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JORDAN ENVIRONMENTAL FUND

Guidelines for Establishing the Fund and Pilot Year Operations
Final Report

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JORDAN ENVIRONMENTAL FUND

GUIDELINES FOR ESTABLISHING THE FUND AND PILOT YEAR OPERATIONS

FINAL REPORT

**SUSTAINABLE ACHIEVEMENT OF BUSINESS EXPANSION AND
QUALITY (SABEQ)**

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**AUTHOR: PATRICK FRANCIS, LESLIE THOMAS, JACOB COHEN-
GONZALEZ**

**DELIVERABLE NO.: 2.16.2.12.1.3_SENIOR ADVISOR TO
TECHNICAL ASSISTANCE TO DEVELOP BUSINESS PLAN TO
ENVIRONMENTAL PROTECTION FUND**

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ABBREVIATIONS AND ACRONYMS

CDM - Clean Development Mechanism

CER - Certified Emissions Reductions

CO₂ - Carbon Dioxide

DOE - Designated Operational Entity under the Clean Development Mechanism (CDM)

GAM - Greater Amman Municipality

GDP - Gross Domestic Product

GOJ - Government of Jordan

IFI – Independent Financial Institution

Fund - Jordan Environment Fund

M&E - Monitoring and Evaluation

MoEnv - Ministry of Environment

MoF - Ministry of Finance

NGO - Non-Governmental Organization

SABEQ - Sustainable Achievement of Business Expansion and Quality

SC - Steering Committee

SME - Small and Medium Size Enterprise

USAID - United States Agency for International Development

1. EXECUTIVE SUMMARY

The Government of Jordan through the Ministry of Environment (MoEnv) is establishing the Jordan Environmental Fund (the “Fund”) to provide financial support for projects that will strengthen the capacity of entities to comply with national environmental law. The Fund will aim to drive technological and process improvements across select sectors and complement existing environmental expenditure in Jordan.

These Guidelines for Establishing the Fund were developed as part of the support provided by USAID to the MoEnv. USAID, through its Sustainable Achievement of Business Expansion and Quality (SABEQ) program, has provided technical assistance to the MoEnv in a collaborative exercise to leverage international best practice and design a framework for the Fund’s establishment and operation.

This report provides the MoEnv with recommendations for the Fund’s governance, management and operations based on international best practice. It provides important elements for the Fund’s establishment and a solid foundation for the subsequent development of Fund Instructions and more detailed operations manuals.

RATIONALE AND OBJECTIVES OF THE FUND

Jordan is ranked among top-tier countries in terms of the global importance of its biodiversity. Its unique geographical features provide for a tremendous diversity of habitats, including some of the oddest distribution of species, communities and coral reefs.¹ Jordan’s longstanding Government commitment to the protection of its environment has been consistently demonstrated by the significant legal measures, national strategies and international conventions it has ratified over the years.

Despite these efforts, Jordan’s environment faces significant threats that have led to resource loss, degradation of habitats and human health risks. According to a study completed by the World Bank in 2004, the cost of environmental degradation in Jordan was estimated at JD 205 million or 3.1% of GDP. The Government (GOJ) is aware that significant investments are needed, particularly in the private sector, to improve environmental conditions and that current environmental expenditure, across both the public and private sectors, is inadequate to meet national objectives. The MoEnv plans to use the Environment Fund as a catalytic tool for extending finance to projects that drive improvements in environmental protection and result in more sustainable use of natural resources.

The Fund’s primary goal, as proposed in its draft Regulation, is to support: “...implementation of projects and other activities that lead to improved environmental conditions and more sustainable use of natural resources in Jordan.” More specifically, the Fund will finance activities implemented by the private sector, and other entities that promote sustainable use of Jordan’s natural resources and help strengthen compliance with national environmental law.

¹ An Environmental Profile of Jordan 2006, Ministry of Environment and the Global Environmental Facility.

GOVERNANCE AND MANAGEMENT STRUCTURE

Jordan's Environmental Protection Law provides a clear, legal mandate for creation of the Fund at the MoEnv and the Fund will, initially, come under the administrative jurisdiction of the MoEnv. However, international experience has shown that the best managed and most successful environmental funds generally enjoy a substantial degree of institutional and operational independence from government. It is therefore the MoEnv's intent to build a Fund with a professional management team and operational autonomy. Fund operations will be supervised by an appointed Board of Directors which will, critically, also make resource allocation decisions. The Board will include balanced representation across key stakeholder groups – government, private sector, NGOs and independent experts. As the long-term intent is for the Fund to operate as an independent, legal entity, its governance and management framework have been designed with such evolution in mind.

The regulations for the Fund specify its official mandate and establish clear, explicit rules for the Fund's governance and management structure, operations and relations with outside parties. Key elements of the regulations also define the Fund's operating principles; revenue sources; financing instruments; reporting and audit requirements.

THE BOARD OF DIRECTORS

Chaired by the Minister of Environment, the membership of the Fund's Board will include nine additional members that will be nominated by the Minister and approved by the Council of Ministers. Board membership will reflect the mission and activities of the Fund and include representatives of key stakeholders. The Board shall elect from among its five private sector members, a vice-chairman who shall exercise the Chairman's tasks and powers during his absence. The Board's most important functions include:

- establishing general policies and instructions governing the Fund's operations including the project cycle, financial management, accounting and auditing methods;
- ensuring systematic planning and alignment of the Fund's activities to Jordan's environment priorities;
- approving and supervising implementation of the Fund's annual operating plan and tracking fulfillment of its key objectives and programs;
- establishing criteria for project appraisals and making decisions on project selection;
- monitoring and evaluating Fund performance, reviewing management reporting and engaging external auditors to review and assess Fund processes;
- appointing and providing strategic guidance to the Fund Director.

DIRECTOR GENERAL

The majority of the work to be carried out by the Fund will be done by its fully employed professional staff, headed by the Fund's Director General. The Director's primary responsibility will be to provide management leadership to ensure that initiatives' supporting the Fund's financing strategy and annual operating plan are carried out effectively. Key duties of the Director will include:

- developing sector priorities, financing conditions, a work plan and performance measures for Board approval;

- directing the Fund's day-to-day work and ensuring fulfillment of its policies, procedures and objectives;
- selecting and supervising Fund staff and overseeing their training and development;
- supervising execution of the project cycle and recommending projects for financing to the Board;
- managing efforts to attract donor funding and technical support;
- designing and managing outreach programs and serving as the Fund's primary representative to third parties;
- ensuring effective management of the Fund's financial resources.

FUND STAFF

The core functions relating to project cycle management and implementation are integrated into a single Operations Department to be managed by the Fund Director. The unit will include specialists in environmental protection, engineering, finance and project analysis, ideally with subject matter expertise across the Fund's priority sectors - waste management, air and water protection and biodiversity. The Fund's Administrative Unit will also report to the Director and will include staff with expertise in business administration, public communications and financial management.

PRIORITIES, MULTI-YEAR AND ANNUAL PLANNING PROCESSES

The Fund's Board will translate Jordan's broad environmental objectives into more concrete priority areas in which specific projects will be financed. This "financing strategy" will clearly align to the country's pressing environmental needs. However, given that the Fund's resources are limited, the Fund will need to be selective in deciding where and how it will allocate its resources. The Fund will focus its spending on sectors and projects that offer significant environmental benefits and are currently inadequately supported by other expenditure in Jordan.

SPECIFYING THE FUND'S ENVIRONMENTAL PRIORITIES

Consultative workshops will be used by the MoEnv to convene key Fund stakeholders and environmental experts to generate ideas and foster collaboration in the identification of the Fund's environmental priorities and development of its financing strategy. The workshops will be organized and implemented to ensure that participants are meaningfully engaged in the consultation process and that they feel "ownership" in the results. With regards to possible environmental priorities for the Fund, three priority areas have been identified:

- air and water pollution;
- hazardous waste management;
- biodiversity and desertification.

These are derived directly from Jordan's official national environmental and development objectives. They should be seen, however, as starting points for the stakeholder consultation process. The Fund will more narrowly define sub-priorities within each area for its annual operating plans.

THE MULTI-YEAR FINANCING STRATEGY

The multi-year financing strategy, approved by the Board, will define the Fund's environmental priorities, types of activities and projects it will support as well as eligible applicants. The strategy will:

- demonstrate how the Fund plans to achieve environmental objectives by providing an indication of how the Fund plans to allocate resources;
- ensure applicants' confidence in the continuity of the Fund's policy, and;
- clearly define the role of the Fund vis-à-vis other policy tools in pursuing national environmental objectives.

The Fund's financing strategy will guide development of its annual operating plan and budget and should provide revenue estimates and indicative spending targets in percentage terms for different types of projects according to environmental priority. The Fund's financing strategy will cover a rolling time period of two to three years, be reviewed annually by the Fund's staff and Board and revised as appropriate.

ANNUAL OPERATING PLAN

The annual operating plan will define environmental objectives in more detail and show more precise resource allocation estimates and total expected expenditures for the coming year. It is suggested that resource allocation targets be set for each environmental issue (e.g. air quality, surface water quality, waste management, awareness-raising, etc.). Publicizing the Fund's intended spending allocation across environmental priorities will serve two main purposes:

- it will provide an explicit link between Jordan's national environmental objectives and the Fund's environmental priorities;
- it will provide an opportunity for the Fund to inform potential applicants and other interested parties about practical aspects of the Fund's operations.

At the end of each year, actual revenues and expenditures for that year should be compared with revenue and expenditure forecasts. The Fund should assess its performance in meeting allocation targets and discuss obstacles that impacted expectations.

PROJECT CYCLE MANAGEMENT

To achieve its objectives as effectively and efficiently as possible the Fund will formulate and implement a robust framework to identify, prepare, appraise, select, monitor and evaluate projects receiving its support. Managing this "project cycle" represents one of the Fund's most critical processes. As the Fund will be administering public funds for the public good, its project cycle management procedures will meet high standards of transparency, objectivity and accountability.

Drawing extensively on international best practice, a comprehensive set of principles, rules and procedures for managing the project cycle are outlined in the report. Particularly important for ensuring clarity and objectivity is that project eligibility, appraisal criteria and the

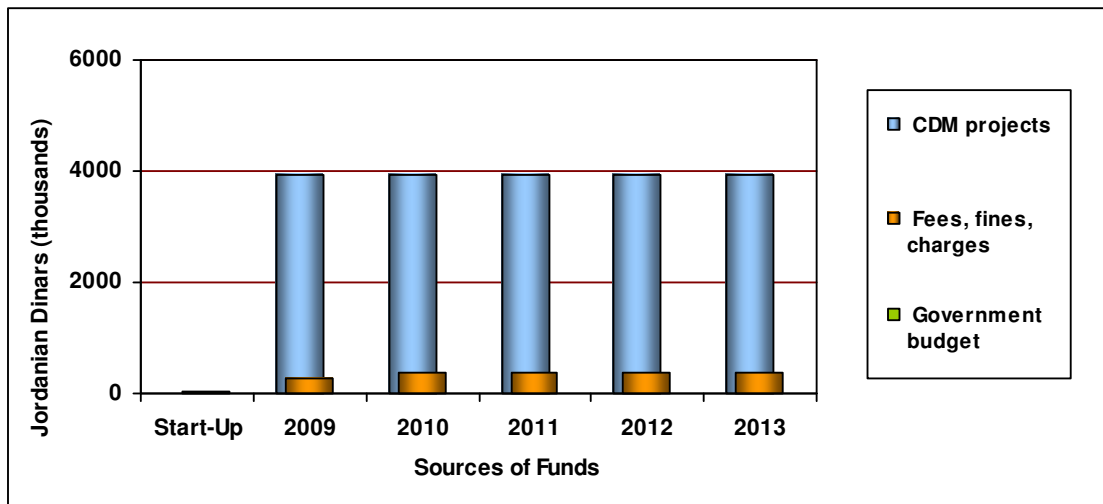
final selection process are plainly defined and understood by applicants. A robust and transparent approach to project selection and resource allocation will benefit the Fund:

- by generating maximum environmental benefits per unit of expenditure through use of cost-effectiveness as a key project appraisal and selection criteria;
- by insulating it from pressure to allocate resources according to political, rather than objective criteria;
- by having a strong basis upon which to justify its decisions for supporting or rejecting projects;
- through stable and predictable relationships, both internally and with clients, brought about by having clearly established and communicated the “rules of the game”, and;
- by enjoying institutional credibility among key stakeholders, including existing and prospective donors.

FUND REVENUES

The Fund must secure sufficient, reliable, long-term sources of funding to ensure its sustainability and successful implementation of its objectives. At present it is expected that from 2009-2013 annual revenues will approach JD 4.2 million, with the main sources being proceeds from clean development mechanism (CDM) projects, estimated at 94% and environmental fees, fines, and charges estimated at 6% of the total. It is anticipated that the MoEnv and later the Fund itself will pursue financial contributions from Jordan’s private sector, donor organizations and international financial institutions.

Figure 1.1: Annual Revenues of 4.2 Million JD are expected from 2009-2013



The review of the Fund’s expected revenues reveals risks that could greatly affect the Fund’s ability to achieve its objectives. The most significant risk being the Fund’s heavy reliance on CDM proceeds. This reliance could affect the Fund on multiple fronts:

- the amount and timing of revenues is likely to be unpredictable;

- the flow of revenues is largely out of the control of the Fund and MoEnv and may pose serious challenges for the Fund's financial management and expenditure planning;
- the Fund may not be sustainable once CDM revenues are exhausted, which could occur as early as 2013.

It is strongly recommended that the MoEnv and later the Fund itself take prompt steps to develop and implement fundraising and revenue enhancement strategies for the Fund. The GOJ, through the MoEnv has earmarked some JD 25,000 per year for the next few years, to support the Fund. The estimated costs of start-up alone will be at least 232,000 JD. It is essential for this gap to be closed to prepare the Fund for operation.

To enhance financial management and ensure long-term Fund sustainability, strategies should include:

- strengthening of other revenue sources, e.g. environmental charges, fines and taxes, contributions from donors/IFIs;
- improving environmental monitoring, enforcement and collection of environmental charges, fines and taxes;
- establishing asset and cash flow management policies and practices to grow a financial "reserve" at the Fund.

FINANCING PRINCIPLES, DISBURSEMENT MECHANISMS AND ASSET MANAGEMENT

ADDITIONALITY, LEVERAGING AND CO-FINANCING

The Fund should adopt "additionality", "leveraging" and "co-financing" as fundamental financing principles that can help the Fund maximize its environmental impact for each unit of financial support provided. This entails that expenditure by the Fund should be additional to other available sources of finance, including those of the applicant, and not a substitute for them. The Fund can achieve additionality by financing projects that are unlikely to be implemented without its support. To best leverage its resources, the Fund should function largely as a co-financier of projects and keep its financial commitment in any given project to the minimum necessary to ensure implementation.

MAXIMUM AWARD LIMITS

The Fund should be prudent with its financial support and set maximum award limits to make the most of Fund resources. Award limits can help maximize the environmental benefits of the Fund by encouraging the Fund to provide the "right dosage" or amount of financial support required by projects, no more and no less. By not being overly generous to individual projects the Fund has more resources available to "stretch" and support larger numbers of projects.

Award limits can take different forms. The Fund could limit the maximum size of any single award it offers by adopting a rule that the maximum amount of financial support a single project can receive is a certain percentage, say 10%, of total expected disposable revenues for that budget year. Another way is to establish maximum awards according to type of project and/or type of applicant. Maximum award limits, at whatever level set, should be

reviewed annually and adjusted to reflect the changing environmental demands and needs for finance.

DISBURSEMENT MECHANISMS

The Fund will use grants as its only disbursement mechanisms during the first year of operation. As the Fund builds its capacity to manage additional forms of financing, the number and complexity of the financial instruments made available will likely expand. Additional instruments could eventually include soft-loans and interest rate subsidies.

ASSET MANAGEMENT

Professional financial management of the Fund is critical and early consideration will be given to this subject due to the significant implications finance has across the Fund's operations. International experience, and an analysis of the Fund's expected revenues and dependence on CDM transactions, strongly suggests that during its early years the Fund not commit all of its revenues for project financing. The Fund should accumulate and maintain a cash reserve during the first years of its operations to protect against unpredictable revenue flows.

The Fund will engage a Jordanian bank to support its cash management needs and invest its assets across short-term fixed income investments, i.e. money market funds, CDs and high-quality bonds. As the Fund builds capacity and its revenues and financial deposits increase, the Fund may wish to retain a treasury management advisor to maximize use of other high-quality investments to strengthen returns.

Based on the nature of their capitalization and asset management, three environmental fund models are commonly found: "endowment", "sinking" and "revolving". Given that it is based on revenues from CDM projects currently scheduled to cease in 2013, the Jordan Environment Fund would be considered a sinking fund. While not ruling out the pursuit of endowment opportunities, the Consultants suggest that the MoEnv, and later the Fund itself, take steps to transform the Fund into a revolving fund. The current efforts by the MoEnv to improve its environmental payment enforcement and collection will help the Fund move in that direction.

FUND COMMUNICATIONS AND OUTREACH

The objective of the outreach and communications strategy is to facilitate regular dialogue between the Fund and its key stakeholders. Priorities will include:

- raising awareness of the Fund's goals and activities in Jordan and within the international community;
- ensuring involvement of key stakeholders, including actual and potential clients, in the development and review of the Fund's financing strategy, environmental priorities and annual operating plan;
- facilitating communications between the Fund and clients to develop their project preparation capacities so that support offered by the Fund can be absorbed effectively;
- informing the public and targeted audiences about Fund successes and establishing the Fund's reputation as a highly effective and efficient institution in Jordan and the region.

Outreach activities will ensure valuable and regular exchange of information across key audiences, including: private companies; NGOs; research and academic institutions; relevant governmental organizations; private individuals; donors; journalists; suppliers of environmental technology and services.

The MoEnv and later the Fund will organize a series of workshops to engage key stakeholders from the private and public sector in dialogue regarding the Fund's financing strategy, priority environmental sectors and annual operating plan. The fund will also survey prospective clients to better understand their environmental challenges and financing needs.

NEXT STEPS AND WORK PLAN FOR THE FUND'S LAUNCH AND PILOT YEAR

A detailed work plan of steps required to establish the Fund and prepare it for its pilot year is presented in Section 11. Responsible parties are identified and a tentative timeline is established. Assumptions inherent in the work plan include:

- the Fund's start-up phase covers the period from early April through December 2008;
- an ambitious public launch date for the Fund has been set for early January, 2009, marking the start of its pilot year;
- applications for financial support will be accepted starting in February 2009;
- the first projects will be approved for financing by the Board in late April, 2009;
- the MoEnv, and later the Fund's Board and staff will take lead responsibility on tasks;
- donors and consultants play an important, but mainly supportive and advisory role.

Next steps are grouped into several main headings:

FUND REGULATION

Finalization, submission to the Legislative Bureau and approval of the Fund's Regulation is a critical and urgent matter because the Regulation forms the legal foundation of the Fund and many of the other steps depend on the Regulation's approval.

MOBILIZATION OF HUMAN RESOURCES

A Fund "project manager" should be promptly designated at the MoEnv to support work plan tasks until a Fund Director is hired. The Minister should establish an ad hoc "steering committee" (SC) that could support start-up activities and advise the Minister and project manager. These SC members could later become Board members. The Minister should soon identify possible other Board members so that they could be appointed immediately upon approval of the Regulation. Later, searches will have to be conducted leading to the appointment of the Fund's Director and other staff members. It is also suggested that international expertise be brought in to support and guide the start-up process.

MOBILIZATION OF FINANCIAL RESOURCES

The existing gap between the estimated costs of getting the Fund ready to operate and the amount that has been earmarked by the GOJ will have to be closed quickly if work plan tasks are to be carried out promptly. The MoEnv and SC will have critical roles to play here

and they can be supported in that process by SABEQ. A short-term fundraising strategy should be formulated and put into effect as quickly as possible. Later, a longer-term revenue enhancement strategy should also be developed and approved by the Fund Board.

IDENTIFICATION OF THE FUND'S ENVIRONMENTAL PRIORITIES AND FINANCING NEEDS OF CLIENTS

One of the Board's first tasks will be to define the Fund's environmental priorities and financing strategy. For this to happen soon after the Board has been established ground work needs to immediately begin. Steps include: internal discussions within MoEnv; consultative workshops with Fund stakeholders; research to be conducted to identify high priorities for the Fund and assess needs for financing among prospective clients.

BOARD OF DIRECTORS MEETINGS

The Board should meet immediately after approval of the Regulation, requiring the MoEnv to monitor the legislative approval process and begin preparation of the meeting when approval is imminent. It is assumed the first Board meeting can be held in mid-July 2008. During the start-up and early in the pilot phase it is foreseen that the Board will meet about once every 6 weeks. In its early days, before the Fund is fully staffed, the Board should consider forming sub-committees for carrying out specific tasks.

DEVELOPMENT OF STRATEGY PLAN, INSTRUCTIONS, POLICIES AND PROCEDURES, BUDGET PLANS

The following will need to be formulated: definition of environmental priorities and multi-year financing strategy; annual operating plans/budgets; organizational structure and human resources policy; accounting rules and procedures; fundraising strategy; communication and outreach strategy; capacity-building plan; financing terms and conditions; detailed operations manual including instructions for the Fund's project cycle, etc.

