



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

JORDAN

Climate Policy Diagnostic

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: This technical assistance conducts a climate policy diagnostic for Jordan, covering climate adaptation and mitigation policy, as well as enabling institutions. Jordan faces acute challenges of climate-food-water nexus—innovative climate policy approaches are key, given limited fiscal space. While Jordan needs to strengthen the investment climate for climate investment through streamlining existing policies and alleviating critical barriers, making social policy more shock-responsive and strengthening risk management can go a long way in building resilience. As climate-related risks globally intensify, the government is encouraged to move toward a risk-informed policy and financing strategy.

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Background

This technical assistance conducts a climate policy diagnostic for Jordan, covering climate adaptation and mitigation policy, as well as enabling institutions to support climate investment. This activity assists the authorities in strengthening policy and institutional frameworks and in exploring potential reform measures to address identified weaknesses with a particular emphasis on climate fiscal policy.

Summary of Findings

Jordan faces acute challenges of climate-food-water nexus. Jordan is one of the most water scarce countries in the world. Like other countries, Jordan is exposed to physical and transition risks associated with climate change. While Jordan has made notable progress in sourcing energy through renewable resources reaching 30 percent of its energy mix, it still relies on fossil fuels to meet a portion of its energy demand. The country has set a target to reduce 31 percent of greenhouse gas emissions by 2030 relative to a business-as usual scenario (5 percent unconditional and 26 percent conditional) and aspires to become a net-zero carbon economy by 2050, while building long-term resilience and adaptive capacity. In response, Jordan has made significant progress on climate actions and mainstreaming climate considerations into its planning and decision-making processes. Additional efforts are necessary to ensure that the country's macro-fiscal policy framework is climate-responsive through revenue-neutral mechanisms and adequate policies and institutions are put in place to enable climate investments and actions envisaged in the national climate change policy.

Innovative climate policy approaches are key, given limited fiscal space. The close linkages between climate, energy, food, and water supply issues call for an integrated and systematic policy approach. With limited fiscal space, like the rest of the world, Jordan is facing the challenge of identifying innovative climate policy solutions that are 'win-win-win'—good for climate, good for economic growth, and promote fiscal sustainability. At the same time, the country is presented with a unique opportunity in pursuing green economic diversification that, if executed well, would help boost macroeconomic resilience and stability, as well as create jobs and alleviate youth unemployment. Emerging green sectors (such as renewable energy and energy efficiency value chains, e-mobility and clean transport ecosystems, and clean electricity exports) are potentially new sources of economic growth and are among untapped sources of revenues.

Jordan could further strengthen the investment climate for climate investment as fiscally feasible, through enabling policies and institutions and priority reforms that address the climate-energy-food-water nexus. Thus far, climate investment strategy in Jordan has largely focused on infrastructure projects. The country should explore additional policies, while streamlining existing measures, to further enable the private sectors (businesses, households, and the industries) to invest in climate adaptation and mitigation measures across sectors. Government interventions are also needed to alleviate critical barriers—whether legal or institutional—to promote and scaleup climate actions. The government could also strengthen the enabling environment for critical strategic investments (such as energy storage, bus rapid transit, climate-smart health care facilities, climate smart agriculture, and green hydrogen) by creating legal frameworks and providing de-risking support while tapping international climate finance for these potential mega projects.

Making social policy more shock-responsive and strengthening risk management go a long way in building resilience for climate-vulnerable groups in Jordan, particularly women, children, and persons with disability. Home to a large population of refugees who have increasingly put Jordan’s natural resources under pressure, the country has allocated significant amounts of its scarce budget to support this highly vulnerable community—international financial assistance is crucial to ease the burden on the Jordanian economy and ensure that these climate-exposed natural resources are sustainably managed. As climate-related risks globally intensify, the government is encouraged to move toward a risk-informed policy and financing strategy in key economic sectors including the agriculture, health, urban sectors, as well as in disaster risk management. The momentum of developing a shock-responsive social protection strategy needs to be followed through. The country’s climate governance framework is comprehensive with relevant legal and institutional frameworks already developed. Nevertheless, there is much room to streamline the various overlapping plans and make the frameworks more responsive to climate-related risks. Jordan is at the crossroads of economic transition. Policy solutions identified in this report could help address the above transition challenges and pave a way toward a more inclusive, resilient, and sustainable Jordan.