financial intermediaries (FIs), as well as implementing partners JE and JEDCO, except those engaged in activities specified below*, must apply the following exclusions, in addition to IFC's Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor¹⁸/harmful child labor.¹⁹
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

* **Trade finance projects**, given the nature of the transactions, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³

¹⁷ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

¹⁸ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

¹⁹ Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

Annex IV: Environment and Social Screening Process

Initial screening: Each sub project/activity will be carried out against the negative list (list of excluded activities) given below. A sub project or activity that is associated with one or more of the given non-eligible activities in Table, will not be considered for financing under the project.

Table 1: List of non-eligible activities under the project

Ref.	List of Non-Eligible Activities
a.	Any activity that is classified of a high risk according to the below table
b.	Any activity that converts or leads to conversion of critical habitats, legally protected and internationally recognized areas of high biodiversity and value
c.	Any activity involving pesticides that are banned by the Government of Jordan and are on the list of banned pesticides of the WHO (Class 1A & 1B and Class 2)
d.	Any activity that violates the provisions of applicable country laws and of International Treaties and Conventions where Jordan is a signatory
e.	Involuntary land taking irrespective of ownership leading to loss of shelter, livelihood or sources of livelihood; loss of access to private and / or community property
f.	Any activity that promotes forced labour
g.	Any activity that would cause degradation of cultural heritage sites and/or relocating such sites from their original locations
h.	Any activities that involve production of hazardous substances or substances that are harmful to the health (e.g. tobacco products, ... etc.)
i.	Any activity mentioned in Annex III of this report: World Bank Exclusion List (2007)

Sub-project Preparation

After it is confirmed that a sub-project or activity is not in the non-permissible list of the project, the sub project will be further subject to an environmental and social and screening checklist. Each subproject will be scrutinized as to its type, location, scale, sensitivity, magnitude and risk classification based on its potential environmental and social risk and impacts. Sub-project or activity would be categorized against The World Bank ESF's risk classification i.e. Low risk, Moderate risk, Substantial risk and High risk given in Table 6.2.

- Any sub-project or activity rated as **Low risk** will require no further assessment or due diligence except basic monitoring and supervision on an agreed format.
- Any sub-project or activity rated as **Moderate risk** will prepare an Environmental and Social Management Plan (ESMP) in case of introducing a new production line, with civil works and installation of machinery, an Environmental and Social Audit (ESA) in case of replacing machinery or raw materials without any civil works. Both ESMPs and ESAs will follow, implement, supervise and monitor all mitigation measures, management plans, Good Industrial Practices (GIPs) and Standard

Operating Procedures (SOPs) as agreed in this ESMF and the Environment Social Commitment Plan (ESCP).

- Any sub-project or activity rated as **Substantial risk** will be subjected to a standalone environmental and social impact assessment (ESIA) including an ESMP in case of introducing a new production line, with civil works and installation of machinery, an Environmental and Social Audit (ESA) in case of replacing machinery or raw materials without any civil works..
- Any sub-project or activity rated as **High Risk** will not be financed under the project.

Table 2. Risk classification under The World Bank's Environmental and Social Framework

Risk	Description
High	The impacts will be considered high if impacts are (i) long term, permanent and/or irreversible (e.g. loss of major natural habitat or conversion of wetland), and impossible to avoid entirely due to the nature of the project; (ii) high in magnitude and/or in spatial extent (the geographical area or size of the population likely to be affected is large to very large); (iii) cumulative and/or transboundary in nature; (iv) a high probability of serious adverse effects to human health and/or the environment (e.g. due to accidents, toxic waste disposal, etc.); and some of the impacts can't be mitigated by now, or with special situations such as requiring complex and / or unproven mitigation and/or compensation measures or techniques
Substantial	Scale of the E&S impacts of the project are less than high risk projects, in terms of scale of impact, impacted area, potential for cumulative and/or transboundary impacts less severe and could be readily avoided or mitigated, impacts are mostly temporary predictable and/or reversible, probability of serious adverse effects to human health and/or the environment and mitigation measures are more available and reliable.
Moderate	The impacts will be considered moderate if the potential adverse risks and impacts on human populations and/or the environment are: (i) not likely to be significant; (ii) can be easily reversed and/or mitigated in a predictable manner; (iii) low in magnitude; (iv) site-specific, without likelihood of impacts beyond the actual footprint of the project; (v) mitigated through tested and reliable measures readily available; and (vi) low probability of serious adverse effects to human health and/or the environment (e.g. do not involve use or disposal of toxic materials, routine safety precautions are expected to be sufficient to prevent accidents, etc.)
Low	The impacts will be considered low if its potential adverse risks and impacts and issues on human populations and/or environment are likely to be minimal or negligible.