FUND "BRANDING" AND MARKETING

The early consultative workshops with stakeholders will begin to raise public awareness of the Fund's creation. Once the Fund's Board has been established and initial staff appointed, the Fund should undertake a range of activities to steadily establish its identity and build awareness among its key stakeholders.

CAPACITY-BUILDING

Some level of capacity-building and training will be necessary for all the Fund's members, Board and staff, to play their roles effectively. Amongst other activities, it is suggested that a study tour be made to successful environmental funds in other countries. It will be equally important for the Fund to help build the capacity of its prospective clients. Clients will need to understand the priorities, requirements and rules of the Fund and how to prepare and submit applications for funding.

LOGISTICAL AND TECHNICAL MATTERS

The most important of these include: finding, renting and equipping suitable office space; establishing the necessary IT systems; establishing the Fund's bank accounts; purchasing a vehicle for the Fund; securing/documenting the Fund's tax status; etc.

BUDGET FORECASTS

Estimates are presented of the Fund's expected financial outlays covering its start-up phase, pilot and subsequent years through 2013 when the last payments from CDM projects are expected. Estimated administrative expenditures for the Fund's start-up and pilot phases are specified in some detail, whereas project expenditures are presented in aggregate.

ASSUMPTIONS:

- to cover the costs of the Fund's start-up activities an estimated JD 232,000 are needed;
- the MoEnv has allocated JD 25,000 per year for the Fund for the next few years;
- this funding gap could be filled by securing contributions from donors and/or the GoJ;
- no environmental projects are financed during the start-up phase;
- the pilot phase is the Fund's first year of operations, from January thru year-end 2009;
- projects begin to be financed after the first CDM revenues are received in March 2009;
- the Fund takes a conservative approach to spending and builds a financial surplus;
- estimated administrative costs of the Fund during the pilot phase are about JD 230,000.

2. INTRODUCTION

The GOJ through the MoEnv is establishing the Jordan Environment Fund to provide financial support for projects that will strengthen the capacity of entities to comply with national environmental law. The Fund will aim to drive technological and process improvements across select sectors and complement existing environmental expenditure in Jordan.

These Guidelines for Establishing the Fund and Pilot Year Operations were developed in early 2008 as part of the support provided by USAID to the MoEnv. USAID, through its SABEQ Program, has provided technical assistance to the MoEnv in a collaborative exercise to leverage international best practice and design an framework for the Fund's establishment and operation.

The SABEQ program is a broad economic development initiative implemented by BearingPoint, Inc. A key role of SABEQ is to help the Government of Jordan expand innovation and enhance business processes to create a framework for sustainable economic development throughout the country. The sustainability of these programs and their continued contribution to economic development are clearly, inextricably linked to the protection of Jordan's environment and its natural resources.

SABEQ has been working with the MoEnv and critical sector stakeholders with the objective of enhancing environmental inspection, licensing and compliance. The Fund will be an essential tool to achieving success in these areas.

PURPOSE AND REPORT STRUCTURE

The objective of this Operational Guide and Business Plan is to provide the MoEnv with macro-level designs for the Fund's governance, management and operational models. These designs will provide meaningful input into the development of Instructions and a detailed operational manual for the Fund's establishment and operation. The business plan provides revenue projections, a summary operational budget, detailed work plan and timeline for the Fund's launch.

This guide begins by setting out the rationale for the Fund and presenting its official objectives as proposed in the draft Fund Regulation currently under review at Jordan's Legislative and Opinion Bureau. The guide then suggests processes for determining the Fund's environmental priorities and recommends the formulation of multi-year financing strategies and annual operating plans. The following sections present details regarding the Fund's governance and management structure, staffing requirements; project cycle management procedures; revenues; financing principles, disbursement mechanisms and asset management; communications and outreach strategy; work plan for launching the Fund; and summary operational budget forecasts. The appendix includes a latest draft of the Fund Regulation and important background information.

3. THE RATIONALE AND OBJECTIVES OF THE FUND

RATIONALE

Jordan is ranked among top-tier countries in terms of the global importance of its biodiversity. Much of it due to the country's location and topography that consist of three main features: the Jordan Rift Valley with the Dead Sea Basin, the Highlands covered mainly with forests and the Eastern Desert. These unique geographical features provide for a tremendous diversity of habitats, including some of the oddest distribution of species, communities and coral reefs.²

Jordan's Government has been committed to the protection of its environment since the '60s, when it established the Royal Society for the Conservation of Nature. Jordan's work to protect the environment has been constant and is demonstrated by the significant legal measures, national strategic priorities and international conventions it has ratified over the years.³

Despite these efforts, Jordan's environment faces significant threats that have led to resource loss, degradation of habitats and human health risks. The most notable challenges to Jordan's environment include: emissions of toxic air and water pollutants, inadequate treatment and disposal of solid and hazardous wastes, extensive groundwater extraction, extensive and high-impact real estate development and intensive use of agro-chemicals.

According to a study completed by the World Bank in 2004, the cost of environmental degradation in Jordan was estimated at JD 205 million or 3.1% of GDP with water and air pollution accounting for 62% of the total⁴:

- Water pollution costing 0.71 to 1.24% of GDP;
- air pollution costing 0.69% of GDP;
- land degradation at 0.46% of GDP;
- soil salinity at 0.14% of GDP;
- inadequate waste collection costing 0.11% of GDP;
- coastal degradation at 0.09% of GDP.

The GOJ knows that tremendous investments are needed to build the capacity of enterprises and expand the use of technologies to control and prevent pollution and as such, the MoEnv plans to use the Jordan Environment Fund as an essential tool for extending finance to projects that drive improvements in environmental protection and result in more sustainable use of natural resources.

² An Environmental Profile of Jordan 2006, Ministry of Environment and the Global Environmental Facility

³Excerpts from Jordan's Environmental Protection Law and a list of the international conventions are included in the Appendix.

⁴ A study conducted by the World Bank in 2004, *Cost Assessment of Environmental Degradation*

FUND OBJECTIVES

The official goals and objectives of the Fund will be defined in its Regulation which has been submitted to the Legislative and Opinion Bureau for approval (please see Appendix 1). The Fund's primary goal and objectives, as currently proposed in the draft Regulation, are presented below:

"The Jordan Environmental Fund shall be established with the goal of supporting the implementation of projects and other activities that lead to improved environmental conditions and more sustainable use of natural resources in Jordan."

More specifically, the Fund will, on a competitive basis, finance activities implemented by the private sector and other entities that promote sustainable use of Jordan's natural resources and drive gains in institutional capacity to comply to national environmental law. The Fund's Regulation envisions that the Fund will:

- motivate entities to adhere to environmental law by providing financial assistance on a competitive basis to renovate facilities, implement advanced technological solutions and enhance work practices;
- encourage sectors and initiatives that aim for the utilization of natural resources and environmental elements in a manner that attains sustainable development and national environmental performance targets;
- offer subsidies in various forms to corporations and industries to augment capital investment required to improve technologies and develop product and service innovations to preserve and protect the environment;
- focus on national priority sectors and direct such subsidies particularly to those sectors;
- cooperate and exchange experiences with similar local, regional and international entities and organizations to coordinate support for the preservation of the environment;
- spread awareness of the need to utilize environment-friendly industrial techniques and its social and economic importance.

The Fund's Regulations, goals and objectives were written to ensure that the Fund's financing strategy and performance measures are aligned to the country's most critical environmental needs and priorities. Given that Fund resources will be limited, a focused strategy and selective financing is important for the Fund to achieve measurable results and environmental impact.

Later in this report a process for taking the Fund's broad environmental goals and converting them into a focused strategy is presented.

4. GOVERNANCE AND MANAGEMENT STRUCTURE

Experience in other countries has shown that the best managed and most successful environmental funds generally enjoy a substantial degree of institutional and operational independence from government. These Funds operate autonomously and are shielded from unwarranted and often disruptive political influence over the decision-making of their supervisory and executive bodies. Such independence encourages consistency and transparency in decision-making, helps to build respect and trust across stakeholders and increases the attractiveness of the Fund as a prospective partner for international donors.

Jordan's Environmental Protection Law provides a clear, legal mandate for the creation of the Jordan Environment Fund and calls for its establishment at the MoEnv. The Fund will administratively come under the jurisdiction of the Ministry. However, as the Ministry's intent is to build a Fund with a professional management team and operational autonomy, substantive operations and resource allocation decisions of the Fund will be supervised by the Fund's Board of Directors. The Board will include representation across key stakeholders.

As the long-term intent is to operate the Fund autonomously and as an independent, legal entity, the organizational framework of the Fund is likely to evolve as the capacity of the team is built and the regulatory framework established to provide for its separation from the MoEnv.

THE FUND REGULATIONS

The regulations for the Fund reflect the Fund's official mandate and establish clear, explicit rules for the Fund's governance, management structure, operations and relations with outside parties. The regulations as presented to the Legislative Bureau can be found in the Appendix. Key elements of the regulations define the Fund's:

- official mandate - Giving legal effect to the Fund's environmental objectives and principal means of achieving them;
- key governing and management bodies – Describing the Fund's main governing body, its Board of Directors and executing agent, the Fund's Director General. The regulations define their composition, specify their authorities and responsibilities vis-à-vis each other and the Fund, and describe the process for their appointment, supervision and removal;
- operating principles – The operating principles which will guide the Fund's decision-making, particularly concerning resource allocation (e.g. key project eligibility, evaluation criteria and selection);
- revenue sources - The Fund's regulations identify the range of possible sources and mechanisms from which it could draw and/or generate revenues;
- financing instruments - The instruments or mechanisms through which the Fund will be empowered to provide support are specified. The Consultants have recommended that the Fund initially (i.e. through its pilot phase) provide only grant financing. The regulation provides for the possibility of extending the Fund's forms of financial support;
- reporting and audit requirements - The regulation also specifies requirements for the Fund to undergo regular financial audits and performance evaluations and to submit reports on its activities.

THE BOARD OF DIRECTORS

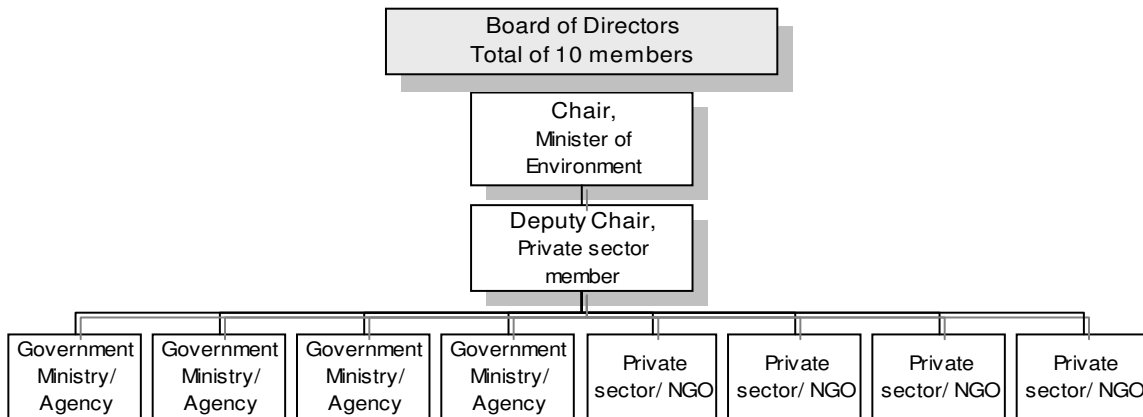
Chaired by the Minister of Environment, the membership of the Fund's Board of Directors will include 9 additional members that will be nominated by the Fund's Chairman and approved by the Council of Ministers. The board will reflect the mission and activities of the Fund and will be diverse and inclusive of the most interested and involved constituents:

- ministries or government agencies with an environmental mandate, e.g. the Ministry of Water & Irrigation, Ministry of Agriculture, Ministry of Health;
- prospective beneficiaries including private sector and NGO representatives;
- independent environmental/finance experts;
- potential financial contributors, i.e. donor agencies and IFIs – USAID, EU, GTZ, Global Environmental Facility.

The Board shall elect from among its 5 private sector members a vice-chairman who shall exercise the Chairman's tasks and powers during his absence.

During the Fund's start-up and pilot phases, the Board will likely meet monthly. Afterwards, the Board will meet every two months or as required. Members will serve 3-year terms, renewable for one additional term and rotation of members will be staggered to build stability and continuity.

Legal Counsel will be engaged on an as needed basis to advise on the compliance of Fund activities with relevant laws and regulations. Similarly, an External Auditor will monitor compliance with Audit Bureau standards and other matters as required.

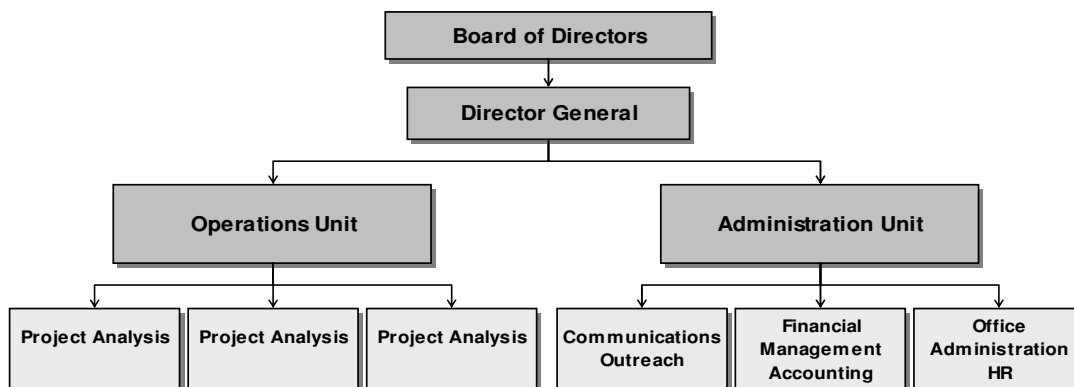


BOARD RESPONSIBILITIES

- establishes general policies and instructions governing the Fund's operations including the project cycle, financial, accounting and auditing methods;
- approves the Fund's organizational structure and policies governing human resources;
- ensures a systematic and regular process of strategic planning and ensures alignment of the Fund's activities to Jordan's environment priorities;
- approves and ensures implementation of the Fund's annual operating plan and tracks fulfillment of its key objectives and programs;

- monitors and evaluates Fund performance, reviewing management reporting and engaging external auditors to review and assess Fund processes;
- assists in identifying and raising funds; and as needed, approves revenue enhancement strategies;
- establishes project selection criteria and is responsible for project approval. The Board could eventually delegate authority for approval of small projects to the Fund Director, subject to rules and conditions established by the Board;
- appoints and provides strategic guidance to the Fund Director; and annually, reviews the Fund Director's performance;
- provides policy recommendations for amendments to the Law, Regulations and Instructions governing the Fund.

THE FUND'S MANAGEMENT STRUCTURE



THE DIRECTOR GENERAL

The Fund Director General will have two reporting lines: the first will be with the Minister of Environment for administrative supervision; the second will be with the Fund's Board of Directors for strategic guidance, resource allocation issues, performance evaluation and supervision.

Under the supervision of the Fund's Board, the Director is accountable for the execution of the Fund's annual operating plan and responsible for the day-to-day management and operations of the Fund, ensuring consistency with the Fund's mandate, regulations and instructions. The Director will oversee research and formulate recommendations for the Fund's priorities and annual spending plan, and present these to the Board for approval. He/she will lead efforts to raise funds and secure reliable revenues for the Fund. He/she will focus on the effectiveness of the project management cycle - identification, appraisal, selection and oversight - to ensure the Fund's expenditure program is effectively implemented and that the expectations and requirements of key stakeholders are met. The Director will oversee monitoring and evaluation of the Fund's core processes and staff and will ensure process improvements and staff development where needed.

The fundamental responsibility of the Director will be to provide management leadership to ensure that initiatives' supporting the Fund's financing strategy and annual operating plan are carried out effectively and serve the needs of the stakeholders.

PRINCIPAL DUTIES AND RESPONSIBILITIES

- manages the preparation of the Fund's multi-year financing strategy and annual operating plan for Board review and approval;
- develops sector priorities, disbursement mechanisms, work plan and key performance measures for Board approval;
- supervises implementation of the annual plan and monitors its effectiveness;
- directs Fund's day-to-day operations and ensures compliance with the policies and guidelines governing the Fund;
- selects and motivates staff and oversees their training and development;
- creates and maintains a network of key international and local contacts;
- plays an active role in attracting donor funding and technical support;
- designs and manages outreach programs and is the Fund's primary representative to third parties;
- recommends the Fund's investment policy to the Board;
- ensures effective management of the Fund's financial assets;
- concludes technical and/or financial award contracts for projects approved by the Board.

OPERATIONS UNIT

The core functions relating to project cycle management and implementation of Fund activities are integrated into a single "Operations Department" to be managed by the Fund Director. The unit will include specialists in environmental issues, finance and project analysis, ideally with subject matter expertise across the Fund's priority sectors - waste management, air and water protection, biodiversity.

PRINCIPAL DUTIES AND RESPONSIBILITIES

Executes the project cycle, namely:

- project identification;
- project screening;
- project preparation, insofar as the Fund is involved in providing guidance to applicants;
- project appraisal and selection;
- negotiation and conclusion of contracts for support;
- monitoring, supervision and control of project implementation;
- assessment of project results and performance;
- prepares documentation and recommendations on project applications for submission to the Fund Director and Board for decision making.

- develops and maintains operational systems, databases and records;
- supports activities to measure and assess the processes and technologies supporting the project cycle and supports process improvement activities;
- works in coordination with the Fund Director to develop the fund's operations and procedures' manual.

ADMINISTRATION UNIT

Reporting to the Fund Director, the administrative unit will include staff with expertise in business administration, communications, financial management and accounting. The core functions of the Administration Unit are to manage and supervise the financial, administrative and personnel activities of the Fund and develop its public relations strategies in accordance with the Fund's regulations, instructions and procedures.

PRINCIPAL DUTIES AND RESPONSIBILITIES

- prepares the Fund's financial plan, budget and annual financial report;
- performs internal financial, accounting and audit tasks in compliance with Government of Jordan regulations, instructions and procedures;
- prepares routine financial and administrative reporting, including preparation and application of standardized pro-forma financial and administrative documentation in line with Government of Jordan instructions and procedures;
- develops and manages public relations activities;
- administers contracts;
- administers disbursement to beneficiaries;
- administers payroll and personnel tasks;
- liaises with banks and financial institutions;
- liaises with technology support services.

OUTSOURCING

In order to minimize management and overhead costs, the number of staff directly employed by the Fund should be no more than necessary to ensure that the Fund is able to fulfill its legal responsibilities and perform its core operational tasks effectively.

Accordingly, wherever practicable and cost-effective, appropriately qualified external service providers should be engaged both to provide short-term specialist advisory services when required and to undertake certain routine tasks on a continuing basis. Some examples of where outsourcing to external service providers is likely to be feasible and cost-effective include:

OPERATIONS UNIT

Development of operational computer systems and databases. Provision of short-term technical advice. Routine monitoring of project implementation. Project completion evaluation / reporting.

ADMINISTRATIVE UNIT

Banking services. Financial audit services. IT support. Personnel search and recruitment services. Design and production of marketing materials. Organization of promotional events. Design of Internet website.

PROFILES FOR SENIOR FUND STAFF

Suggested profiles for senior fund staff are presented below. These reflect the distribution of organizational functions and responsibilities recommended in the preceding section.

The proposed qualifications for senior staff should be considered as aspirational rather than absolute requirements. However, the positions of the Director and Operations Unit staff will be of crucial importance to the success of the Fund, and particular efforts should be made to attract and recruit staff of the highest caliber and integrity for these key positions.

In this respect, the ability of the Fund to recruit and retain well-qualified and experienced staff is likely to be heavily influenced by the salaries and other benefits that it can offer. Salaries and benefits based on those typically available in the public sector are unlikely to be sufficient to attract well-qualified candidates. It is recommended that the MoEnv allow the Fund to offer salaries and other benefits which are competitive with those paid to staff with similar qualifications and responsibilities in the private sector.

FUND DIRECTOR

KEY QUALIFICATIONS

- university degree in management, finance, economics, business administration or a closely-related subject. A post-graduate qualification in a relevant subject and experience with environmental project financing would be advantages;
- minimum 15 years experience gained in a banking, financing or similar business environment, of which at least 5 years will have been at senior management level;
- solid understanding of the use of economic instruments to advance environmental policy and natural resource management (subsidies, environmentally-related taxes, fees and charges, carbon trading);
- strong financial analysis and valuation skills;
- strong English and Arabic communication skills (written, verbal, and interpersonal);
- results orientation and ability to work in an organized and systematic manner;
- sound judgment, innovative and flexible.

DIRECTLY SUPERVISES

- Fund's Operations Unit Project Analysts;
- Administration Unit staff;
- Secretary / assistant to the Director.

OPERATIONS UNIT PROJECT ANALYSTS

Reporting to the Fund Director, this unit will be staffed with specialists in environmental protection, environmental engineering and project financial analysis.

KEY QUALIFICATIONS

- university degree in environmental/natural resource management, natural sciences, economics, finance, engineering or a related subject. A post-graduate qualification in a relevant subject would be an advantage;
- minimum 5 years experience of environmental program / project planning and management;
- computer literate;
- proficient in Arabic and English languages.

ADMINISTRATIVE UNIT

Reporting to the Fund Director, this unit will be staffed with specialists in business administration, financial management, accounting, communications and public outreach.

KEY QUALIFICATIONS:

- university degree or other equivalent professional qualification in business administration, financial management and accounting, marketing or communications;
- minimum 5 years experience of successfully developing and running computerized administrative and financial management systems and accounts in a business environment;
- proficient in Arabic and English languages.

5. FUND PRIORITIES AND PLANNING PROCESSES

DEVELOPING A FINANCING STRATEGY AND ANNUAL OPERATING PLAN

A critical initial task of the Fund's Board of Directors will be to interpret the broad environmental objectives of the Fund and translate those into more concrete priority areas in which specific projects are to be financed. This financing strategy should clearly align to the country's pressing environmental needs. However, given that the Fund's resources are limited, the Fund should be selective in deciding where and how it will spend its resources. Within the potentially wide range of worthy, needed environmental protection activities, the Fund should focus its spending on sectors and projects that offer significant environmental benefits and are currently inadequately supported by other expenditure in Jordan.

CRITICAL INPUTS TO IDENTIFYING FUND PRIORITIES

The MoEnv will bring together key Fund stakeholders and environmental experts in a series of workshops to generate ideas and foster collaboration in defining the Fund's environmental priorities and financing strategy. Important inputs that could be drawn upon in the development of these workshops are results of studies currently being carried out by the World Bank⁵ which include reviews of environmental expenditure in Jordan as well as the costs of environmental degradation in the country. These studies will identify activities that are having strong adverse affects on the environment and, as a result, also on Jordan's economy. The findings could be very helpful in suggesting possible priority environmental issues and sectors in which the Fund might focus its financing. The Fund's Board will utilize the outputs from these workshops, the World Bank led studies as well as primary and secondary research on the demand for environmental finance in Jordan to formulate the Fund's multi-year strategy and annual plan that will establish spending priorities.

Prior to holding workshops with external stakeholders, it is suggested that the MoEnv first hold internal discussions to formulate and articulate its ideas regarding possible priorities for the Fund. The MoEnv is the pre-eminent center of knowledge and expertise on environmental issues in Jordan and as such its input to identifying priorities for the Fund is crucial. As important as identifying possible priorities should be a discussion on the criteria for determining those priorities. Here again, the MoEnv has an important role to play as it is best positioned to provide scientific and empirical information that can inform the discussion. Input from the MoEnv on these two matters – criteria for defining the Fund's environmental priorities and the possible priorities themselves – would provide an important frame of reference for consultative workshops with external stakeholders.

The stakeholder workshops should be carefully organized and implemented to ensure that all participants are meaningfully engaged in the consultation process and that they feel ownership of the results. Ideally, the Fund's environmental priorities would be agreed by consensus of stakeholders. However, even if consensus is not reached the process should be perceived as fair and transparent to all stakeholders so that outcomes are widely accepted.

⁵ World Bank studies include the Public Environmental Expenditure Review (PEER), Country Environmental Analysis (CEA) and the Cost Assessment of Environmental Degradation (COED).

With regards to environmental priorities for the Fund, three main priority areas have tentatively been identified:

- air and water pollution;
- waste management;
- biodiversity and desertification.

These are derived directly from Jordan's official national environmental and development objectives. They should be seen, however, as possible starting points for the analysis and discussions that should occur in the consultation process outlined above.

THE MULTI-YEAR FINANCING STRATEGY

The multi-year financing strategy, formally approved by the Fund's Board of Directors, will define the priority environmental issues the Fund intends to address. It will include specific, measurable, time-bound objectives as well as direction on the types of projects and beneficiaries eligible for Fund support. It should be emphasized that the Fund's financing strategy is not a substitute for other existing national environmental programs and initiatives; rather, it defines the role of the Fund in reinforcing them. The strategy should be made available to all interested parties and stakeholders, notably its prospective applicants. Ideally, the financing strategy and annual operating plan would be posted on its website and summarized in the Fund's Annual Report. The multi-year financing strategy will:

- clearly define the role of the Fund vis-à-vis other policy tools in pursuing national environmental objectives;
- clearly demonstrate how the Fund plans to achieve environmental objectives by providing an indication of how the Fund plans to allocate resources;
- ensure applicants' confidence in the continuity of the Fund's policy.

The Fund's financing strategy will guide development of the Fund's annual operating plan and budget and should provide revenue estimates and indicative spending targets in percentage terms for different types of projects according to environmental priority. The Fund's financing strategy should be seen as an evolving instrument; it is suggested that the strategy cover a rolling time period of two to three years and that it be reviewed annually by the Fund's staff and Board to assess progress and to make revisions when appropriate.

Table 5.1: Illustration, indicating priorities, supporting objectives and spending targets for each environmental priority area.

PRIORITIES, SUPPORTING OBJECTIVES		Spending Target
Environmental	1.1 Significantly reduce emissions impacting air and water quality 1.1.1 Reduce toxic emissions impacting particulate matter concentrations in geographic "hotspots". 1.1.2 Improve surface water quality in target "hotspots."	Pollution 33%
	1.2 Substantially strengthen management and disposal of solid and hazardous waste 1.2.1 Increase volume and percentage of medical waste treated. 1.2.2 Improve disposal practices and percentage of chemical waste treated.	Waste Management 33%
	1.3 Strengthen natural resource management and biodiversity protection 1.3.1 Increase proportion of enterprises complying to environmental protection laws. 1.3.2 Improve implementation of natural resource management in economic planning and development.	Biodiversity Protection 33%

THE ANNUAL OPERATING PLAN

Consistent with international practice, the Fund's annual operating plan will be the main short-term, annual planning instrument used by the Fund. With regards to the contents and structure of the plan, it will resemble the multi-year financing strategy in many respects but will include more detail.

The annual plan will define more precisely the environmental objectives and resource allocation estimates for the coming year, for example, as percentages of total expected expenditures. It is suggested that resource allocation targets be shown by environmental issue, e.g. air quality, surface water quality, waste management and awareness-raising. Publicizing the Fund's intended spending allocation across environmental priorities will serve two main purposes:

- it will provide an explicit link between Jordan's national environmental objectives and the Fund's environmental priorities;
- it will provide an opportunity for the Fund to inform potential applicants and other interested parties about practical aspects of the Fund's operations. This transparency is useful because it assists potential applicants in screening their project ideas, thus reducing the number of submissions clearly outside the scope of the Fund.

Both the financing strategy and annual operating plan should define spending categories, not specific individual projects. The resources allocated to each environmental category should be sufficiently large to allow funding of a number of projects within this category and sufficiently narrow for the projects within each category to be comparable. If the first of these conditions becomes difficult to meet, it is suggested that the Fund focus its support across fewer project categories.

At the end of each year, actual revenues and expenditures for that year should be compared with revenues and expenditures forecast. Significant deviations between planned and actual revenues and expenditures should be carefully examined and explained to the Fund's Board. Deviations may indicate the need to reform policies, spending targets or operational procedures.

Another planning and management technique used successfully by some environmental funds is to categorize interventions as either 1) capital investments, or 2) non-capital investments and establish a cost-threshold for each. The first category would include the financing of any technology, equipment or construction of facilities that results in "hard" capital enhancements. The second category would include everything else, i.e. "soft" investments in capacity building, awareness raising, or training.

This approach is very useful for managing the operations of the Fund as it corresponds to the Fund's project cycle management procedures which should be differentiated for the different types and sizes of projects. A planning matrix illustrating the different important parameters is provided on the next page.

Table 5.2: Planning matrix illustrating indicative environmental priorities, spending targets, type and size of intervention.

Annual - Fund Financing Priorities						
With Annual Indicative Spending Targets						
			Capital Investments		Non-capital Investments	
			Small	Large	Small	Large
Pollution (33 %)	Air	Energy efficiency and conservation				
	Water	Measures that reduce threats to human health				
Waste Management (33 %)	Hazardous & chemical	Strengthening monitoring system				
	Solid waste	Recycling & reuse				
Natural Heritage (33 %)	Desertification	Water retention & conservation				

It should be noted, that the Fund may decide that the declared environmental priorities are not meant to be absolutely exclusive nor rigid. The Fund may reserve the right to consider supporting measures that fall outside of the specific priorities as long as they still fall within the broader main priorities of the Fund and are found to be extremely appealing to the Fund because of particular, well justified reasons.

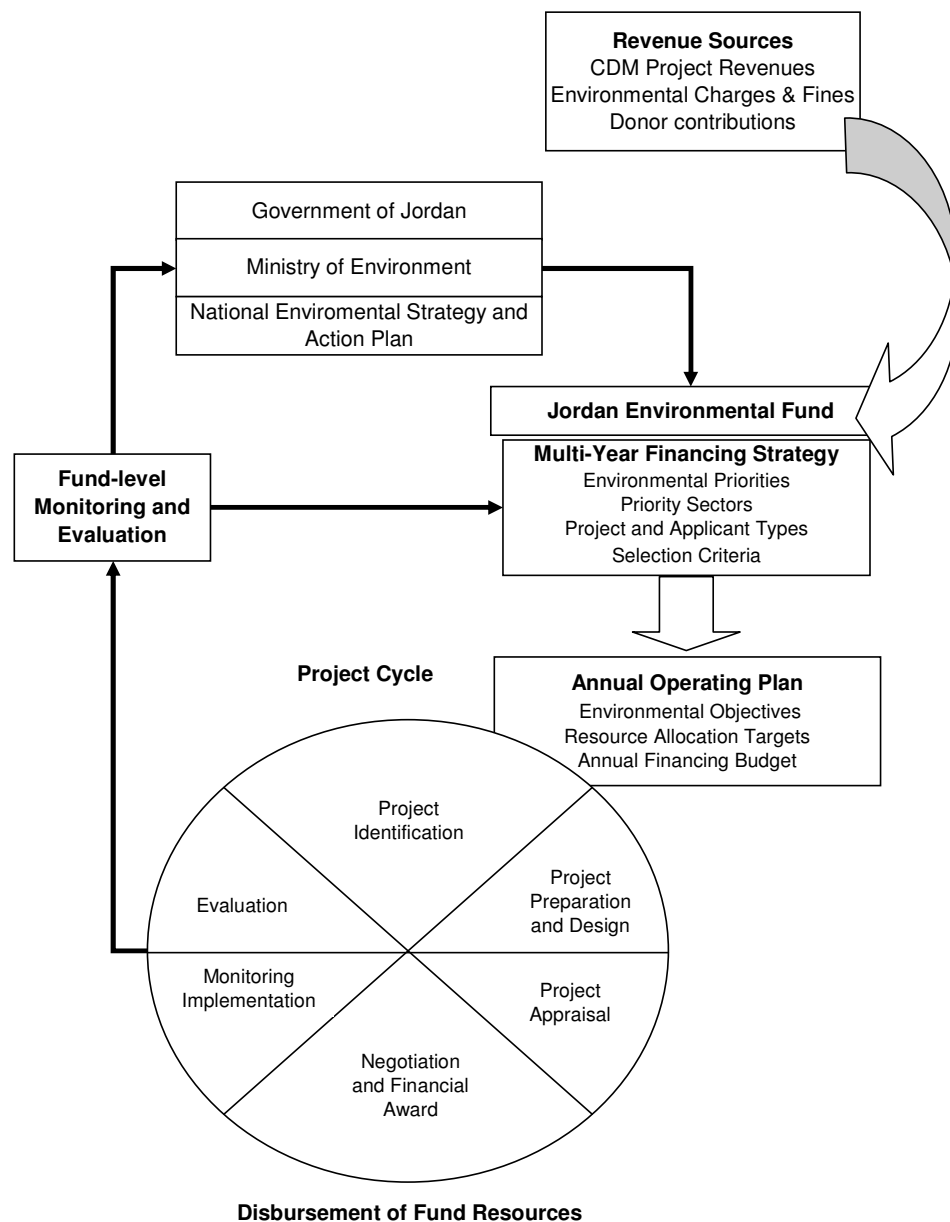
The same holds true for being flexible about the indicative allocation targets between the priorities. The Fund might, during the course of the year, find that there is a surplus of good projects ready to be implemented in one priority area whereas it is struggling to find good projects ready to be implemented in another area. Rather than leave funds unallocated the Fund should have the flexibility to shift resources to where they can be put to good use.

At the end of each year or more frequently if needed, the Fund should assess its performance in meeting allocation targets and identify and discuss any obstacles that have been encountered.

6. PROJECT CYCLE MANAGEMENT

The core function of the Jordan Environmental Fund is to extend financial assistance to activities and projects that strengthen environmental performance across Jordan. The Fund should seek to support projects that will result in the greatest environmental improvement possible and are most likely to advance compliance with environmental protection laws and standards across Jordan. To achieve these objectives it will be necessary for the Fund to formulate and implement a sound, systematic approach to the identification, preparation, appraisal, selection, implementation and subsequent evaluation of projects receiving its support. This series of steps is known as the “project cycle” and management of the project cycle represents one of the Fund’s most critical processes.

Figure 6.1: The Fund’s project cycle in the context of the broader environmental policy framework.



All process steps and decisions required for project applications being considered by the Fund will be fully elaborated and documented in the Fund's Instructions and operational manual, with responsibilities for each clearly defined. These procedures should strive to ensure that the Fund's resources are allocated in the most effective and efficient manner possible. And as the Fund will be resourced with public money, its procedures will also ensure that the Fund's decision making processes for resource allocation meet high standards of transparency, objectivity and accountability. While the details of the Fund's project cycle management processes are not elaborated in its regulations, the requirements that they be based on these fundamental principles are clearly expressed there.

Particularly important for ensuring transparency is that the process and criteria for project eligibility, appraisal and selection are clearly described and understood by applicants. As such, the procedures will be communicated to potential applicants in written form and made available to all interested parties through the Fund's web site. This robust process approach and level of transparency in resource allocation will benefit the Fund in a number ways:

- by insulating itself from pressure to allocate resources according to political, rather than other agreed and objective criteria;
- by having a strong basis upon which to justify its decisions for supporting some projects and rejecting others;
- by communicating the "rules of the game" through stable and predictable process steps, and;
- by enjoying institutional credibility among key stakeholders, including existing and prospective donors and other collaborating entities.

OVERVIEW OF THE FUND'S PROJECT CYCLE STAGES

PROJECT IDENTIFICATION

The objective of this first stage of the project cycle is to develop a solid project pipeline and identify project owners and promising projects in each of the Fund's priority areas that could be supported by the Fund. Project identification will be guided by the priorities and basic eligibility criteria outlined in the Fund's multi-year financing strategy and more precisely defined in its annual operating plan. The annual operating plan should take care in striking the right level of specificity. Priorities and criteria which are too vague and inclusive can lead to a flood of technically eligible proposals requesting far more support than the fund can possibly provide. Priorities and criteria which are too explicit and exclusive can effectively pre-determine which individual projects will receive finance or result in a lack of eligible applications being received by the fund.

Once the annual operating plan is prepared and approved, the Fund will develop outreach materials and application packages to convey critical information to potential applicants on the Fund's environmental priorities, application process and eligibility and selection criteria.

Fund staff will organize outreach events and training sessions for potential applicants, meet with industry groups, NGOs, and the media to promote the Fund and provide information about the types of projects and forms of support it will provide.

The Fund's outreach strategy will be developed on an annual basis and is described later in this report.

PROJECT PREPARATION AND DESIGN

Though this is an important stage of the project cycle, the role played by the Fund will be quite limited and clearly specified as the principal responsibility for project preparation and design is that of the applicant. As mentioned above, the fund will develop a policy for informing applicants about its priorities and appraisal criteria, and may even provide advice on the design of projects which would increase their attractiveness to the fund. However, the fund should be careful to not become closely associated with any given proposal and jeopardize its status as an objective appraiser.

If the fund decides that it wants to finance certain types of projects meeting very specific design standards, then a proven way to ensure that applicants' proposals meet the fund's criteria is to hold targeted competitions, through a tender, where the projects' design parameters are clearly specified a priority by the Fund.

PROJECT APPRAISAL AND SELECTION

The fundamental function of project appraisal is to help decision-makers select sound projects which contribute to the achievement of the fund's overall goals and which are consistent with the fund's stated priorities and eligibility criteria. Beyond identifying sound projects and eliminating "unsound" ones, project appraisal should also allow decision-makers to assess a particular project's value in relation to the value of other similar projects. A project's cost-effectiveness should, to the extent possible, be one of the most important criteria in determining the comparative value of a given project. A number of other criteria will come into play in determining a project's comparative value, including the share of co-financing pledged for the project and the comparative advantages or projected incremental benefits of the project vs. others.

Appraisal procedures should take into account the administrative capacity of the fund and should enable the fund to process applications in an efficient and timely manner. As such, the complexity of project application and appraisal requirements should vary depending on the size and characteristics of the project. For example, non-capital investment projects requiring less funding should undergo a unique type and level of scrutiny as compared to a proposal for more expensive capital investment projects.

Whatever specific criteria are employed by the Fund in project appraisal, the information requested from applicants should be sufficient for the fund's management to identify the most cost-effective solution from the range of options.

A TWO-STAGE APPRAISAL PROCESS

An approach to project appraisal used successfully by a number of environmental funds, which increases efficiency and which decreases the costs of project preparation and appraisal for both the fund and applicants, is a two-stage procedure for appraising projects. The first stage of this process is eligibility screening and the second stage is appraisal proper.

STAGE 1: ELIGIBILITY SCREENING

In this stage, applicants submit a brief pre-application form which summarizes essential information on the project. Project proposals are quickly screened by the Fund's project analysts against the fund's objectives, priorities and eligibility criteria and a hard "yes" or "no" decision is made on the project's eligibility. For potentially strong, but poorly prepared proposals, feedback can be provided so an applicant can revise and resubmit his/her application.

Notifications are mailed to applicants. Qualified applicants are mailed a proposal package and invitation to submit a full application. Proposals which are inadequately developed or inconsistent with a fund's priorities are rejected at this stage and a letter is mailed to the applicant clearly explaining the reasons.

JORDAN ENVIRONMENT FUND PROJECT QUESTIONNAIRE AND APPLICATION FOR FUND SUPPORT					
PROJECT NAME: DIESEL EMISSION REDUCTION, PUBLIC BUSES			PROJECT LOCATION: ZARQA		
APPLICANT: A-1 BUS COMPANY			ENVIRONMENTAL SECTOR: AIR QUALITY		
SECTOR	PRIMARY	SECONDARY			
AIR POLLUTION	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
WASTE WATER REUSE	<input type="checkbox"/>	<input type="checkbox"/>			
MEDICAL WASTE MANAGEMENT	<input type="checkbox"/>	<input type="checkbox"/>			
CHEMICAL WASTE MANAGEMENT	<input type="checkbox"/>	<input type="checkbox"/>			
BIODIVERSITY CONSERVATION	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
PROJECT ENVIRONMENTAL OBJECTIVES AND JUSTIFICATION:					
Reduce diesel emissions from public and private buses to improve air quality in Jordan					
TECHNICAL DESCRIPTION OF THE PROJECT:					
SELECTED OR PLANNED SUPPLIERS (MANUFACTURERS):					
PROJECT FINANCING					
FUNDING SOURCES	FINANCIAL RESOURCES				SHARE
	DISBURSED IN YEARS	COMMITTED	PLANNED	TOTAL	
Own Funds:					
Loans:					
Grants:					
Jordan Environment Fund, Grant					
Total					100
PERSON PREPARING THE QUESTIONNAIRE, DATE			SIGNATURE		
PERSON SUBMITTING THE QUESTIONNAIRE, DATE			SIGNATURE		

STAGE 2: APPRAISAL AND RANKING

In the second stage, project applications undergo a more detailed assessment and applicants will submit project proposals which include detailed data regarding the technical, environmental, economic and financial projections of their projects. There will likely be unique application forms for capital vs. non-capital investment projects but both are likely to include the following:

- project title, applicant data, legal status of applicant and location;
- project description and rationale, objectives and alignment to Fund priorities;
- proposed action, expected environmental benefits, key measures;
- implementation schedule, financial plan and sources of financing;
- contractors, project partners;
- cost-effectiveness analysis, project's financial data;
- applicant financial data: revenues, expenditures, assets and liability statements.

Here Fund analysts will use a scoring system, based on weights attached to specific criteria, which will allow them to score and rank the projects in comparison with the other project proposals in the same environmental priority area.

PROJECT SELECTION

After project appraisal is completed and projects ranked within their respective environmental priority areas, the Fund's Director General will present funding recommendations to the Board of Directors. The number of projects recommended for financing within a given priority area will depend on the level of available resources for this area, as outlined in the annual operating plan, and the amounts applicants request. The

JORDAN ENVIRONMENT FUND PROJECT PROPOSAL REQUIREMENTS

1. PROJECT TITLE

2. APPLICANT AND SUMMARY OF PROBLEM

- Name, address, telephone number
- Main activity, (for a company), objectives (for an NGO), functions (for governmental, public agencies)
- Name(s) and position(s) of the leader(s)
- Name(s) and position(s) and contact information of those responsible for project implementation
- Summary of the primary environmental problem of the organization

3. BACKGROUND AND PROPOSED ACTION

- Describe and provide background on the problem to be solved
- Present the environmental and public health impacts of the issue, presenting the size and scope of the risks and justifying the action
- Describe actions previously taken to address problem, resources used, results
- Present the proposed action, expected environmental effects and support justification of the benefits

4. TECHNICAL DESCRIPTION

- List and describe proposed actions, which will lead to problem resolution and list expected outcomes
- Describe the proposed technology, efficacy in addressing the problem
- Presentation of possible alternatives

5. ASSESSMENT OF THE BENEFITS

- Quantitative measures regarding the expected environmental effect (expected reduction of the harmful emissions, impact on environmental and/or health risks)
- Quantitative measures regarding decrease of the costs (capital costs and/or operational costs)

6. FINANCIAL CERTAINTY OF THE PROJECT

- Information regarding the projected costs of the project
- Estimate of ability to self finance elements of the operational costs after the project is completed
- Information regarding ensured co-financing from the beneficiary and agreements or demonstrated interest for co-financing from other lenders
- Requested financing support from the Jordan Environment Fund

7. SCHEDULE FOR THE PROJECT IMPLEMENTATION

- Time frame for completion of each stage

It is recommended the Proposal be presented at no more than 5 pages, except on occasions where the project was developed in more detail for submission to other organizations. Additional supporting information may be presented in an Annex.