- Environmental and Social Screening

All activities envisaged under the Project will be subject to an environmental and social screening in order to prevent execution of projects with significant negative environmental and social impacts. An environmental and social impact is an estimate or judgment of the significance and value of environmental and social effects on physical, biological, land, communities, host population, or

economic environment. The impact level depends on duration, reversibility, magnitude, benefit, significance etc.

The main objectives of environmental and social screening of sub-projects are to (a) screen eligibility viz: negative list, (b) determine the anticipated environmental/social impacts, risks and opportunities of the sub-project; and (c) determine if the anticipated impacts and public concern warrant further environmental/ social analysis and if so to recommend the appropriate type and extent of assessments needed. The purpose of screening is to get an overview of the nature, scale, and magnitude of the issues in order to determine the scope of the detailed ESIA that would be subsequently carried out.

Screening Format

Environmental and Social Risk Screening Checklist

Name of Enterprise / Sub-Project name:					
Sector:					
Number of employees:					
Grant size (tentative):					
City/Town:					
Type of location					
Urban Rural Other (please specify)					
Visit Date (if needed):					
A brief description of the Investment / Project:					
No.	Issues	YES	NO	N/A[1]	Comments

I	Exposure to Excluded Activities
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1.1	Does the potential Investment / Project carry out any activities listed on the List of Excluded Activities? <i>If yes, the investment cannot proceed</i>				
1.2	Does the potential Investment / Project operate in sectors listed on the List of Excluded Sectors (as it relates to SMEs receiving working capital)? <i>If yes, the investment cannot proceed</i>				
II	E&S Regulatory Compliance and Liabilities				
2.1	Has the Investment / Project provided satisfactory evidence of compliance with relevant environmental, sanitary, health, safety and labor regulations for its business activity / Equipment? <i>(Note and attach the type of evidence provided below):</i> <u>Services:</u> Vocational License (GAM) <u>Fabrication:</u> Permit copies (environmental, health & safety, labor) Reports from relevant authorities Other (please specify)				
2.2	Have any injuries and fatalities occurred in the past 2 years? <i>(if yes, describe how, when, how many)</i>				
2.3	Has the Investment / Project had any labor related or environmental incidents – e.g. chemical spills, fires, groundwater contamination – in the past 2 years? <i>(if yes, when and why)</i>				
2.4	Has the Investment / Project paid charges or fines/penalties for non-compliance with environmental, sanitary, health, safety and labor regulations and standards in the last two years? <i>(if yes, when and why, please attach copies of most recent inspection reports)</i>				

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2.5	Is the Investment / Project exposed to potentially significant environmental, sanitary, health, safety and labor liabilities related to the client’s past or ongoing operations? <i>(if yes, specify magnitude)</i>				
2.6	Are there highly sensitive locations (“sensitive receptors”) in proximity to Investment / Project activities, including (i) densely populated urban areas; (ii) industrial zones with high cumulative impacts of pollution <i>(if yes, provide details)</i> (iii) schools or other community organizations				
III	Reputational Risk Screening	YES	NO	N/A	Comments
3.1	Can Investment / Project activity result with any reputational risk? (e.g. potential affected community, known reputational risks, occupational health and safety risk related with the customer operations, asset to be used in another potential <i>High Risk</i> activity).				
3.2	Did the local citizens or a NGO express their concern or is there evidence of any complaints against the Investment / Project because of the impacts on the environment and/or surrounding communities?				
VI	Issues related to the Investment / Project business activities:	YES	NO	N/A	Comments

4.1.	Environmental Issues				
	§ Are there impacts on air, soil, water through emissions or similar?				
	§ Are there strong smells and/or other irritants associated with business operations?				
	§ Do the business activities require significant consumption of raw materials, energy, and/or water?				
	§ Is there liquid and/or solid waste in the workplace?				
	§ Is there current or potential generation of waste that cannot be recovered, reused, or disposed of in an environmentally and socially sound manner?				
	§ Is there current or potential generation of hazardous waste? Is there an appropriate disposal mechanism in place?				