Board should approve projects starting at the top of the ranking list and proceeding down the list until all available resources allocated for that given priority area are exhausted, at which point the Board should draw a cut-off line below which no further projects would be approved. Any modification by the Board to the Director General's recommendations must be justified and written into the official meeting records and be made subject to public disclosure.

NEGOTIATION AND AWARD

Once a project has successfully passed through the appraisal process and been approved by the Board, conditions for providing and using the support are negotiated with the applicant. A written agreement for support will be prepared by the Fund Director and entered into by the Fund and the applicant, which specifies the terms and conditions of the award and the obligations and rights of both parties. This contract should include the financing terms and implementation schedule. All potentially contentious issues should be resolved before the contract is signed.

MONITORING OF PROJECT IMPLEMENTATION AND OPERATION

Monitoring is a crucial part of a successful project cycle and projects that are under implementation need to be monitored to:

- safeguard the Fund's resources;
- ensure that projects adhere to the project design and progress according to the schedule set out and confirmed in the award agreement;
- gather information about the process of project implementation, including identification of particularly successful approaches or problems encountered in order to mitigate such problems and facilitate the sharing of experience among current and future participants;
- ensure that the Fund's progress against targets in key performance indicators is being captured.

An important issue which arises here, but which can also have significant implications for the appraisal process, concerns the procurement methods used. For larger projects, contractors and suppliers should be selected through competitive tender, and this should be explicitly written into award agreements.

POST-IMPLEMENTATION EVALUATION OF PROJECTS

Systematic evaluation is a critical learning device and a prerequisite for building capacity and skills to improve the Fund's project cycle management process. As it is a key objective of the Fund that projects contribute to the Fund's environmental goals, an evaluation of project results as well as how the project progressed through the stages of the project cycle should be done. Evaluation reports should be prepared indicating important mistakes that have been made, analyzing the causes of success or failure of projects or processes, and assessing the Fund's ability to detect and prevent similar issues in the future. The report should contain recommendations for improving all phases of the project cycle.

Specifically, the Fund's evaluation activities should:

- measure and otherwise characterize, quantitatively and qualitatively, the project's environmental effects; did the project generate the environmental benefits envisioned in the award agreement? If not, why?;

- identify the impact of the project on participating organizations;
- identify any unexpected benefits, or negative impacts, generated by the project;
- support the identification of case studies highlighting innovative practice, successful problem-solving, and/or significant achievements for wider dissemination;
- provide detailed input regarding the Fund's processes and approach in order to support Fund process improvement efforts.

7. MONITORING AND EVALUATING FUND PERFORMANCE

As the Fund will be part of the MoEnv, it will be subject to the same rules and regulations of the Audit Bureau that apply to the Ministry. The intent of the Audit Bureau review is to ensure Fund compliance with the regulations and laws governing public institutions and will include reviews of the financial, administrative, purchasing and procurement activities of the Fund.

International organizations and independent experts have frequently called for environmental funds to exceed their statutory requirements and monitor and evaluate their overall performance and results as an institution. Ideally, the Jordan Environmental Fund will surpass its obligatory review requirements and incorporate monitoring and evaluation into its business processes.

Monitoring and evaluation (M&E) are distinct but related management tools that provide funds and their stakeholders with a structure to measure their performance, understand the impacts of their activities and can be used to improve the fund's programs and operational processes.

WHY IT'S IMPORTANT

- institutional learning - systematic evaluation enables the Fund to learn which of its processes work well and which do not and can provide valuable data for continuous process improvement throughout the Fund's operations;
- fund sustainability - the more effective and efficient the Fund, the broader and stronger its support is likely to be among key stakeholders and the general public, ultimately enhancing the Fund's long-term sustainability;
- donor recognition and support - measuring and tracking the cost-effectiveness and overall impact of the Fund's projects provides data to demonstrate the impact and efficiency of the Fund's work to potential donors.

The Fund's multi-year financing strategy and annual operating plans will provide the basis for the Fund's M&E plan as they set out the Fund's environmental priorities and objectives and its intended actions for accomplishing them. Using a logical framework approach, it is possible to build upon the Fund's environmental priorities and objectives and to design a M&E plan⁶ that identifies and defines the Fund's:

- inputs or activities – the activities or resources provided by the Fund, primarily financing, as the direct means through which the Fund seeks to achieve its objectives;

⁶ The IPG Handbook on Environmental Funds, A Resource Book for the Design and Operation of Environmental Funds, Ruth Norris, editor.

- outputs or results – direct effects of the projects financed by the Fund, i.e. volume increase in wastewater treatment, total tons of toxic air emissions reduced, volume increase in medical waste treated;
- performance indicators – precise, direct measures of the intended results. Should be objectively verifiable and can include quantitative and qualitative measures.

DEFINING THE PERFORMANCE INDICATORS

Performance Indicators are measures of the Fund's achievements. They are a critical component of the M&E plan and should be used to measure the effectiveness and efficiency of the Fund in pursuing its objectives. When defining indicators:

- develop precise, direct measures of the intended result;
- choose 1-2 critical indicators in each main environmental priority area that staff can easily source and realistically monitor. Indicators should be objectively verifiable, i.e. different people looking at the same information would reach the same conclusion;
- establish baseline performance for each measure. Performance targets should be quantifiable and time-bound. The table below illustrates examples of possible performance indicators for the Fund.

Table 7.1: Illustrative performance indicators.

Environmental	<p>1.1 Dramatically reduce emissions impacting air and water quality Indicator and source- CO2 emissions per capita, Environmental Performance Index (EPI) Baseline - 87.2, 2008, Target - 60, 2012 Indicator and source - Water quality index (EPI) Baseline - 31.7, 2008, Target</p> <p>1.2 Substantially strengthen management and disposal of solid and hazardous waste Indicator and source - % of Medical Waste Treated, National Agenda Baseline - 53%, 2006, Target -100%, 2012</p> <p>1.3 Strengthen natural resource management and biodiversity protection Indicator and source - Number municipalities implementing sound development oversight, tbd Baseline and Target - tbd</p>
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Measuring the performance of the Fund will largely, but not exclusively, consist of aggregated measures of the performance of the individual projects supported by the Fund so it is essential that the Fund develop a robust system for M&E at the project level. To the extent possible the environmental effects of the Fund's projects should be measured utilizing existing sources and mechanisms, i.e. environmental monitoring systems, Yale's annual "Environmental Protection Index", etc. As there will likely be gaps and weaknesses in the existing monitoring systems, the Fund will need to supplement existing systems with its own efforts. Indeed the Fund Board may even decide to make strengthening of existing environmental monitoring systems an early priority for Fund spending.

INDEPENDENT EVALUATION OF FUND PERFORMANCE

Apart from "self" monitoring and evaluation carried out by the Fund, it is recommended that the Fund subject itself to evaluation by independent, external parties on a periodic basis for the purpose of providing constructive feedback to improve the performance of the Fund. A review of the Fund should be made after the pilot phase and it will be useful to assess

effectiveness and monitor progress toward objectives annually. More rigorous independent evaluations could include:

- performance evaluations, along the lines of the “performance reviews” pioneered by OECD, and based on internationally recognized “best practices” and benchmarks; this type of evaluation could be conducted once every 3-5 years, or whenever there have been problems or changes at the Fund;
- financial audits, conducted by a well-recognized and respected international auditing organization/firm; such audits, if the results are positive, may be persuasive to potential donors and might be required as a condition for financial contributions from particular donors or IFIs.

8. FUND REVENUES

The Fund's sources of revenue are provided for by Article 17 of the Environmental Protection Law and specified in the Fund's regulation and include those listed below. In practice, the Fund should leverage and exploit each of these sources to enjoy a substantive, reliable and long-term revenue stream:

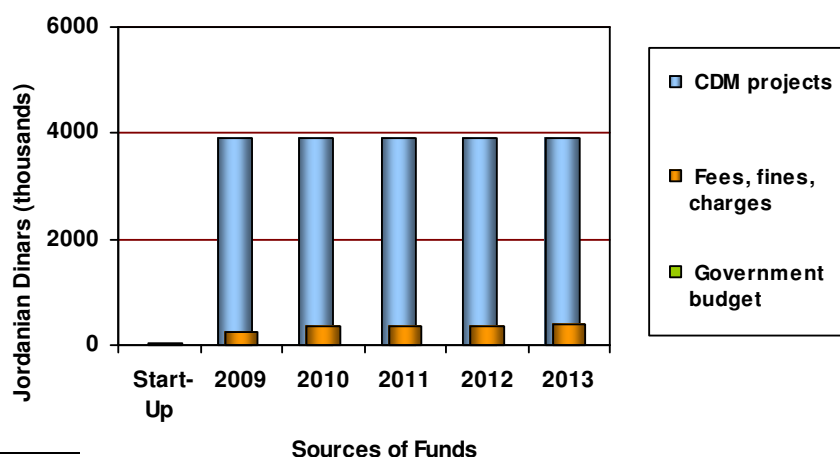
- special general budget allocations made by the GOJ;
- fines and penalties assessed for violations to national environmental law;
- fees for treating hazardous and industrial waste;
- revenues from fees collected for environmental licensing;
- donations;
- revenues from carbon emissions trading;
- charges and duties levied on environmentally harmful products or goods that are either imports or produced domestically;
- revenues from profitable activities of the Fund, i.e. loan interest payments, interest from deposits.

In February 2008, SABEQ consultants conducted an in-depth audit to gather data on environmental revenues collected by the GOJ, verify revenue forecasts for the Fund and finalize projections for the Fund's revenues from 2009 through 2013.

At the present time, both the MoEnv and the MoF collect environmental revenues and transfer those payments to the general budget. The aim of the MoEnv is to redirect some, if not all of the environmental revenues collected to the Fund. The revenue audit findings presented below form the basis for the annual budget forecasts for the Fund.

Presently and as illustrated below, proceeds from clean development mechanism projects and environmental fees, fines, and charges⁷ are projected to represent 94% and 6% respectively of the Fund's revenues. The MoEnv expects to garner contributions from Jordan's private sector, donor organizations and international financial institutions but the size and likelihood of donations is not yet understood and so is not included in the forecasts.

Figure 8.1: Profile of the fund's expected revenues, from 2009 to 2013.



⁷ "Revenue Audit: Jordan Environment Fund", a report sponsored by USAID through the SABEQ project, implemented by BearingPoint, Inc. The report was written by Mr. Omar Ali of To Excel Consulting, Amman.

CLEAN DEVELOPMENT MECHANISM

Many countries are exploring the use of emissions trading as an economic instrument for financing environmental projects. Emission trading is based on the principle that any increase in emissions from a given source must be offset by an equal or greater decrease in emissions from another source. For example, when a statutory ceiling on pollution levels is fixed for a given area, a polluting firm can only increase its emissions if another firm located in the same area will reduce theirs by an equal or greater amount. The firm that wishes to increase its emissions must therefore buy "credits" to pollute.

The Kyoto Protocol, an international treaty that took effect in 2005, binds ratifying nations to limits on carbon emissions. The clean development mechanism (CDM), established under Article 12 of the Kyoto Protocol, enables projects that reduce emissions in developing countries to be funded by entities in industrialized countries in return for credits for any emissions reductions that result from the project. The objective of the CDM is to assist developing country entities in promoting national development and to assist developed countries to meet their Kyoto Protocol greenhouse gas reduction targets.

In line with its international obligations, the GOJ is working to reduce carbon emissions by developing emission reduction projects or CDM projects, which, once certified, will result in compensation for the GOJ and CDM project stakeholders. The GOJ has agreed to earmark 15% of the proceeds from CDM trades to the Fund. The MoEnv's CDM unit, whose responsibility it is to develop CDM projects nationally, estimates that CDM projects in Jordan could generate as much as JD 3.9 million annually for the Fund from 2009 through 2013. These estimates are presented in table 8.1 below and are based on the assumption that expected CO₂ reductions per project will not change after submission of the project design document for validation to the assigned Designated Operational Entity (DOE), the legal entity certified by the United Nation's CDM Executive Board to validate CDM projects.

Table 8.1 Total Revenues Expected from CDM Projects (JDs)

Source: MoEnv, CDM Unit

CDM Projects	Expected CO2 Reductions Per Year (Tons)	Estimated Cost per CER ¹	Total Revenues Projected Per Year	Company Buying CO2 Emission Credits	Expected Date of Certification & Issuance of Credits
Aqaba Thermo Power Station	352,000	7.49	2,635,226	Eco Security	Mar 2009
Samra Thermal Power Plant	162,000	7.09	1,149,254	MGM	Apr 2009
Al-Rusaifah Biogas	65,427	8.14	532,674	Government of Finland	Apr 2009
Rihab	1,250,000	9.18	11,476,604	MGM	May 2009
East Amman Station - Manakher	855,000	10.92	9,334,652	TEB/Econergy	Sep 2009
Kemapco	114,738	12.48	1,431,631	French Co.	Sep 2009

Notes: 1) "CER" stands for "certified emissions reductions".

The potential change in CDM project value during the certification process is a risk that could affect the Fund's revenue flow. As shown in figure 8.2 and table 8.2, the CDM revenues from 2 of Jordan's projects, the Rihab Power Generation and East Amman Station Manakher, represent

80% of the Fund's total projected revenues. This places the Fund at considerable risk if either of these projects is terminated, delayed or decreases in value.

An analysis of the MoEnv's CDM project pipeline indicates that the projected revenues from some CDM projects have diminished by as much as 75% after submission of the project design document to the DOE. The Aqaba Thermo Power station was initially expected to reduce 1.4 million tons of CO₂ per year which would have generated JD 9.9 million for the Fund; however, after verification by the DOE, the CO₂ reduction estimate was decreased to 354,000 tons per year and will generate only JD 395,284 per year. Such substantial and unpredictable shifts in revenue flow to the Fund will pose serious challenges to the Fund's management and operation.

Figure 8.2
Composition of projected annual CDM revenues to the Fund
2009 - 2013, in JDs

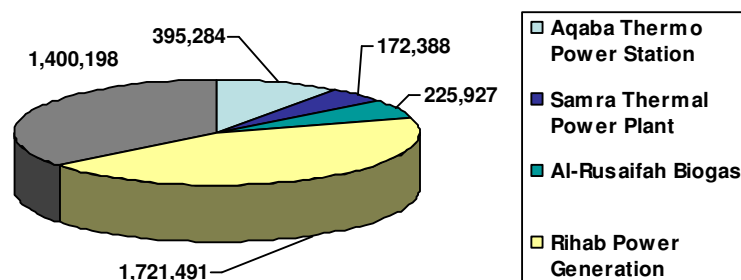


Table 8.2 Total CDM Revenues Allocation to the Fund (JDs)

Source: MoEnv, CDM Unit

CDM Projects	2009	2010	2011	2012	2013
% Allocation to Fund	15%				
Aqaba Thermo Power Station	395,284	395,284	395,284	395,284	395,284
Samra Thermal Power Plant	172,388	172,388	172,388	172,388	172,388
Al-Rusaifah Biogas	79,901	79,901	79,901	79,901	79,901
Rihab	1,721,491	1,721,491	1,721,491	1,721,491	1,721,491
East Amman Station - Manakher	1,400,198	1,400,198	1,400,198	1,400,198	1,400,198
Kemapco	214,745	214,745	214,745	214,745	214,745
Total	3,984,006	3,984,006	3,984,006	3,984,006	3,984,006

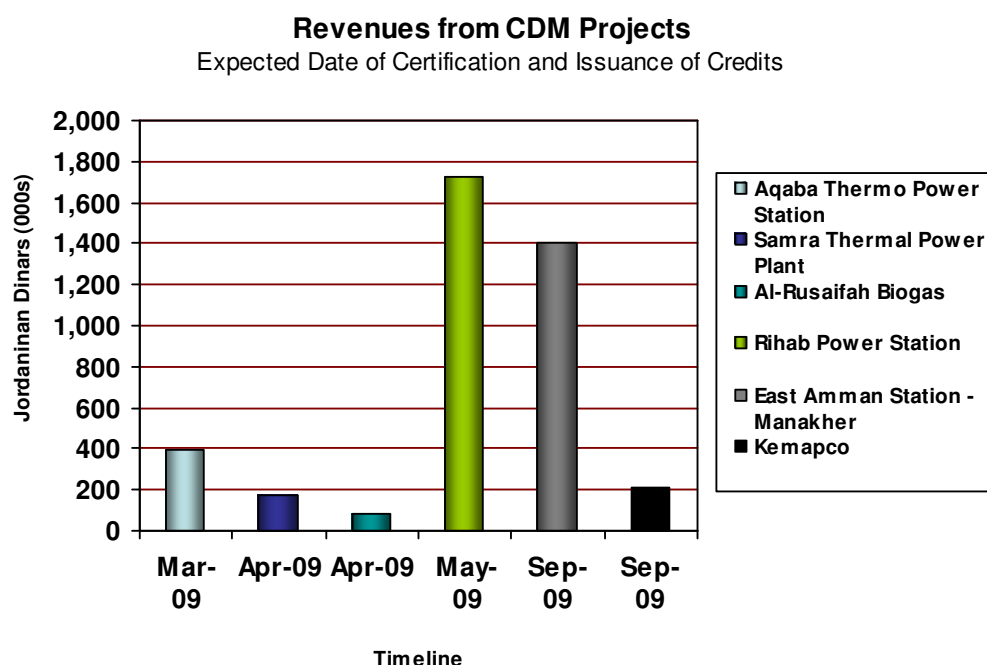
The nature of the CDM and its relatively new entrance to the environmental finance market means that there is no model for operationalizing the CDM.⁸ Even with supportive governance as provided by the GOJ, the process of getting emission reductions to the point of certification is lengthy and cumbersome. For the Fund, this means that not only will the

⁸ "The Clean Development Mechanism: A User's Guide", United Nations Development Programme, 2003.

true value of CDM projects be unpredictable, but also the timing of CDM revenue flows may be erratic.

The CDM process can take over a year from the initial project idea through the verification and issuance of credits. For reference, a CDM Project Flow Chart is presented in the Appendix. Based on current international experience and on established CDM procedures within the GOJ, the MoEnv CDM unit estimates that it will receive CERs, i.e. revenues from its first CDM transactions, in the Spring of 2009. Forecasting the value and timing of CDM project revenues will be a critical task as the size and timing of these revenues are crucial to achieving the Fund's objectives.

Figure 8.3: Expected schedule of CDM project revenues to the Fund



Note: In addition to the estimates presented here, other CDM projects are under study which could provide additional revenues to the Fund in the coming years.

FEES, FINES AND CHARGES

The implementation of any existing or new economic instruments that contribute to the Fund's revenues should be part of a systematic approach to environmental policy and one that clearly features the Polluter Pays Principle (PPP) as a foundation. Direct application of the PPP requires that polluters use their own resources to finance measures required to comply with environmental standards. When polluters pay environmental fees, fines and

charges and the resulting revenue is channelled into environmental protection investments via a fund, an indirect form of PPP is achieved.

International experience has shown that economic instruments such as environmental fees, fines and taxes form the backbone of revenues for most environmental funds. These payments are successfully used to raise revenues for governments and provide an incentive for polluters to reduce pollution. When the primary goal is to create an incentive for polluters to reduce their emissions, one would expect revenues to decline over time as the incentives take effect and pollution is reduced. In practice, however, most pollution charges currently used around the world are generally too low to have a significant incentive effect and their primary result has been to raise revenues for environmental funds, other institutions or the state budget.

Environmental fees, fines and charges are projected to account for 6% of the Fund's total revenues. While it is clear that the Fund will not rely on this source during its first few years of operation, the MoEnv should work to enhance it. The Fund's ability to strengthen this revenue source will be closely linked to the effectiveness of environmental monitoring, enforcement and the collection of environmental payments.

Presently, environmental revenues in Jordan are collected through the following activities:

- charges from the disposal and treatment of industrial and medical waste;
- fines and charges on environmental accidents;
- licensing fees;
- fines from deforesting activities.

CHARGES FROM DISPOSAL AND TREATMENT OF HAZARDOUS WASTE

Industrial waste in Jordan is currently dumped at the Swaqa landfill or taken to Jordan University for Science and Technology's incinerator. The MoEnv charges for the cost of waste removal plus an additional 25% to offset the administrative cost in managing the removal. The figures in table 8.3 indicate that revenues generated each year from the disposal of industrial waste have fluctuated widely due to the lack of efficient monitoring and enforcement procedures. However, an increase in revenues was evident after the enactment of the Environmental Protection Law in 2006. The MoEnv expects a 10% annual increase with improved monitoring and enforcement until 2010 when the medical and industrial waste treatment plants are expected to be privatized.

Table 8.3 Revenues from Disposal of Industrial Waste (JDs)

Source: MoEnv Finance Directorate, 2008.

Year	2003	2004	2005	2006	2007
Revenues Generated	102,263	21,752	8,904	52,551	128,695
Growth Rate (%)		-79%	-58%	486%	145%

The privatization of the medical and industrial waste treatment plants will increase treatment capacity considerably. It is expected that the Build Operate Own (BOO) plant being

developed with the Greater Amman Municipality (GAM) will treat 2,500 tons each of industrial and medical waste. The treatment facility is expected to collect JD 500 per ton and will generate JD 2.5 million per year. If between 5% and 10% of these are earmarked to the Fund; the Fund would receive between JD 125,000 to JD 250,000 annually⁹. Table 8.4 below presents the projected revenues.

Table 8.4 Projected Revenues for Fund from Industrial Waste (JDs)

Source: MoEnv Finance Directorate, 2008.

Year	2007	2008	2009	2010	2011
Revenues Generated		141,564	155,720		
Best case scenario: 10% of private operator's revenues go to Fund		10%	10%	250,000	250,000
Worst case Scenario: 5% of private operator's revenues go to Fund		5%	5%	125,000	125,000

FINES AND CHARGES ON ENVIRONMENTAL ACCIDENTS

As reflected in table 8.5 below, the MoEnv collected approximately 197,000 JD from fines on environmentally harmful accidents between 2000 and 2007. The MoEnv was unable to collect charges from all accidents because of issues in monitoring and enforcement capacity. With the establishment of the Environmental Rangers Directorate, the MoEnv anticipates that inspection and enforcement will be strengthened and revenues to increase by 5% annually. Accordingly, the amounts forecast for years 2008 to 2011, were calculated using the average of the fines collected on environmental accidents prior to 2007.

Table 8.5 Fines and charges on environmental accidents

Source: MoEnv, Finance and Legal Directorates, 2008.

Year	Amounts Collected or Projected (JDs)
2000	51,000
2001	0
2002	50,000
2003	28,800
2004	66,980
2005 - 2007	0
2008	25,827
2009	27,119
2010	28,475
2011	29,898
Total	196,780

⁹ Fischer study, 2004.

LICENSING FEES

The MoEnv started to collect licensing permit fees and Environmental Impact Assessments (EIA studies) fees in 2005 when the Environment Impact Assessment by-law came into force. The license application fee totals JD 25 per permit and EIA fees total JD 750 per study. Table 8.6 shows the revenues generated from these fees from 2005 to 2007.

Table 8.6 Revenues Generated from Environmental Licenses and Impact studies (JDs)

Source: MoEnv Finance and Licensing Directorates, 2008.

	2005			2006			2007		
	Number	Fee	Value	Number	Value	% change	Number	Value	% change
Permit	606	25	15,150	622	15,550	2.6	730	18,250	16.7
EIA study	8	750	6,000	25	18,750	212.5	27	20,250	8
Total			21,150		34,300	62.2		38,500	12.2

These revenues are projected to increase at 5% annually from 2007 levels as the inspection and monitoring role of the MoEnv was recently reinforced by new regulations that prevent unlicensed operations.

To strengthen this revenue for the Fund, we suggest that the permit and EIA fees also be raised to JD 50 and 1000 respectively. Table 8.7 shows revenue from environmental licensing and impact studies given the increase in fees and the projected 5% annual growth.

Table 8.7 Projected Revenues, Licenses and Impact Studies (JDs)

Source: MoEnv Finance and Licensing Directorates, 2008.

	2008	2009	2010	2011	2012
Growth Rate	5%	5%	5%	5%	5%
Total Revenues	66,675	70,009	73,509	77,185	81,044

DEFORESTATION FINES

Another potential source of revenue for the Fund are fines collected by the MoF when trees are cut or burned.

Over the last six years, fines imposed averaged JD 64,526 per year and this rate is expected to increase to 67,752 in 2008. However, the actual collections by the MoF have been far less at just JD 5,255 per year on average due to a lack of enforcement by forest rangers. On average, collection did not reach beyond 16% of fines imposed. The figures illustrate that the amount of fines imposed as well as collected vary widely and efforts to strengthen monitoring and enforcement would likely have a meaningful impact on revenue.

Imposed wood fines are expected to increase 5% annually due to rising energy prices. Assuming there will be strengthened enforcement of the law, environmental police active on the ground and a rate of collection at 50% of imposed fines (best rate of collection 2004); then the amounts collected could reach levels shown in Table 8.9.

Table 8.8 Wood fine amounts

Source: MoF Public Funds and Legal Affairs

Year	Fines imposed JDs	Fines collected JDs	Collection rate
2002	231,270	8,646	3.7%
2003	73,446	2,883	3.9%
2004	21,030	10,259	48.8%
2005	31,994	2,590	8.1%
2006	22,650	7,100	31.3%
2007	6,765	50	0.7%
Average	64,526	5,255	16.08%

Table 8.9 Projected revenues from wood fines

Source: SABEQ estimates

Years	Fines (JDs)	To be collected
Average of 6 years	64,526	
2008	67,752	33,876
2009	71,140	35,570
2010	74,697	37,348
2011	78,432	39,216

Table 8.10 Total Revenue Projections from Fees, Fines and Charges (JDs)

Source: MoEnv Finance Directorate, 2008.

Year	2009	2010	2011	2012	2013
Charges from disposal of industrial waste	155,720	250,000	250,000	250,000	250,000
Fines and charges from environmental accidents	27,119	28,475	29,899	31,394	32,963
Fees from licenses and environmental impact assessments	42,336	44,453	46,675	49,009	51,460
Fees from "Wood Fines"	35,570	37,348	39,216	41,177	43,236
TOTAL	260,745	360,276	365,790	371,580	377,659

RECOMMENDATIONS TO STRENGTHEN THE FUND'S REVENUE STRUCTURE

This review of the Fund's expected and likely revenues reveals issues that could greatly affect the Fund's ability to achieve its objectives, both in the short and longer-term. The most significant issue is the Fund's heavy reliance on a single source of revenues – CDM proceeds. This risk will affect the Fund on multiple fronts:

- the flow of revenues is largely out of the control of Fund staff and the MoEnv;
- the amount and timing of revenues is likely to be unpredictable and may pose serious challenges for the Fund's financial management and expenditure planning;
- the Fund may not be sustainable once CDM revenues are exhausted, which could occur as early as 2013.

It is strongly recommended that the MoEnv and later the Fund itself take prompt steps to develop and implement fundraising, or "revenue enhancement" strategies for the Fund. To enhance financial management and ensure long-term Fund sustainability, strategies should include a short-term financing strategy for the start-up and launch of the Fund. The GOJ, through the MoEnv has earmarked some 25,000 JD per year for the next few years to support the Fund. SABEQ estimates that the costs of start-up alone will be at least 232,000 JD (please see section 12 on Budget Forecasts for details). It is essential for this gap to be covered to prepare the Fund for operation. Given the short time frame involved, it would seem most likely that such funds would have to come from the GOJ or donors.

As for achieving the diversification of revenue sources required to stabilize revenue flows and ensure the longer-term sustainability of the Fund, a longer-term strategy should also be put in place. This would include action along at least three different avenues:

- strengthening of domestic environmental revenue sources (e.g. fines, fees, charges, taxes) based on fuller implementation of the Polluter Pays Principle;
 - ~ of these possible alternative sources, environmental charges, fines and taxes are those whose implementation the MoEnv is in a stronger position to manage;
 - ~ these sources should be enhanced through improved environmental monitoring, enforcement and collection of payments.

Implementation of PPP - polluters and users of the environment and natural resources in Jordan should increasingly pay their fair share for their impacts on the environment.

As progress in this respect may be slow and gradual it is important to increase efforts now by initiating incremental reforms that can be developed in consultation with stakeholders and introduced gradually so as to minimize resistance from those most affected.

Over time the policy instruments can be strengthened as economic, political and social circumstances allow.

- establishing asset and cash flow management policies and practices.

In practice this means adopting a very conservative approach to project expenditures in the Fund's early years so as to allow the establishment of a sizable financial "reserve". This reserve would allow the Fund to carry on normally for some period of time even if

revenues from CDM transactions did not arrive on schedule or were substantially less than anticipated;

- expanding the range of financial instruments used by the Fund as it gains experience and better knowledge of its market;

The Fund could expand the tools it uses to extend support to include soft-loans and interest rate grants on commercial loans. The successful provision of soft-loans would allow the Fund to “revolve” its resources; money from loan repayments, preferably with interest, could be used again to support new projects. The provision of interest rate grants on commercial loans implies that the Fund would be playing the role of minor co-financier, again allowing it to stretch its resources to support more projects. The additional benefits with these forms of financial support, if they are properly employed, are that they build experience with more market-oriented forms of finance and can instill greater fiscal discipline among the Fund’s clients. These are both attributes that can aid fuller implementation of the PPP.

- widening cooperation with donors and IFIs, to include untied contributions to the Fund, the Fund serving as an administrator of donor funded projects, joint co-financing of projects with the Fund, serving as a financial intermediary for IFIs, the Fund managing proceeds from debt-swaps, contributions to an endowment fund, etc.

All these forms of cooperation with donors and IFIs can be found among environmental funds in different countries. At some funds multiple forms of cooperation exist simultaneously. One of the strategic advantages of a fund, especially one that is largely independent, is that it is a highly flexible and adaptable mechanism. There are ways of adapting a fund to accommodate almost any form of cooperation with donors/IFIs interested in supporting environmental improvements in a country, should such cooperation suit the country’s interests.

9. FINANCING PRINCIPLES, DISBURSEMENT MECHANISMS AND ASSET MANAGEMENT

FINANCING PRINCIPLES

ADDITIONALITY, LEVERAGING AND CO-FINANCING

The Fund should adopt the fundamental financing principles of “additionality”, “leveraging” and “co-financing”. The principles, described below, are closely related and can help the Fund maximize its environmental impact for each unit of financial support provided.

The Fund should strive for additionality by limiting its support for projects which can be financed from other sources. In other words, the Fund’s finance should be additional to the other available sources of finance including those that could be provided by the project applicant, even as in-kind contributions, and not a replacement for them. This also entails that expenditure by the Fund should be additional to the other available sources of public finance, and not a replacement or substitute for them. Existing and future statutory obligations of government institutions active in the sphere of environmental protection and natural resource management should be financed through appropriate Government budget allocations, not by the Fund. The Fund may, however, for a strictly limited duration and on an exceptional basis under conditions to be defined, approved and documented by the Fund Board, finance projects that assist government institutions to fulfill their statutory obligations with regard to environmental protection and natural resource management. Here again, though, the Fund’s expenditure should not displace or substitute for other existing public expenditure.

The Fund should actively leverage its resources by keeping its financial commitment in any given project to the minimum necessary to ensure implementation of the project. This assumes that the Fund will function largely as a co-financier of projects, and will work diligently to engage the financial support of other sources. The extent to which the Fund can make its financial support additional and leverage other sources of finance will depend on a number of factors, including:

- the size and availability of other financing sources;
- the types of projects and environmental issues pursued by the Fund, and;
- the expertise of the Fund staff and broader credibility of the institution.

The experience of some environmental funds in transition economies has proven the latter factor to be extremely important. Funds which have become widely recognized for their expertise give other sources of finance confidence that projects involving the fund offer high benefits at low cost.

Of course, project opportunities may arise where there are no, or only very limited, alternative sources of finance. It is understood that alternative sources of finance for environmental protection in Jordan are limited. Given this, the Fund should carefully consider how high a priority each individual project is given the Fund’s spending priorities, and as evaluated against the Fund’s eligibility and appraisal criteria. If the project is considered an extremely high priority, then the Fund may justify playing a major role in financing the project. Even in such cases, however, the Fund should require that the applicant invests a minimum level of “own resources” into the project. Such an investment is

the surest guarantee of the applicant's commitment to successful and efficient implementation of the project and helps to avoid "moral hazard". The minimum level should be set sufficiently high to ensure the applicant's commitment and may generally be differentiated according to type of applicant. For example, profit-making enterprises may be required to contribute higher shares of their own resources than non-profit organizations, such as NGOs or small municipalities.

MAXIMUM AWARD LIMITS

The above discussion suggests that the Fund should be very frugal with its financial support. One way of implementing such frugality is to set limits on the maximum size of any single award of financial support offered by the Fund. For example, the Fund could adopt a rule that the maximum amount of financial support a single project can receive is a certain percentage, say 10%, of total expected disposable revenues for that budget year. The percentage limit could be set higher or lower, or the limit could be set as an absolute amount. The advantages of such a rule is that both the Fund and applicants know in advance, at the beginning of the budget year, the maximum amount of money any single project can receive and that no single project will consume a very large proportion of the Fund's disposable funds. The disadvantage of such a rule is that the Fund may, in the course of project appraisal, come across a project which offers very substantial environmental benefits but which also requires very substantial financial support in order to be implemented. The Fund could prepare for these situations by providing for exceptions, whereby a larger maximum award could be offered under certain circumstances, which would be pre-defined and require special approval by the Board of Directors.

Another way of stretching resources and trying to make sure the Fund is not spending any more money than necessary on any single project is to establish maximum awards according to type of project and/or type of applicant. Again, they should be set, and made clear to all potential applicants, at the beginning of the budget year. A common approach for distinguishing between types of projects is to classify projects according to the different environmental media, i.e. air/water/waste, where, for example, the highest priority type of projects could receive financial support up to 50% of total project costs while slightly lower priority types of projects could receive support up to 30% of total project costs.

Similarly, it is common to distinguish between types of applicants. For example, applicants who operate commercial enterprises or whose projects generate a revenue-stream are generally expected to cover a higher proportion of total project costs from their own resources, whereas non-commercial applicants, such as NGOs, research institutions and perhaps municipalities, may be allowed to request a larger share of project cost to be financed by the Fund.

Precisely at which levels to set such maximum award limits is not an exact science. The setting of such limits will be influenced by a variety of factors, including:

- the financial needs and demands (note, there is a difference) of project implementers;
- the availability of other sources of finance to co-finance projects; amount of disposable resources available to the Fund;
- the expertise and knowledge of Fund staff in appraising projects and negotiating award agreements;

- spending priorities of the Fund.

Maximum award limits, at whatever level they are set, should be assessed each year and adjusted as thought appropriate by the Fund to reflect changing demands and needs for finance, environmental priorities and expertise of Fund staff.

DISBURSEMENT MECHANISMS

Based on international best practice, and on consultations with the MoEnv, the Fund will use grants as its only disbursement mechanisms during the first year of operation. As the Fund builds its capacity to manage additional forms of financing, the number and complexity of the financial instruments made available could be expanded. Additional instruments could include soft-loans and interest rate subsidies. These mechanisms are the most simple and practical alternatives to start with and are discussed below. The various forms of grant financing, with their main rationale, are summarized in Table 9.1 at the end of this section.

GRANTS

Grants are one of the most common financial instruments used by environmental funds because of their low management costs and efficiency in disbursing finance. Grants typically may cover from 20% to 80% of a project's total cost, with recipients financing the remainder from their own or other resources. There is no requirement for repayment unless the funds would be used inappropriately by the recipient, in which case the Fund may demand the money to be returned. The key advantages of grants are as follows:

- they are the most attractive form of financing to project applicants since no repayment is necessary. Thus in cases where project applicants are reluctant to take on the risks of other forms of financing, grants are a means of ensuring that priority projects are undertaken;
- they are simpler to administer than some other forms of finance since they do not involve repayment arrangements;
- there is little financial risk for the environmental fund;
- they are the most effective form of finance for leveraging other sources of funds. Grants should be used to provide a proportion of project costs leaving the remainder to be financed by the applicant's own resources or other financing sources. Such co-funding by the Fund can be a means of obtaining financial commitments from the applicant and other sources that otherwise would not have been forthcoming.

The main disadvantages of grant financing are:

- since no repayment is required there is less incentive for a recipient to exercise financial discipline and to keep to implementation timetables. This is the so-called 'moral hazard' issue. To address this risk it is common practice to provide grant payments in installments dependent on the satisfactory completion of agreed stages of project implementation. This necessitates the effective monitoring of project progress by the Fund or a designated agent;
- there is no financial return to the fund for further use in financing other environmental projects;

- there is some danger that applicants may see grants as a source of finance to replace spending that they would anyway have made in the absence of the grant. In principle, grants should be used to stimulate, not replace, the recipient's own spending. In practice, the Fund should require some minimum level of personal resource use.

SOFT LOANS

Soft loans are another form of finance commonly used by environmental funds. In essence, these are loans that provide a subsidy to recipients by offering terms that are more favourable than those on loans offered by commercial lenders. Most typically, the subsidy element is delivered by lending at a lower rate of interest than is available in the commercial loan market. The total subsidy is the cumulative difference between interest payments required by the environmental fund loan and the interest payments that would have been required from a commercial financial institution. However, the subsidy of the soft loan may also be determined by the provision of a grace period at the beginning of the loan during which no repayment is required. Similarly, soft loans may offer longer repayment periods than those provided by a commercial loan. Interest free loans are also commonly provided by some environmental funds.

It should be noted that the provision of a soft loan by an environmental fund at the same (lower than commercial market) interest rate to different recipients does not necessarily mean that the rate of subsidy is the same to these different recipients. Commercial financing institutions will have different risk perceptions according to types of project and borrowers and therefore offer loans at different interest rates and terms according to the project or borrower. This means that the difference between the environmental fund loan interest rate and the commercially available loan interest rate (i.e. the subsidy) will vary between different recipients.

The key advantages of soft loans are:

- the need to repay the loan provides greater incentive for a recipient to analyze, at the time of application, the financial viability of a proposed project over time. Moreover, after receiving the loan there is greater incentive to exercise financial discipline and keep to project implementation timetables. It should be noted, however, that this incentive depends on the presence of strict enforcement of loan repayments with no expectation of loan write-offs by recipients. It also presumes the real possibility of foreclosure in the case of defaulting on loan repayments;
- there is a financial return to the Fund, resulting in revenues for further use in financing other environmental projects. At some funds in transition economies, revenues from loan interest rate repayments have become the funds' largest source of revenues. Properly executed, such loans can help a fund "revolve" its resources indefinitely.

The main disadvantages of loan financing are:

- inflation poses a financial risk to the Fund by eroding the real value of loan repayments, hence the importance of setting appropriate interest rates. The administration costs of making loan agreements and managing them through the repayment period is generally higher than that of other financing mechanisms such as grants;
- different and additional expertise is needed to conduct the necessary financial analyses of projects and applicants seeking loan financing. Generally environmental funds, and certainly environmental authorities, are in a poor position to assess creditworthiness of

applicants. Such analysis is better performed by banks, which would require the Fund to contract such banks and to pay for their services;

- there is increased financial risk for the Fund in the provision of loans due to the possibilities of default or pressure from a recipient to renegotiate repayment arrangements to ensure that a project is completed.

INTEREST RATE SUBSIDIES

Interest rate subsidies are grants that reduce the effective interest rate paid by a recipient that has secured a loan for a project from a commercial financing institution. The grant would generally be the difference between the market interest rate charged by the commercial institution and a lower interest rate that would have applied if the Fund had itself made the loan. In principle, the subsidy to the recipient is the same as if the Fund had itself provided a soft loan. This mechanism involves the signing of a legal agreement between the Fund, the commercial lender and the recipient. Subsequently, grant payments are made from the Fund directly to the commercial lender as and when interest payments become due over the lifetime of a project.

The main advantages of interest rate subsidies are:

- they address some of the disadvantages of soft loans outlined above. Specifically, a part of the financial risk and administrative costs of providing a loan are transferred to the commercial lender;
- interest rate subsidies can also provide powerful leverage for motivating project implementers to seek investment finance from the private sector (i.e. commercial banks) and act as an incentive to the private sector by reducing risks to become involved in financing environmental investments. Both result in fuller implementation of the PPP.

The main disadvantage of interest rate subsidies is:

- there can be a risk that arrangements between the Fund and collaborating bank result in projects being financed that reflect the interests of the lender more than those of the Fund. Banks will be principally interested in extending loans for projects that generate a revenue-stream or in lending to borrowers that offer a high certainty of repayment, whereas the Fund's principal concern would be the environmental benefits generated by the project. The interests of both parties can be accommodated by structuring the project appraisal and selection process so that the Fund first conducts project appraisals to ensure that they meet minimum criteria for environmental benefits. Once approved by the Fund, these proposals can then be forwarded to the lender for financial analysis and assessment of creditworthiness of the borrower. The lender would then decide whether or not the project is acceptable for loan finance and would also propose the interest rate level on the loan. The Fund would then decide what level of interest rate subsidy to offer to "soften" the loan. In practice, collaboration between the Fund and the lender, with the specific role and responsibilities of each, would be the subject of negotiations and a carefully written legal agreement.

COMPETITIVE TENDER METHOD

The “competitive tender” as used by funds is a particular method for delivering grant support. Under certain circumstances, the Fund may want to consider taking a more pro-active approach to identifying specific projects to be financed, such as when:

- the Fund’s financial resources are extremely limited;
- the Fund wishes to focus its resources on a single, or few, specific priorities;
- one or more of the Fund’s high environmental priorities is not being covered by proposals received through the more passive identification approach described above.