	§ Is there current or potential generation of wastewater? What is the mechanism for wastewater treatment?				
	§ Are there current or potential air emissions?				
	§ Are there any current or potential impacts on biodiversity (e.g. removal or clearance of trees)?				
4.2.	Occupational and Community Health and Safety				
	§ Availability of fire protection equipment, personal protective equipment, sufficient lighting, and sufficient work space, availability of sanitation and hygiene facilities?				
	§ Is there high level of noise (interrupted or continuous)?				
	§ Are there appropriate life and fire safety measures in place (e.g. access, escape routes, fire hydrants etc.)?				
	§ Do business activities pose potential risks due to physical, chemical, biological, or radiological hazards to workers or surrounding communities/receptors, during Project construction or operation?				
4.3.	Labor and Working Conditions				
	§ Are labor and working conditions satisfactory, in line with national law? § Are there provisions for both direct and contracted workers[2]?				
	§ Is there policy that may cause any type of discrimination?				
	§ Does the Investment / Project employ persons less than 14 years of age?				
	§ Does the Investment / Project employ young workers (between 14 and 18 years or age) endangers the life, health, or physical, mental, spiritual, moral of these children? (please see definition for Child Labor)				
	§ Will there be migrant workers required for construction and / or operation of the facilities? If yes, estimate how many and if any labor influx issues may arise (worker accommodation, interactions with local				

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	communities)				
	§ Is there a mechanism for workers to raise workplace concerns with management?				

V	Environmental and social risk management measures:	YES	NO	N/A	Comments
5.1	Are there any financial implications of the environmental and social risk management findings and if so have they been incorporated in the financial or business plans for the Investment / Project? <i>(if yes, please explain)</i>				
5.2	If required, does the Investment / Project have adequate emergency response mechanisms implemented in their facility?				
5.3	If required, has the Investment / Project prepared a mitigation plan/ measures for environmental and social risks for its business activities? <i>(if yes, please state mitigation measures currently followed by the client)</i>				
VI	Comments/Suggestions				
6.1					
VI	E&S Risk Category				

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7.1	<p>Low Risk</p> <p>Medium Risk</p> <p>High Risk (<i>in case of high risk, please forward the checklist of review to Environmental and Social Coordinator</i>)</p>	State justification:
7.2	<p>Full/ partial Environmental Impact Assessment (EIA) required under national law?</p> <p><input type="checkbox"/></p> <p>Yes, full EIA</p> <p><input type="checkbox"/></p> <p>Yes, partial EIA</p> <p><input type="checkbox"/></p> <p>No</p>	<p>If yes, provide details, attach EIA (if available). If EIA not available, request the Investment / Project to provide one within a specified period of time.</p> <p>- Others?</p>
7.3	<p>If yes to the above, has EIA been prepared by a consultant with environmental certificate (competence) and license?</p>	<p>State yes or no, provide details if available.</p>

X	Decision on eligibility (approval)
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10.1	Reject Accept / reject with management decision	State reasons:
Prepared Name _____ Title: _____ _____ Date: _____ _____ Signature: _____ _____	By: _____ Reviewed By: Name _____ _____ Title: _____ _____ Date: _____ _____ Signature: _____ _____	Approved By: _____ Name _____ Title: _____ _____ Date: _____ _____ Signature: _____ _____

[1] N/A means “Not Applicable”

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Annex V: Stakeholder Consultation Report



ENVIRONMENT AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)

**JORDAN: SUPPORT FOR INDUSTRY DEVELOPMENT
FUND (P178215)**



APRIL 7, 2022
PREPARED BY MOPIC

Objectives

The public consultation workshop was conducted to achieve the following objectives

1. Disseminate information about the project scope, aims and components
2. Discuss potential impacts and risks based on the World Bank Environmental and Social Standards (ESS)
3. Gather feedback, suggestions and recommendations on the following E&S safeguard documents:
 - a. Environmental and Social Management Framework (ESMF)
 - b. Labor Management Procedures (LMP)
 - c. Stakeholder Engagement Plan (SEP)
 - d. Environmental and Social Management System (ESMS)
 - e. Environmental and Social Commitment Plan (ESCP)

Meeting Details

Date: March 27th 2022

Location: Ministry of Industry and Trade

Time: 10:00 am until 12:30 pm Jordan time

First Session of the Meeting

The meeting was opened by Eng. Yasmeeen Khraisat from MoITS. She began with an introduction of the attendees and the participants from the two ministries, followed by a brief description of the purpose of the meeting and a summary of the project objectives and components

This part was followed by providing details of the project components where each component and sub-component as provided in the Project Appraisal Document (PAD) were provided

Open Discussions Session

The floor was opened for participants to ask any questions, provide any observation or feedback.

The main issues those were raised were related to the nature of the funding programs, the eligibility criteria, and the application process.