Certain funds in transition economies have been very successful with this approach to project identification. Two of the most highly regarded funds in the region, the Polish EcoFund and the Slovenian Environmental Development Fund, utilize this approach extensively. It has proven to be particularly effective when the Funds want to finance a number of similar projects addressing the same environmental issue (e.g. low stack air emissions in urban areas, small-scale wastewater treatment plants). Project identification of this sort closely resembles public tender procedures used by many governments: the government, or in this case fund, has very specific goals and expectations about the project(s) it wants to see implemented; these goals are specified in detail, along with associated terms and conditions; the fund then holds a competition through public tender which it solicits proposals for projects which meet the terms and conditions specified in the tender announcement. After submission, the Fund evaluates and compares proposals and finances the projects that best satisfy the expectations, terms and conditions of the tender.

Table 9.1 Disbursement Mechanisms - Initial tools for the Fund		
Tool	Rationale	Risk and Mitigation Plan
Grant	Straight forward management; Low administrative cost; Efficient distribution process; Simple to use during initial operation of the fund; Method of offering predefined modular technical services	Risk - Grant awards can reduce the recipient’s incentive to complete projects properly or on time. Response - Robust project management and a phased release of funds based on project performance reviews.
Interest Rate Subsidies	Passes a portion of the risk and administrative costs to the Bank Leverages the banks skills in financial management and assessment of projects Provides an added incentive for recipients to apply for bank loans	Risk – Can create an implicit transfer of subsidy to the bank. Response – Select banks through a competitive tender process Risk – Can shift Fund resources to projects based on their financial return vs. environmental benefit Response – Projects must meet standards for environmental benefits prior to submission to bank for analysis.
Competitive Tender Method	Immediately focuses resources on greatest national priorities Can be used to provide targeted technical services to firms (i.e. environmental impact assessments, resource use audits, process improvement studies)	Risks – Project identification is Fund-led rather than recipient-led, thus Fund may fail to address priorities as perceived by stakeholders; focus of tender could result in lack of competition among bidders. Response – Fund initiates tenders after research and consultations with stakeholders to assess needs and gauge interest.

ASSET MANAGEMENT¹⁰

International practice shows that the management of the Fund's financial resources is an important aspect of ensuring the success of the Fund's environmental objectives and its long term sustainability. Although the development of detailed financial management rules and practices may be addressed nearer the Fund's establishment, early consideration should be given to this subject due to the significant implications across the range of Fund operations. Professional financial management of the Fund can significantly impact both its capital and its attractiveness to future donors. An effective system for managing the Fund's assets is important for establishing a productive relationship between the Fund and stakeholders, including the financial sector.

THE FUND'S EARLY YEARS

It will be important for the Fund, especially in its early years, to build its own institutional capacity, and that of its clients, to develop a realistic project pipeline. International experience, and an analysis of the Fund's expected revenues, strongly suggests that during this early period of capacity building, the Fund should not try to commit all of its revenues for project financing. As noted in the previous section, the Fund should accumulate and maintain a financial reserve during the first years of its operations to help protect against possibly unpredictable revenue flows.

PROFESSIONAL ASSET MANAGEMENT

International experience shows that most environmental funds have quite conservative risk profiles and asset management requirements given their public-sector character, long-term funding objectives and need for stable annual operating income. The Fund's financial resources should be managed so as to, at a minimum, maintain the underlying value of undisbursed assets. The Fund should engage a Jordanian bank to support its cash management needs and invest its assets across short-term fixed income investments, i.e. money market funds, CDs and high-quality bonds. As the Fund builds capacity and its revenues and financial deposits increase, the Fund may wish to retain a financial advisor on a periodic basis in order to maximize returns by keeping its assets properly invested.

FUND CAPITALIZATION AND ASSET MANAGEMENT MODELS

Environmental funds can be categorized based on the nature of their capitalization and asset management. Three fund models can be commonly found around the world: "endowment" funds, "sinking" funds and "revolving" funds. These can be briefly defined as follows:

ENDOWMENT FUND

A fund in which its capital is fully invested and only the income from those investments is used to finance the fund's activities.

SINKING FUND

A fund in which its capital is, over time, fully utilized for financing its operations, both administrative and project-related. Typically a sinking fund will function for a limited, perhaps even pre-defined, period of time and will cease operations when its capital is exhausted.

¹⁰ The material presented in this section draws from The IPG Handbook on Environmental Funds, A Resource Book for the Design and Operation of Environmental Funds, Ruth Norris, editor

REVOLVING FUND

A fund that is regularly and repeatedly replenished with new capital and is therefore able to disburse a relatively large portion of its capital in any given time period for its operations. The source of the capital replenishments can vary, but typically include revenues from environmental charges, fines and taxes and/or repayments of loans. A revolving fund can operate indefinitely as long as its capital is periodically replenished.

A summary of these models, and their respective advantages and disadvantages, is presented in Table 9.2 below.

Table 9.2: Fund Financial Structure Models			
Model	Definition	Advantages	Disadvantages
Endowment	Invests capital and uses only income from those investments to finance activities. e.g. Royal Society for the Conservation of Nature (RSCN).	Encourages high levels of accountability and transparency. If assets are well managed, income yield can sustain Fund in perpetuity.	Requires large capitalization to generate substantive operating and investment income.
Revolving	Receives new resources on a regular basis through fees, fines, charges or loan repayments. e.g. National Environmental Funds in Poland & Lithuania.	Continuous source of revenues allows disbursement of both capital and income and therefore higher levels of expenditure.	Requires strong, reliable enforcement and collection procedures. Can take time to implement and develop revenue stream.
Sinking	Disburses entire capital and investment income over a fixed period of time and dissolves. e.g. debt-for-swap funds in Poland and Bulgaria.	Immediate allocation of resources to implement activities.	Need to constantly raise new capital given rapid depletion of resources. Difficult to sustain over time.

Environmental funds often combine elements from the various models. Endowment funds are particularly appropriate for financing ongoing, recurrent activities, such as the administrative costs of managing protected areas. Their great attribute is that they can generate stable income flows forever if well managed. Sinking funds provide predictable but limited-term financial support and are particularly suited for financing activities that eventually conclude, are handed over to organizations whose capacities have increased or can be financed by other sources. Revolving funds offer the best of both models: the potential to be sustainable over long time periods and the ability to provide high levels of expenditure utilizing both capital and income. However, they typically also require much larger levels of capitalization and continuously rely on external sources and mechanisms for their replenishment.

PROFONANPE, a conservation trust fund in Peru, has an endowment, several sinking funds created through debt swaps, and co-finance projects with donors and other stakeholders.

MODEL RECOMMENDATION – SINKING FUND TO A REVOLVING FUND

The fund model choice depends largely on the size, source and conditions of its capitalization. As currently envisioned, the Jordan Environmental Fund would be considered a sinking fund, given the fact that it is based on revenues from CDM projects and those revenues are expected to cease as of 2013. Ideally however, the Fund would evolve to incorporate a combination of the three financial models.

At this time, the Fund must prepare itself as a sinking fund. Nonetheless, it is strongly recommended that the MoEnv, and later the Fund itself, take serious and systematic steps to transform the Fund into a revolving fund. The current efforts by the MoEnv to improve its enforcement and collection of environmental fees, fines and charges will help the Fund to increase its revenues from this source thereby moving it in the direction of a revolving fund.

If a very large cash injection were made to the Fund, it would allow it to leverage an endowment option. An endowment could strengthen the Fund's sustainability and allow it to cover some or all of the Fund's annual administrative expenses. This could enable the Fund to use other sources of revenues strictly for project financing. This option, however, has a high opportunity cost as it ties up fairly large sums of money which could otherwise be used for project financing.

These and other steps for expanding and diversifying the capitalization of the Fund are described at the end of section 8 in the context of a revenue enhancement strategy for the Fund.

10. FUND COMMUNICATIONS AND OUTREACH

OBJECTIVES AND TARGET AUDIENCES

The key objective of the outreach and communications strategy is to facilitate regular dialogue between the Fund and its key stakeholders. Priorities include:

- raise awareness of the goals and activities of the Fund across Jordan and amongst the international community;
- ensure involvement of key private and public stakeholders, including actual and potential clients in the development and review of the Fund's financing strategy, environmental priorities and annual operating plan;
- facilitate communications between the Fund and clients to develop the project preparation capacities of prospective clients so that support offered by the Fund can be absorbed quickly by sound projects;
- inform the public and targeted audiences about Fund successes and establish the Fund's reputation as a highly effective and efficient institution.

Outreach activities will be designed to support the Fund's communications objectives and will be organized to ensure a valuable and regular exchange of information across its key audiences, including:

ACTUAL AND POTENTIAL CLIENTS

- private companies;
- NGOs;
- research and academic institutions;
- governmental organizations playing an important role in environmental protection and natural resource management;
- private individuals implementing projects yielding important environmental benefits.

FUND PARTNERS

- donors;
- journalists;
- environmental NGOs;
- suppliers of environmental protection technology and services.

FUND BRAND AND COMMUNICATIONS MESSAGE

As a very first step before developing any communications material, websites, annual reports, etc., the Fund will develop a brand and key message regarding its mission. The Fund may wish to hire an advertising or public relations firm to help with defining the brand. The Fund's brand should be applied to all communications and marketing tools including its financial reports, stationery, website, press releases, applications and contracts.

As the Fund will aspire to receive, administer and distribute resources from foreign sources, the recommendation is that the Fund's annual report, audited annual financial statement, interactive website and relevant promotional material be prepared and published both in Arabic and English.

COMMUNICATIONS ACTIVITIES

BUILDING DIALOGUE ACROSS KEY STAKEHOLDERS

Environmental Funds strive to achieve ambitious environmental, social and economic objectives through the activities they finance. Success is directly related to the activities the Fund supports and the success of the projects supported. In its effort to align Fund priorities and support to the most critical environmental challenges of Jordan's enterprises, the Ministry of Environment will sponsor and hold a series of workshops to engage key stakeholders from the private and public sector in dialogue regarding the Fund's financing strategy, priority environmental sectors and annual operating plan. The Fund will also survey prospective clients to understand their environmental challenges and financing needs.

GARNERING FINANCIAL SUPPORT

To complement its revenues from carbon trading and strengthen its overall capitalization, the Fund will need to develop and implement an organized fundraising strategy. The Fund's communications plan and budget should support this activity and the Fund's Communication's Specialist should be involved in formulating the long-term and intermediate fundraising strategy for the Fund.

A compelling and documented business case for support will need to be developed and should meet requirements to mobilize resources in-country and through multi-lateral and bi-lateral donors.

SUPPORTING ACTUAL AND POTENTIAL CLIENTS

The main objective when communicating with prospective clients is to ensure they receive the necessary information they need about the Fund regarding its priorities, rules and requirements and guidance on the application process. When communicating with actual and prospective clients it is essential that they are provided with equal access and an appropriate level of support and information. Relations between the Fund and prospective clients must be, and be widely perceived as, fair and unbiased, with no preferential treatment being given to any particular applicants.

BUILDING AWARENESS

A range of marketing tools should be developed and used by the Fund to support its communications objectives across its target audiences. Each of the tools suggested here can be effectively used to communicate distinct messages. Combining the tools and using them at various intervals will enable the Fund to deliver information about the Fund's main goals and impacts to either selected target groups or wider audiences.

Marketing tools should include:

- annual meetings – can be held with key stakeholders to gather support for the Fund and feedback for refining the concepts for its multi-year financing strategy, annual operating

plan and priority sectors. Meetings could include presentation and discussion of the Fund's current spending priorities, project cycle management policies, as well as proposed changes to these strategies;

- press conferences - can be held as the Fund is launched to share with journalists and the public basic facts about the Fund's legal form and basis, mission statement, role and objectives, revenues, expenditures, summary of policies and guidelines for application, key achievements, its main information sources – its website and Annual Report;
- email shots and newsletters – can be developed to release specific messages to specific target audiences, i.e. media, general public, potential applicants, potential donors, public and private environmental agencies;
- publications – can be used to provide updates on the Fund's activities and feature success stories, profiles of individual projects and environmental innovations of clients;
- giveaways or promotional items featuring the Fund's logo - can be produced to build awareness, e.g. pens, notepads, t-shirts, mouse pads and calendars;
- application package – should provide direction and instruction to potential clients on the Fund's priorities, requirements and application process. Contents should include:
 - ~ description of the Fund's environmental spending priorities with indicative allocation targets for each main priority area;
 - ~ description of applicant eligibility and project appraisal criteria;
 - ~ explanation of relevant rules, conditions and requirements;
 - ~ appropriate application form with detailed instructions on how to complete the form;
 - ~ conditions of the framework regarding financial agreements between successful applicants and the Fund;
 - ~ information regarding procurement procedures;
 - ~ decision-making flow chart illustrating complete application and selection process.
- capacity building workshops - can be used periodically to support Fund applicants. The Fund could organize workshops for specific groups of potential clients with the aim to build project preparation capacities. Such workshops may be especially useful in the Fund's pilot phase or whenever the Fund does not receive a sufficient number of quality projects in a given priority spending area. To the extent possible, the contents of such workshops should be designed around actual weaknesses in project preparation. Selection of participants should be targeted. Possible contents of such workshops could include:
 - ~ detailed presentation and illustration of the Fund's Annual Operating Plan and Project Cycle Management Policy;
 - ~ example of preparing a project step by step;
 - ~ presentation and discussion of "ideal" project applications.
- interactive website - Ideally, the Fund's website will be the primary gateway for information on the Fund and as such it will include a substantial amount of information, covering all major aspects of the Fund. In this way, the Fund's website will become the Fund's main communication channel with its various target groups and stakeholders. The Fund's communications plan should include a detailed proposal for the Fund's

website. The structure should support the informational requirements of different types of website visitors. Target groups include primarily: 1) potential project applicants; 2) Fund Board members and staff; 3) Ministries and organizations with an environmental mandate 4) general public and media; 5) foreign donors; 6) other Jordanian financing institutions. All these target groups have their specific interests and the proposed structure of the website should be designed so that each target group can quickly find the information they need.

Recommendations for the website include:

- ~ the Fund should outsource the design and development of the website to a professional agency. The use of a professional web design company should not only guarantee appropriate design and functionality, but also application of best technical and procedural knowledge in web design (e.g., fast uploading times, functional and user friendly graphics and navigation, avoidance of overloaded pages, dead or untested links, etc.);
- ~ the Fund's brand should be fully implemented in the design of the website;
- ~ special events, Fund workshops, news and job opportunities at the Fund should be promoted through the site;
- ~ counters should be added to track website visitors;
- ~ regular updates. Updating is especially important in case of the following pages: revenues, expenditures, project lists, tenders, events, contacts/organization/job opportunities;
- ~ a list and links to relevant GOJ sites
- ~ access through main web search engines, i.e. Google, Yahoo, so that the website can be found without knowing the exact internet address of the Fund.
- ~ a portal for Fund staff and Board Members with special access to secured pages.

EVALUATION AND ANNUAL COMMUNICATIONS PLANNING

The Fund's Communications Strategy should be considered a "living" document and should be reviewed, analyzed and refined annually to maintain maximum effectiveness for the Fund. Where possible, efforts should be made to measure and track effectiveness of the Fund's communications activities.

A communications plan will be drafted by the Fund's Communication Specialist in consultation with other Fund staff and external stakeholders and submitted annually to the Fund's Director General for review and comments. The plan will then be presented to the Board of Directors for its approval.

11. NEXT STEPS AND WORKPLAN FOR THE FUND'S LAUNCH AND PILOT YEAR

Substantial progress has been made in drawing upon international best practice and defining models for the Fund's design, management and operations. However, much more work will need to be done, issues discussed, decisions made and steps taken by a variety of actors to move to a point where the Fund can start operations. This section describes essential decisions and key next steps required to fully prepare the Fund and start its operations. A proposed work plan, indicating essential steps with suggested responsible parties and a tentative timeline is presented as is a draft budget covering the Fund's start-up phase. Budget forecasts for the Fund's subsequent pilot phase are presented in the following section.

The work plan presented in Table 11 and Figure 11 outlines the key decisions and steps to be taken. They are grouped into several main headings and presented in chronological order.

NEXT STEPS FOR LAUNCHING THE FUND

ASSUMPTIONS

A number of assumptions are inherent in the work plan and include:

- the work plan is a “working” document; it is subject to change and should be modified periodically to reflect the activities and work of the team;
- the Fund's “start-up” phase runs from now through the end of December 2008. Some start-up activities will continue in the 1st quarter of 2009;
- the public “launch” date for the Fund, i.e. when the Fund opens for business, is set for early January, 2009. This should be seen as an “optimistic” scenario;
- the Fund would start accepting applications for financial support beginning in February 2009;
- revenues from CDM transactions will arrive on schedule with the first proceeds expected in March 2009;
- the first projects would be approved for financing by the Board in late April, 2009;
- the MoEnv, and later the Fund's Board, Director General and staff take lead responsibility on tasks;
- donors and expatriate experts play an important, but mainly supportive and advisory role.

FUND REGULATION

Finalization, submission to the Legislative Bureau and approval of the Fund's Regulation is a critical matter because the Regulation forms the legal foundation of the Fund and many of the other steps depend on the Regulation's approval. Delays in obtaining approval of the Regulation will result in delays for many of the other steps including the eventual launch of the Fund. It is therefore important for the MoEnv to do what it can to usher the Regulation through the approval process. Stakeholder feedback on the main elements and concepts of the Regulation will be sought through consultative workshops.

MOBILIZE CORE WORK TEAM

It is suggested that a project manager be immediately designated at the MoEnv to be the point of contact for Fund matters and the lead for coordinating and facilitating start-up activities until the appointment of the Fund's Director General. Shortly thereafter the Minister should establish an ad hoc steering committee (SC) of 3-4 people who could advise and support the Minister and project manager on start-up activities. Ideally, people on the SC would later become members of the Fund's Board and would be keenly interested in helping the Fund's start-up and be able to offer valuable advice and expertise to those efforts. Leading on from this, the Minister should begin to identify possible other Board members and have all members clearly identified prior to the expected approval of the Fund Regulation so that they could be appointed by the Council of Ministers immediately thereafter. Later, appropriate searches will have to be conducted leading to the appointment of the Fund's Director and other staff members. It is also suggested that international expertise be brought in to support and guide the start-up process. Donor involvement either through USAID's SABEQ program or possibly other bilateral or multilateral agencies would be required in this regard.

MOBILIZE FINANCIAL RESOURCES

There is a large gap between the estimated costs of getting the Fund ready to operate and the amount earmarked by the GOJ for the Fund. The gap will have to be closed quickly to support the work plan tasks and timeline for launch. The MoEnv and the SC will have critical roles to play here and they can be supported in that process by SABEQ. A short-term fundraising strategy should be formulated and put into effect as quickly as possible and this report can be a helpful basis for that. Later, a longer-term revenue enhancement strategy should be developed and approved by the Fund Board with the intention of helping the Fund diversify its revenues sources so as to ensure its sustainability.

IDENTIFY FUND'S ENVIRONMENTAL PRIORITIES AND FINANCING NEEDS OF CLIENTS

One of the Board's early tasks will be to define the Fund's environmental priorities and financing strategy. For this to happen quickly after the Board is established, ground work needs to be done. A number of steps are proposed: internal discussions within MoEnv; consultative workshops with Fund stakeholders; research to be conducted to identify high priorities for the Fund and assess needs for financing across prospective clients.

CONVENE SESSIONS OF THE FUND'S BOARD OF DIRECTORS

The first meeting of the Board should be held immediately after the approval of the Fund Regulation. This will require the MoEnv to monitor the legislative approval process and to prepare for the meeting when approval of the Regulation is imminent. For the purposes of the work plan, we have ambitiously assumed that the Regulation will be approved by the start of July, that Board members will be appointed immediately thereafter and that the first Board meeting can be held in mid-July 2008. During the start-up and early in the pilot phase it is envisioned that the Board will meet fairly frequently, about once every 6 weeks, to manage to the rather heavy workload of decisions and instructions that will require the Board's attention. In its early days, before the Fund is fully staffed, the Board should consider forming sub-committees for carrying out specific tasks as agreed upon by the Board. Effective procedures and mechanisms will need to be put in place by the Fund to systematically prepare and execute for all of the required Board meetings.

DEVELOP INSTRUCTIONS, OPERATIONAL POLICIES AND PROCEDURES MANUALS, BUDGET

To make the Fund operational a number of important strategies, instructions, policies, operational rules and procedures will need to be formulated, including: definition of environmental priorities and multi-year financing strategy; annual operating plans and budgets; organizational and human resources policies; accounting rules and procedures; fundraising strategy; communication and outreach strategy; capacity-building plan; financing terms and conditions; detailed operations manual, etc. The basis for some of these is already well developed in this report. Others, in particular the detailed operations manual specifying procedures for project cycle management, will require significant additional work. It is suggested that international experience and expertise be drawn upon to the extent possible in addressing these tasks.

DEVELOP FUND BRAND AND MARKETING STRATEGY

The early consultative workshops with stakeholders will begin to raise public awareness of the Fund's creation. Once the Fund's Board has been established and initial staff appointed, the Fund should undertake a range of activities to steadily establish its identity and build awareness among its key stakeholders. Such activities will be specified in the communications and outreach strategy and are likely to include additional meetings and workshops with stakeholders, press releases and conferences, publications, internet website, etc.

BUILD FUND AND PROSPECTIVE CLIENT CAPACITY

As a completely new institution the Fund will be challenged to quickly develop the capacity required to effectively pursue its objectives. Given that no similar funds exist in Jordan we must assume that none of the Board members or Fund staff will be experienced in running an environmental fund. It is inevitable that some level of capacity-building and training will be necessary for all the Fund's members, Board and staff, to play their roles effectively. In some cases it may be adequate simply to provide appropriate information; in others, i.e. project cycle management, more extensive training and technological support will be required. It is suggested that a study tour be made to successful environmental funds in other countries so that key representatives of the Board and staff can learn first-hand of the experience gained by those funds.