Second Session of the Meeting

This session was held by MoPIC where it started by reviewing the ESS one by one, clarifying them, presenting the 5 E&S documents related to the project. This was followed by discussions summarized below

- ***The export process requires time to manage, so how can I as a potential beneficiaries of the project to achieve the project indicators presented?***

MOPIC team clarified that the two main indicators presented are tackling the project itself. This mean that they will be monitored over the project duration and after monitoring the entire achievements of the project component and activities. It is not applied specifically to each beneficiary

- ***What was the private sector input in the program design?***

MoPIC clarified that the design of the project went through several cycles of improvement in partnership with the private sector representatives and different stakeholders.

- ***Were there any consultations on the project design?***

MoPIC clarified that several meetings were held to discuss the needs and challenges of the manufacturing sectors and how the program can address these needs.

- ***It is more important to us to have full detailed information about the project components, eligibility criteria, and application process. Actually it is more important than these documents.***

MoPIC clarified that all the information needed will be available for everyone through different means as described in the SEP, but this discussion should be important too to you as stakeholders as it formalizes the government commitments towards you.

- ***Does the Environmental and Social Risk Screening means that the factory need to have certain environmental certifications to be eligible for the program?***

Not necessarily. The main objectives of environmental and social screening of sub-projects are to (a) screen eligibility viz: negative list, (b) determine the anticipated environmental/social impacts, risks and opportunities of the sub-project; and (c) determine if the anticipated impacts and public concern warrant further environmental/ social analysis and if so to recommend the appropriate type and extent of assessments needed. The purpose of screening is to get an overview of the nature, scale, and magnitude of the issues in order to determine the scope of the detailed ESIA that would be subsequently carried out.

- ***What kind of complaint can be submitted by the GRM, and can we send complaints on the issued regulation after its release?***

Literally, anything. When ever any stakeholder has any comment, suggestion, complaint related to the project can submit it through the up take channels mentioned and the process describes the exact procedures, response time and escalation means. At the end of the meeting, Mrs. Eman Essa stressed on the fact that all documents will be available for all stakeholders on MoITS website by the launch of the project, she also has acknowledged and appreciated the time and participation from all. She also requested participants to communicate with MoITS if any note or comment is still to be highlighted

Regarding the regulation, yes anyone can send complaints after issuing it since this will help to improve its content.

- *Are you going to open the stakeholder consultation on the regulation which will be issued by the ministry?*

The regulation which will be developed and issued by MOITS will be consulted with the relevant stakeholders and it will be available online for further consultation from the wider stakeholder groups.

- *We are currently applying the labor law and inspections is occurring to measure our compliance, so are you going to do a second inspection? If yes, then this will be hectic and will overwhelm us?*

No inspections will be conducted since the ministry of labor is the responsible entity to monitor and report any violation. However, it is important to follow-up the E& S standards of the project.

Attendance

The consultation was attended by 9 participants (4 female) from the following entities:

1. Jordan Chamber of Industry
2. Jordan River Foundation
3. Awraq for environmental development.
4. Jordan Export
5. JLGC

Agenda

Topic: Consultation Session - Jordan Support for Industry Development Fund Project (Private sector)			
Date: 23 March 2022			
Time: 11:00-am 1:300 pm			
Target Group: private sector representatives and vulnerable groups representatives and CSOs With the presence of Jedco, JE, JLGC			
Venue: face to face			
Moderation: Ministry of Industry and Trade			
Item	Objective/ Guiding Questions	Duration	Responsibility
Opening Remarks	Welcoming notes and the purpose of the session	15 minutes	MoPIC and MoL representatives
Overview on the project objective and background/fund design	Present to the stakeholders the project design.	30 minutes	MoITS-SG or Yasmeen
Discussion Session: Feedback around implementation mechanisms and tools	<ul style="list-style-type: none"> ➤ How could the project tools and processes be further strengthened to ensure equitable access for the target group and effectiveness in engaging all stakeholders? ➤ Do you have previous experience or lessons learnt from similar projects? What are they and how can the Government use them to enhance the current Project design ➤ What messages should be included in the 	30 Minutes	Moderator: MoITS technical team

	<p>communication campaign, for stakeholders?</p> <ul style="list-style-type: none"> ➤ Do you think that the current grievance and complaints uptake channels are sufficient? ➤ What accountability measures should the project has in the grant agreements? 		
E&S documents presentation	Presenting the E&S documents to stakeholders	45 Minutes	Mopic -Eman and Ehab
Discuss the Project's commitments	<ul style="list-style-type: none"> ➤ Guiding questions: What is your feedback regarding the proposed engagement methods with stakeholders; how frequent should discussions be with stakeholders? ➤ Do you feel all E&S impacts are addressed? 	45 Minutes	MoITS technical team