As the success of the Fund depends heavily on the success of its clients in implementing environmental projects it will be equally important for the Fund to help build the capacities of its prospective clients. Clients will need to properly understand the priorities, requirements and rules of the Fund and how to prepare and submit applications for funding. International experience indicates that prospective clients are also likely to require assistance to sharpen their skills at preparing projects to the point where they are ready to be financed. If prospective clients lack adequate skills in this area the Fund will struggle to develop a sufficient pipeline of suitable projects that it can consider for financing. To address these issues the Fund should plan on holding information events and possibly more targeted workshops for selected client groups.

MANAGE LOGISTICAL AND ADMINISTRATIVE NEEDS OF FUND

At various points throughout the Fund's start-up process a number of logistical and technical matters will have to be addressed. The most important of these include: finding, renting and equipping suitable office space; establishing the necessary IT systems; establishing the

Fund's bank account(s); purchasing a vehicle for the Fund; securing/documenting the Fund's tax status; etc.

OPERATING THE FUND

As the Fund progresses from its start-up phase to its pilot phase and begins to accept applications requesting financial support it will follow a new pattern of work, one that will repeat in cycles throughout the Fund's life. Generally this pattern will follow the project cycle and include the following activities: receipt and processing of applications; pre-screening and appraisal of applications; approval of projects to be financed; and so on through the cycle. By the end of the pilot phase some projects will have been fully implemented and completed and thus the Fund may be in a position to conduct post-implementation evaluations.

Table 11: Fund Start-Up: Tasks and Workplan

	Tasks	Responsible Party		Time Period
		Lead	Supporting	
April 2008	Submission of JEF Business Plan	SABEQ	-	Early April
	Finalization of Fund Regulation	MoEnv	SABEQ	Early April
	Submission of Fund Regulation to Legislative Bureau	MoEnv	-	Early April
	MoEnv assigns dedicated "point person" for JEF	MoEnv	-	Early April
	Preparation of 1st workshop with stakeholders	MoEnv	SABEQ	Early April
	Establishment of ad hoc Steering Committee ("SC" - a forerunner to the Fund Board; 3-4 members selected using criteria included in Business Plan)	MoEnv	-	End April
	Short-term fundraising strategy: measures aimed at attracting donor support for startup and pilot phase (promotional brochure; mtgs/donors)	MoEnv/ Board	SABEQ on brochures/SC	End April-onward
May	Efforts to raise funds for start-up and pilot phase	MoEnv	SC	May- onward
	Hold 1st Workshop with stakeholders: an example of "Consultative Process" presenting the Fund concept as proposed in Regulation and identify spending priorities	MoEnv	SABEQ	Early May
	Preparation of 2nd workshop with stakeholders	MoEnv	SC	Early May
May/June	Hold 2nd Workshop with stakeholders: understanding environmental challenges and financing needs of clients	MoEnv	SC	Late May/June
	Assess demand for environmental finance among likely applicants	MoEnv	SABEQ	May-June
	Identify potential Board Members based on criteria included in Business Plan	MoEnv	SC	May-June
June	Preparations for 1st Board Meeting. Introduction materials; roles and responsibilities of Board and Fund management.	MoEnv	SC	June
	Adapt organizational structure and human resource policies & communications/outreach strategy (based on Business Plan)	MoEnv	SC	June
July	Approval of JEF Regulation (Timing of the activities listed below depends on the timing of the approval of the Regulation.)	MoEnv/GoJ	-	Start July
	Official appointment of Board members	GoJ	-	Early July

	Tasks	Responsible Party		Time Period
		Lead	Supporting	
July (cont'd)	1st Board Meeting	MoEnv	SC	Mid-July
	• Approve criteria for selecting all Fund staff, including Fund Director; (based on Business Plan proposals)	Board	-	Mid-July
	• Approve organizational structure & human resource policies (based on Business Plan)	Board	-	Mid-July
	• Approve communications & outreach strategy (based on Business Plan)	Board	-	Mid-July
	• Board appoints sub-committee to review staff applications and recommend short-lists	Board	-	Mid-July
	• Board considers results of assessment for demand for environmental finance among likely applicants	Board	SABEQ	Mid-July
	Start recruitment of Director, Project Analyst, Communications Specialist & Office Administrator (issue public announcements)	Board	MoEnv announces position	Mid-July.
	Receipt of applications for Fund staff positions	Board c/o MoEnv	MoEnv admin support	Mid-July – Sept.
August	Preparations for 2nd Board Meeting	Board	MoEnv admin. support	Early Aug.
	Review staff applications; development of candidate short-lists; interview Director candidates; office search	Board sub-committee	MoEnv admin support	Aug.
September	2nd Board Meeting	MoEnv	SC11	Start Sept.
	• Board discusses sub-committee recommendation and selects Fund Director	Board	-	Start Sept.
	• Board approves short-lists of other staff to be reviewed by new Director	Board	-	Start Sept.
	• Board provides instructions to Director on implementation of communications & outreach strategy, human resource policy, fundraising, and development of multi-year financing strategy and detailed operating manual (e.g. project cycle management); possible study tour	Board	-	Start Sept.
	Fund Director begins work as instructed by Board; interviews staff candidates; continues search for Fund office facilities; drafting of budget plan for pilot phase	Director	Board SCs; expat advisor	Early Sept.
	Preparations for 3rd Board Meeting	Director	MoEnv admin. support	Early Sept.
	Start recruitment of remaining staff (Project Analysts and Accountant)	Director	MoEnv announces position	Mid-Sept.

¹¹ Once the Board is established, the ad hoc Steering Committee can be disbanded and "SC" represents sub-committees of the Board.

	Tasks	Responsible Party		Time Period
		Lead	Supporting	
October	3rd Board Meeting	Board	Director	Start Oct.
	• Board discusses Director's recommendations and selects 1st Project Analyst, Communications Specialist & Office Administrator	Board	Director	Start Oct.
	• Board reviews progress in implementing earlier instructions (progress report by Director)	Board	Director	Start Oct.
	• Board discusses/instructs Director on draft budget/operating plan for Pilot phase.	Board	-	Start Oct.
	Fund Director interviews short-listed candidates for remaining staff and prepares recommendations for Board	Director	-	Mid-Oct.
	Development of proposals for Fund branding, awareness raising and staff capacity-building	Director	Fund staff	Mid-Oct.
	Fund acquires and equips its own office space	Director	Fund staff	Mid-Oct
	Preparations for 4th Board Meeting	Director	MoEnv admin. support	Mid-Oct.
	Fund study tour	Director	Fund staff; expat advisor	Mid-Oct.?
	Preliminary draft of detailed operating manual (criteria, rules and procedures for project cycle management and financing conditions)	Director	Board SCs; expat advisor	late-Oct.
November	4th Board Meeting	Board	Director	Start Nov.
	• Board discusses Director's recommendations and selects remaining staff (Project Analysts, Accountant)	Board	Director	Start Nov.
	• Board reviews progress in implementing earlier instructions (progress report by Director), including draft operating manual	Board	Director	Start Nov.
	• Board discusses and approves plans for Fund branding, awareness raising and staff capacity-building	Board	Director	Start Nov.
	Fund begins branding, awareness raising and staff capacity-building activities	Director	Fund staff; external consults.	Early-Nov
	Preparations for 5th Board Meeting	Director	Fund staff	Mid-Nov.
	Final draft of detailed operating manual (criteria, rules and procedures for project cycle management and financing conditions)	Director	Fund staff; expat advisor	Mid-Nov.
	Draft budget/operating plan for Pilot phase	Director	Fund Staff; Board SC	Late Nov.

	Tasks	Responsible Party		Time Period
		Lead	Supporting	
December	5th Board Meeting	Board	Director	Mid-Dec.
	• Board discusses and approves detailed operating manual	Board	Director	Mid-Dec.
	• Board discusses and approves budget/operating plan for Pilot phase	Board	Director	Mid-Dec.
	• Board reviews progress in implementing other activities (progress report by Director)	Board	Director	Mid-Dec.
	Fund drafts "Instructions" summarizing key elements from operating manual for submission to MoEnv	Director	External experts (SABEQ)	Late Dec.
January 2009	Fund announces start of operations to public	Chairman of Board	MoEnv; Director	Start Jan. 2009
	Installation of, and training on integrated project cycle management software and computer database	Fund staff	External experts (?)	Early Jan.
	Preparation of workshops for prospective applicants	Fund staff	MoEnv; Director	Early Jan.
	Preparations for 6th Board Meeting	Director	Fund staff	Early Jan.
	Receipt and processing of project applications	Fund staff	-	Mid-Jan. - onward
	Workshops for prospective applicants (essential info about Fund priorities, requirements, rules, application process, etc.)	Fund Staff	-	Late Jan.
February	6th Board Meeting	Board	Director	Start Feb.
	• Board reviews progress in implementing activities (progress report by Director)	Board	Director	Start Feb.
	Receipt of applications begins	Fund staff	-	Start Feb.
	Processing and appraisal of applications	Fund staff	-	Feb. - onwards
	Preparations for 7th Board Meeting	Director	Fund staff	Mid-Feb.
March	7th Board Meeting	Board	Director	Mid-Mar.
	• Board reviews progress in implementing activities (progress report by Director)	Board	Director	
	• Preliminary report from Director on applications received thus far	Director	Fund staff	
	Preparations for 8th Board Meeting	Director	Fund staff	Late Mar.
	Deadline for first round of applications			End March
April	Final appraisals of project applications	Fund staff	External experts (?)	Early-mid April
	Preparation of list of recommended projects to be approved by Board	Director	Fund staff	Late April
	8th Board Meeting	Board	Director	End April
	• Board reviews recommendations of Director for projects to be financed and approves projects	Board	Director	End April

12. BUDGET FORECASTS

Section 8 examined the Fund's anticipated revenue sources and provided estimates of amounts expected to flow to the Fund during its first years of operation (2009-2013). In this section those revenues are placed in an operational context. The Fund and MoEnv as its creator will start incurring costs well before the arrival of its main revenue flows from CDM transactions as the start-up period preceding the Fund's full operation will entail significant financial commitments. Presented here are estimates of the Fund's expected financial outlays covering its start-up, pilot phase and subsequent years through 2013. Estimated expenditures for the Fund's start-up and pilot phases are specified in some detail, whereas expenditures for later years are presented in aggregate.

ASSUMPTIONS

A number of assumptions underlie the budget estimates and forecasts presented below:

START-UP PHASE

- the start-up phase is the time period needed by the MoEnv, the Fund's Board, Director General and staff to build operational capacity to launch the Fund's Pilot Year. The start-up period is defined as April 1, 2008 to December 31, 2008;
- the pilot phase marks the Fund's first year of operation, defined as January 1, 2009 to December 31, 2009. As noted earlier, some start-up activities will extend into 2009;
- the costs of the Fund's start-up are estimated at JD 232,000. This includes the cost of a half-time expatriate advisor which we have assumed would be donor financed;
- the MoEnv has allocated JD 25,000 per year for the Fund for the next few years;
- this funding gap could be filled by securing contributions from donors and/or the GoJ;
- no environmental projects are financed during the start-up phase.

PILOT PHASE AND FOLLOWING YEARS

- the Fund can begin to finance projects after CDM project revenues are received in March 2009;
- revenues available for project financing are at the levels estimated earlier in this report;
- the Fund takes a conservative approach to project expenditures, building a financial reserve because:
 - ~ it will take time to develop a realistic project pipeline;
 - ~ the Fund should mitigate against the possibility of unpredictable CDM revenues by developing and maintaining reserves to allow proper cash flow management.
- this will result in the Fund having a substantial surplus in its first few years of operations;
- as the Fund builds capacity, develops realistic project pipelines and cash is properly managed, the surplus can be drawn down though some reserves should always be maintained;
- while a detailed budget for the Fund's administrative costs has been prepared, expenditure on projects is presented as a single aggregated figure for each year.

BUDGET ESTIMATES FOR THE START-UP PHASE

Table 12.1 Start-Up Phase Expenditures

Details on Estimates Available in Appendix

Items	Total
Board Members, honorarium	3,500
Fund Staff, salaries and benefits	38,881
Technical Assistance, ex-patriate consultant	65,205
Other Direct Costs (Office Rent, Utilities, etc)	78,500
Capacity Building, workshops and study tour	21,650
Marketing, branding and awareness	24,371
TOTAL (JDs)	232,106

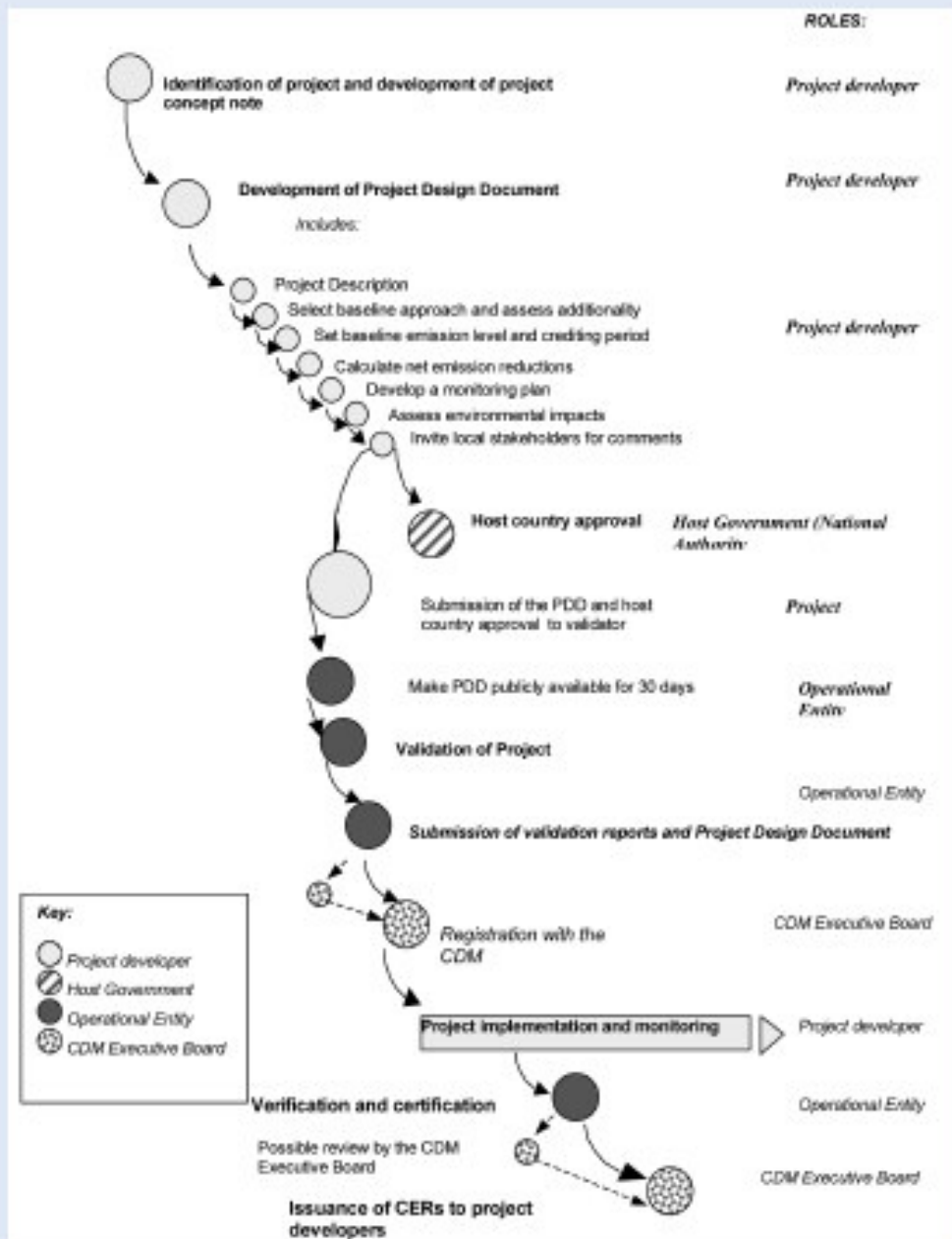
BUDGET FORECAST FOR THE PILOT PHASE AND FOLLOWING YEARS

Table 12.2 Annual Budget, in JDs

Revenues	Start-Up	2009*	2010	2011	2012	2013
CDM projects	-	3,915,287	3,915,287	3,915,287	3,915,287	3,915,287
Fees, fines, charges	-	260,745	360,276	365,790	371,580	377,659
Government budget	25,000	-	-	-	-	-
Deficit/Surplus		(207,106)	2,056,166	3,969,219	4,869,660	4,756,860
Cumulative Total	<u>25,000</u>	<u>3,968,926</u>	<u>6,331,728</u>	<u>8,250,296</u>	<u>9,156,527</u>	<u>9,049,806</u>
Expenditures	Start-Up	2009*	2010	2011	2012	2013
Fund overhead/admin.costs	232,106	412,760	362,510	380,635	399,667	419,651
Environmental expenditures**	-	1,500,000	2,000,000	3,000,000	4,000,000	5,000,000
Cumulative Total	<u>232,106</u>	<u>1,912,760</u>	<u>2,362,510</u>	<u>3,380,635</u>	<u>4,399,667</u>	<u>5,419,651</u>
Capital Deficit/Surplus	(207,106)	2,056,166	3,969,219	4,869,660	4,756,860	3,630,155
* Pilot Year						
** Estimate Assumptions - Fund will aggressively build its institutional capacity during its first two years of operations to assess and award a reasonable number of grants to projects. There will be a reasonable demand from recipients and adequate project proposals.						
Annual Inflation rate	5%					

CDM PROJECT FLOW CHART

FIGURE 2.1: A SIMPLIFIED CDM PROJECT FLOW



PROJECT-LEVEL MONITORING AND EVALUATION

PROCESSES AND RESPONSIBILITIES

At each stage during the lifecycle of a Fund project, certain requirements should be fulfilled which contribute to the monitoring and evaluation process. These may include:

Element of Process	Purpose	Responsibility
Application Form: Project Identification	Identifies intended outcomes	Participating organization
Formal Agreement: key performance indicators and baseline	Identifies how impact will be measured and establishes starting point	Participating organizations with technical advisers of JEF
Progress and QA checks	To Confirm adherence to terms of agreement	JEF Manager
Interim Reports	to capture progress in project activity and any early impact	Participating organizations with technical advisers of JEF
Verification and review	To confirm and analyse information provided in reports	JEF Evaluation Team
Final Reports	To capture project outcomes, progress against baseline and lessons learned	Participating organizations with technical advisers of JEF
Verification and review	To confirm and analyse information provided in reports	JEF Evaluation Team

[

PROJECT IDENTIFICATION

Applicants should be asked to outline the expected outcomes of their proposed projects within the application form, and to identify indicators that might be measured in order to demonstrate success. Clarity about anticipated outcomes and the identification of appropriate indicators will be key criteria in the assessment of applications and should be captured in final agreements with applicants. Key performance indicators are those measures that will demonstrate whether the project has had the intended impact. Both quantitative indicators (e.g. increase % of waste water treated) and qualitative indicators (e.g. level of awareness) can be beneficial – although the preference will be for the former.

Applicants should define baseline performance for each of the key performance indicators identified for the project. Without defined baselines, it would be very difficult later to derive exactly what changes have taken place.

In order to provide a “common currency” which will enable some reporting of overall Fund outcomes and allow comparisons to be made across projects, projects should be asked to include definitions of both baselines and targets against key performance indicators of the Fund. The Fund’s performance indicators would be an output of the Fund’s planning process and defined in its multi-year financing strategy and could include % reduction in carbon dioxide emissions, % increase chemical waste treatment, etc.

INTERIM REPORTS

At intervals established by the Fund (i.e. 50%, 75% project completion), beneficiaries with the support of the Fund’s project analysts should be required to complete a report, detailing the project status, any challenges encountered or particular successes achieved, and describing impacts on the organization, both in terms of key performance indicators and others.

FINAL REPORTS

No later than 6 months after the project’s completion, beneficiaries should submit a final report providing details on project implementation, project impacts and achievements against each of the project’s key performance indicators.

Beneficiaries should be asked to reflect on the positive and negative aspects of the project, to identify what they might do differently another time, and any unforeseen developments that emerged during the project’s lifetime. In addition, they should be asked to highlight the most “transferable” elements of their project, that is, those which might have the potential to benefit other, similar organizations.

MONITORING OF OUTCOMES AFTER FINAL REPORTS ARE SUBMITTED

It will almost certainly be the case that projects will continue to have an impact on the environmental performance of beneficiaries beyond the project timeline captured in the reports described above. For example, investments in environmental infrastructure or pollution abatement equipment may operate for decades. To the extent possible the Fund should track project impacts for the lifespan of the project’s operations. This will allow the Fund to estimate the aggregated impacts of the Fund’s support for a given project over time and to better understand the cumulative environmental effects of the Fund at a program and institutional level.

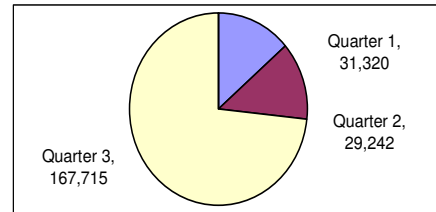
**DETAILED
BUDGET
FORECAST,
START UP
PHASE**

**APRIL 1 – JUNE 30,
2008**

Start Up Summary

Start Up Summary		
Funds Needed (JDs)		228,277
Period of Performance (PoP)	9 months	
Start Date:	1-Apr-08	
End Date:	31-Dec-08	
Awards during PoP:	None	
Priorities:	Start-Up Raise Awareness Capacity Building	
Application Deadline:	1-Apr-09	

Start Up Burn Rate



Start Up

Quarter 1 - Assign Fund Project Manager, Establish Ad Hoc Committee, Hold Workshops

Quarter 1

Funds Needed (JDs)	31,320
Phase 1 Timeframe	3 months
Start Date:	1-Apr-08
End Date:	30-Jun-08

Major Activities	Date
MoEnv assigns dedicated "Fund Point Person" for JEF	April
Establishment of ad hoc Steering Committee	April
Develop Short-term fundraising strategy	May
Hold 1st & 2nd Workshop with stakeholders (Concept & Needs)	May/June
Assess demand for environmental finance among likely applicants	May/June

Board Members	Honorarium	# of Meetings	Total
Ministry # 1	70	0	0
Ministry # 2	70	0	0
Ministry # 3	70	0	0
Ministry # 4	70	0	0
Ministry # 5	70	0	0
NGO	70	0	0
NGO	70	0	0
Private Sector	70	0	0
Private Sector	70	0	0
Private Sector	70	0	0
Total			0

Core Staff	Monthly Salary (JDs)	Months	Total
Ministry of Environment - "Project Manager"	750	3	2,250
Total			2,250

* Assumes the Project Manager will work part-time

Technical Assistance	Days	Total
Expat Consultant*	33	21,570

* Includes Travel and Per Diem costs based on the number of days

Capacity Building	Amount	Participants	Total
Workshop # 1 - Fund Concept	125	30	3,750
Workshop # 2 - Environmental Challenges & Financing Needs	125	30	3,750
Total			7,500

Total (JDs)	31,320
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DETAILED BUDGET FORECAST, START UP PHASE

JULY – SEPTEMBER 30,
2008

Start Up			
Quarter 2 - Assemble Executive Board & Select Fund Director			
Quarter 2			
Funds Needed (JDs)	29,242		
Phase 1 Timeframe	3 months		
Start Date:	1-Jul-08		
End Date:	30-Sep-08		
Major Activities		Date	
Official Appointment of Board Members		July	
1st Board Meeting		July	
Start recruitment of Director, Project Analyst, Communications Specialist & Office Administrator		July/August	
2nd Board Meeting		September	
Fund Director begins work; interviews staff candidates; continues search for Fund office facilities; drafting of budget plan for pilot phase		September	
Board Members	Honorarium	# of Meetings	Total
Ministry # 1	70	2	140
Ministry # 2	70	2	140
Ministry # 3	70	2	140
Ministry # 4	70	2	140
Ministry # 5	70	2	140
NGO	70	2	140
NGO	70	2	140
Private Sector	70	2	140
Private Sector	70	2	140
Private Sector	70	2	140
Total			1,400
Core Staff	Monthly Salary (JDs)	Months	Total
Ministry of Environment -			
"Project Manager"	750	3	2,250
Fund Director	2,348	1	2,348
Office Administrator	746	0	0
Driver/Expeditor	472	0	0
Total			4,598
* Assumes the Project Manager will work part-time			
Technical Assistance		Days	Total
Expat Consultant*		33	21,994
* Includes Travel and Per Diem costs based on the number of days			
Other Direct Costs	Amount	Item	Total
Office Rent (250sq meters)	18,000	0	0
Utilities (installation charges, pho	2,000	0	0
Computers	750	1	750
Printer/Scanner/Fax	500	1	500
Photocopiers	3,500	0	0
Telephone System	3,000	0	0
Furniture (desks, chair, etc)	5,000	0	0
Office Materials	1,500	0	0
Internet Service	1,500	0	0
Network Cost (one time)	4,000	0	0
Office Maintenance	500	0	0
Car	20,000	0	0
Total			1,250
Total (JDs)			29,242

DETAILED BUDGET FORECAST, START UP PHASE

OCTOBER – DECEMBER 31, 2008

Start Up

Quarter 3 - Capacity Building & Fund Branding/Awareness

Quarter 3		
Funds Needed (JDs)		167,715
Phase 2 Timeframe	3 months	
Start Date:	1-Oct-08	
End Date:	31-Dec-08	

Major Activities	Date
3rd, 4th, 5th Board Meetings	Oct, Nov, Dec
Development of proposals for Fund branding, awareness raising and staff capacity-building	October
Fund acquires and equips its own office space	October
Fund Study Tour	October
Draft budget/operating plan for Pilot phase	November

Board Members	Honorarium	# of Meetings	Total
Ministry # 1	70	3	210
Ministry # 2	70	3	210
Ministry # 3	70	3	210
Ministry # 4	70	3	210
Ministry # 5	70	3	210
NGO	70	3	210
NGO	70	3	210
Private Sector	70	3	210
Private Sector	70	3	210
Private Sector	70	3	210
Total			2,100

Core Staff	Monthly Salary (JDs)	Months	Total
Fund Director	2,348	3	7,043
Communications Specialist	1,361	3	4,084
Project Analyst # 1	1,567	3	4,702
Project Analyst # 2	1,567	2	3,134
Project Analyst # 3	1,568	2	3,136
Sr. Accountant	1,048	2	2,096
Office Administrator	746	3	2,239
Driver/Expeditior	472	3	1,415
Total			27,850

Technical Assistance	Days	Total*
Expat Consultant*	33	21,994

* Includes Travel and Per Diem costs based on the number of days

Other Direct Costs	Amount	Item	Total
Office Rent (250sq meters)	18,000	1	18,000
Utilities (installation charges, phone service, water, elec.)	4,000	1	4,000
Computers	750	7	5,250
Printer/Scanner/Fax	500	2	1,000
Photocopiers	3,500	2	7,000
Telephone System	3,000	1	3,000
Furniture (desks, chair, etc)	10,000	1	10,000
Office Materials	1,500	1	1,500
Internet Service	1,500	1	1,500
Network Cost (one time)	4,000	1	4,000
Office Maintenance	2,000	1	2,000
Car	20,000	1	20,000
Total			77,250

Marketing	Total
Fund Branding	6,650
Fund Awareness	15,000
Total	21,650

Capacity Building	Amount	Participants	Total
Internal Orientation Workshop - Participants	125	7	875
Internal Orientation Workshop - Expat Advisor			3,496
Study Tour to TBD Fund	2,500	5	12,500
Total			16,871

Total (JDs)	167,715
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DRAFT REGULATIONS

Regulations No. () of 2008

Environmental Protection Fund Regulations
Issued by virtue of the Stipulations of Article (17)
of the Environment Protection Law No. (52) of 2006

Article 1

These regulations shall be called Environmental Protection Fund Regulations of 2008 and shall be effective as of the publishing thereof in the Official Gazette.

Article 2

The following words, wherever they may appear in these Regulations, shall have the meanings assigned to them hereunder unless the context indicates otherwise.

Ministry:	The Ministry of Environment.
Minister:	The Minister of the Environment.
The law:	The Environment Protection Law, The regulations, instructions issued by its virtue
Fund:	The Preservation of the Environment Fund.
Board:	The Fund's Board of Directors.
Chairman:	The Chairman of the Board.
Director:	The Fund's Director General

Article 3

"An Environmental Protection Fund " shall be established in the ministry with the goal of funding means of protecting the environment and sustaining its elements, supporting the implementation of projects and other activities that lead to improved environmental conditions and more sustainable use of natural resources in Jordan and to accomplish national environmental priorities through the following:

- a) Motivate corporations and industries to adhere to the environmental provisions by providing financial assistance thereto in accordance with competitive principles to renovate facilities, implement advanced technological solutions and enhance work practices (including the concept of cleaner production)
- b) Encourage various sectors and initiatives that aim for the utilization of natural resources and environmental elements in a manner that attains sustainable development and national environmental targets
- c) Offer subsidies in various forms to corporations and industries to augment capital investment required to improve environmental friendly technologies, innovations and to develop industries, products and services enabling them to improve their competitive

capabilities in accordance with the best industry practices to preserve the environment, subject to legislations related to protecting intellectual property rights

- d) Focus on national priority sectors and direct such subsidies particularly to those sectors.
- e) Cooperate and exchange experiences with similar local, regional and international entities and organizations to coordinate support for the preservation of the environment.
- f) Spread awareness for the need to utilize environment-friendly industrial techniques and their economic and social importance.
- g) Support other activities that contribute to achievement of the Fund's goals, as determined and approved by the Fund's Board of Directors.

Article 4

In order for the Fund to realize its objectives, it shall undertake the following tasks:

- a) To provide monetary and technical support to projects, industries and individuals in accordance with the stipulations of these Regulations and the Instructions issued in its pursuance.
- b) To collaborate and coordinate with active local institutions in the preservation of the environment.
- c) To prepare plans and programs for the Fund's involvement in supporting activities of the preservation of the environment and ways for realizing same, methods of providing subsidies and its priorities.
- d) Manage the Fund's financial resources in accordance with the stipulations of Article (16) of these Regulations.
- e) To issue bulletins and publications which serve the purpose of the Fund's objectives and tasks.
- f) To organize seminars and courses for the identification of the Fund's activities and objectives.
- g) To conduct studies, research, prepare and disseminate reports relating to the Fund's objectives.
- h) To carry out any acts or activities relevant to the Fund's objectives, including the participation and cooperation with individuals, associations, industries and corporations which assist it to realize its objectives.
- i) To buy, sell, exchange, and lease any movable or immovable properties as long as such activity is not intended for trade.

Article 5

- a) The fund shall for the purposes of fulfilling its objectives conduct all legal actions such as entering into contracts that are required to attain the duties and responsibilities entrusted to it by this regulation and to prosecute or to be prosecuted before courts and to be represented by the attorney general or any attorney appointed for its presentation.
- b) The Fund shall have an independent budget; its fiscal year starts on the first day of January and expires at the end of the 31st of December of that year. Whereas the Fund's first fiscal year starts on the first day of the establishment of the Fund and expires in the 31st of December of that year.

Article 6

- a) The fund's board of directors is headed by the minister, and the membership of:
 - 1) Four representatives of high importance from the concerned public sectors assigned by the cabinet upon the recommendation of the minister.

- 2) Five representatives from private sectors and non governmental organizations concerned with environmental issues in addition to competent people and experts in the scientific and practical aspects relating to the environment to be appointed by the cabinet upon the recommendation of the minister.
- b) The period of the member's membership shall be three years renewable only once for the same period.
- c) The Vice-chairman shall be elected from the members mentioned in paragraph a(2) above who shall exercise the Chairman's tasks and powers during his absence.
- d) The Chairman may assign a Ministry official to attend the Board meetings as his proxy for voting.
- e) The board may invite any specialists or experts for consultation.

Article 7

The Board shall undertake the following tasks and powers:

- a) To approve the Fund's general policy and the implementation of its plans and programs including the adoption of pioneering enterprises relevant to the Fund's objectives, and to undertake approving what is required of financial and accounting plans and others and to revise the general policy and what is related to it.
- b) To approve the programs in connection with fundraising for the Fund from various local and international sources and to set up the appropriate plans for such purpose.
- c) To approve the Fund's organizational structure and the recruitment policies relating to employees and servants and to determine their entitlements and dismissal. The Board may enter into contracts with any technicians or others by virtue of special contracts to work thereat.
- d) To review and approve the Fund's annual plan, its performance, the annual budget and quarterly reports relating to the Fund's operation and expenditure and to ascertain its appropriate implementation to ensure the realization of its objectives.
- e) To establish the Fund's environmental priorities in accordance with the national environmental priorities through the ideal application of the fund's resources.
- f) To determine the eligibility criteria for obtaining the fund's financial support.
- g) To approve the eligible projects for receiving the fund's financial support.
- h) To follow-up and study the reports related to the execution of projects which are financed by the Fund.
- i) To appoint legal auditors to audit the fund's statements of accounts and to determine their fees where the appointing shall be for one year that is renewable upon the board's resolution.
- j) To make contracts and agreements where the Fund is a party thereto and to authorize a representative on behalf of the Board to sign same.
- k) To issue the executive instructions which regulate the Fund's activities.
- l) Any other mandates that the nature of the Fund's operations dictate.

Article 8

- a) The Board shall convene at least once every two months or whenever is necessary by a call by its Chairman. Its meeting shall have quorum with the presence of the majority of its members, provided that the Chairman or the Vice-Chairman, in the event of his absence, is among them. Its resolutions shall be passed by the majority of the members present and in the event of a tie, the resolution shall pass in favor of the party that the Chairman voted for.
- b) The Chairman shall appoint from among the Fund's employees, a Secretary to the Board, who shall undertake to call for its meetings, organize its agenda, record the minutes, resolutions and any other tasks that the Chairman charges him/her with.

Article 9

In case of the termination of the membership of any of the board's members before the fixed period then a substitute member is to be appointed in the same manner the member was appointed for the remaining period in any of the following cases:

- a) If a member does not attend three ordinary consecutive sessions without an excuse acceptable to the Board.
- b) If a member ceases to have the capacity for which such member was so appointed to the Board.
- c) If the case mentioned in article 15/D of this regulation is present
- d) If it becomes impossible for a member to discharge his office as a member for a period of three consecutive months.

Article 10

The Board shall be entitled to form one or more committees from among its members or the Fund's employees to carry out the acts and tasks that the Board determines therefore to whom it shall submit its recommendations in that regard.

Article 11

The remunerations of the Board Members and the secretary shall be determined by a resolution of the Council of Ministers upon a recommendation by the Chairman.

Article 12

- a) The Director General shall be appointed by decision of the Cabinet (Prime Ministry) upon the recommendation of the Minister as long as such decision determines his salary, raises and all his financial entitlements by virtue of a resolution or;
- b) The person to be appointed Director General of the Fund must have the appropriate qualifications and practical experience in any of the aspects of the Fund's operations for a period of not less than ten years.
- c) The person chosen as Director General shall be selected through a publicly announced open competition. The successful candidate shall be determined based on merit as measured against a set of clearly defined criteria, determined by the Board.

Article 13

The Director shall assume the following tasks and powers:

- a) To execute the Fund's general policy that is approved by the Board relating to the fund's activities, plans and programs.
- b) To execute the resolutions determined by the Board.
- c) To manage the Fund's business and run its daily affairs.
- d) To present the fund before others as may the Board determine.
- e) To prepare the Fund's annual budget, closing accounts, annual and quarter report and present them to the Board.
- f) To oversee appraisal of project proposals submitted by applicants seeking financial or technical assistance from the Fund in accordance with the principles set up by the Board.

- g) Prepare standards and criteria for qualification to receive financial and technical support from the Fund and present them to the Board.
- h) To seek and obtain donations and other financial resources that accomplish the fund's objectives.
- i) To propose the organizational structure of the Fund's executive staff and present it to the Board for ratification.
- j) To manage the Fund's executive and financial staff, supervise the employees work and ensure the proper course of business of the Fund.
- k) To present reports, studies and recommendations related to the Fund's operation to the Board for ratification and approval.
- l) To sign contracts and agreements entered into with the Fund's beneficiaries as mandated by the Board.
- m) Any other tasks delegated to or charged to him by the Board or provided for under the instructions issued by virtue of these Regulations.

Article 14

The Fund's executive staff shall consist of technical, administrative and financial departments, employees, researchers, consultants, experts and specialists to be appointed and whose employment conditions, salaries, allowances, remunerations, entitlements, rights, duties, their job description, qualifications and other issues shall be determined by virtue of instructions issued by the Board for such purpose. All Fund staff shall be selected through publicly announced open competitions in which the successful candidates are determined based on merit as measured against a set of clearly defined criteria, agreed by the Board.

Article 15

- a) The members of the Board, the Director and the fund's employees shall undertake all procedures and precautions required to prevent any conflict of interests between the fund's interests and theirs especially in relation to the contracts, projects, commitments entered into by the Fund or for its benefit.
- b) The Director, and any member of the Board, and Fund employees must inform the Board in writing of any conflict of interests that have occurred or may occur during his/her membership in the Board or during period of employment with the Fund.
- c) The member of the board shall not vote to any resolution in which he/she has a personal direct or indirect interest.
- d) If any member of the Board or the Director or any of the employees violates the provisions of clauses (b) and/or (c) in this article then he/she shall be prosecuted as the case may be for an exploitation of his/her position or for the breach of trust; and he/she shall be obliged to return all the money acquired as a result of this violation in addition to any compensation that any entity may be entitled to for the damages that may have affected it as a result.

Article 16

Subject to the legislation relating to the protection of Intellectual Property, the Fund shall be entitled to register Intellectual Property and Patents which are developed through the activities financed by the Fund.

Article 17

In observance of the stipulations of Article (17) of the Act, the Fund's financial resources shall consist of the following:

- a) The governmental attributions that are allocated in its general budget.
- b) Penalties imposed pursuant to the Act in respect of the committed environmental violations in accordance with the Act, the regulations and the instructions issued in pursuance thereof.
- c) Fees of eliminating the violations against the violator in accordance with the Stipulations of the Act and fees in respect of treating the industrial and hazardous waste levied by the Ministry in accordance with the stipulations of the Act, the regulations and the instructions issued in pursuance thereof.
- d) Fees levied by the Ministry for any licenses or approvals issued.
- e) Donations and grants to the Fund from individuals, public and private entities, Arab, regional and international entities with the approval of the Council of Ministers in the case of foreign entities.
- f) Amounts received by the Kingdom for the substitution of carbon emissions in accordance with the stipulations of applicable International Agreements.
- g) Fees and customs duties levied on the Kingdom's imports of any materials having an adverse effect on the environment in accordance with the Ministry's determination in that respect, provided that such is made in accordance with the stipulations of the relevant legislation.
- h) Charges or taxes imposed on the production or sale of environmentally-harmful products or goods. in accordance with the Ministry's determination in that respect, provided that such is made in accordance with the stipulations of the relevant legislation.
- i) Amounts realized by the Fund as a result of operations carried out by it, in accordance with the stipulations of this Regulation e.g. Interest on granted loans or income realized from its banking.
- j) The revenue of the fund's funds and any other sources.

Article 18

- a) The Fund may invest its funds in bonds issued by the Government of Jordan or bonds guaranteed by it or deposit same at licensed banks against interest as approved by the Board.
- b) The Fund's funds shall be deposited in a private account at one or more banks, to be chosen by the Board for such purpose, the Board shall also appoint the authorized signatories and withdrawals for such account.

Article 19

- a) The Fund shall set up the rules to outlay its realized financial resources in accordance with Articles (17) and (18) of this Regulation, and in accordance with the instructions issued by the Chairman upon the recommendation of the Board for this purpose taking into consideration the variety of these instructions to include the means of providing direct and indirect grants; including soft loans.
- b) Upon deciding to make expenditures from the Fund towards projects and individuals, the following criteria shall be observed:
 - 1) All procedures, financial terms, qualifying criteria and any other details must be written and declared so that all applicants and others have the opportunity to be appropriately acquainted therewith.
 - 2) To sanction effective principles to manage risk in the Fund's financing, to protect its funds from abuse and to document all procedures and conditions of expenditure and to monitor such procedures and principles.

Article 20

- a) The Fund's resources may not be expended except on the following:
 - 1) The expenses related to goods, services, activities and other commitments that aim expressly at environmental and natural resource protection and sustainable development in Jordan and attaining the National environmental priorities.
 - 2) The fund's executive and administrative expenses.
 - 3) Any other matters or activities that are approved by the Board provided that they fall under the funds objectives.
- b) After following up and studying the reports related to the projects financed by the fund; the fund shall demand the owners of such projects and its beneficiaries to pay back the funding that was granted by the fund in addition to the due legal interest if the fund found that these grants were not employed for the purpose they were dedicated to.

Article 21

The fund shall adjust its accounts and records to comply with the customary and internationally known accounting principles and is subject to the auditing of the accounting department and the legal auditors yet the annual report and the final financial statements are to be submitted by the Board to the councils of ministries in a period that doesn't exceed 90 days from the end of the fiscal year.

Article 22

The Council of Ministers shall exempt the fund or any of the projects in which the Fund participated and which are conducive to realizing sustained development in the Kingdom from all taxes, charges, governmental revenues, revenue stamp fees, custom duties and the General Sales Tax.

Article 22

In case of the dissolution of the fund for any reason then all its movable and immovable properties shall be transferred to the Ministry of Environment.

Article 23

The Chairman, upon the recommendation of the Board, shall issue the necessary instructions to implement the stipulations of these Regulations and it shall be published in the Official Gazette including the following:

- a) Criterion for expenditure from the Fund.
- b) Principles and procedures for appointing the Fund's executive staff and organizing its various affairs.
- c) Organizing the Fund's administrative, financial and technical affairs.
- d) Instructions related to the study, evaluation, supervision and follow up on projects that are eligible for obtaining support.
- e) Organizing the Board's Meetings.
- f) Any other instruction necessary to facilitate the functioning of the Fund

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Sustainable Achievement of Business Expansion and Quality (SABEQ)

BearingPoint, Inc.

Salem Center, Sequleyah Street, Al-Rabiyeh

Amman, 11194 Jordan

Phone: + 962-6 550-3050

Web address: <http://www.SABEQ-Jordan.org>