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# Water and Environment Support

in the ENI Southern Neighbourhood region



## N-E-JO-2

**Consolidation activities on Green Banking and support to green investment opportunities to curb plastic waste in Jordan**

### Task1 - Inception Report

**26.11.2021**

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*This document has been reformatted for wider publication*



**LDK Consultants Engineers & Planners SA**



## WATER AND ENVIRONMENT SUPPORT IN THE ENI SOUTHERN NEIGHBOURHOOD REGION

The "Water and Environment Support (WES) in the ENI Neighbourhood South Region" project is a regional technical support project funded by the European Neighbourhood Instrument (ENI South). WES aims to protect the natural resources in the Mediterranean context and to improve the management of scarce water resources in the region. WES mainly aims to solve the problems linked to the pollution prevention and the rational use of water.

WES builds on previous similar regional projects funded by the European Union (Horizon 2020 CB/MEP, SWIM SM, SWIM-H2020 SM) and strives to create a supportive environment and increase capacity all stakeholders in the partner countries (PCs).

The WES Project Countries are Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Libya, Palestine, Syria and Tunisia. However, in order to ensure the coherence and effectiveness of EU funding or to promote regional cooperation, the eligibility of specific actions can be extended to neighbouring countries in the Southern Neighbourhood region.

### **DISCLAIMER:**

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## ABBREVIATIONS

<i>PC</i>	Partner countries
<i>NKEs</i>	non-key experts
<i>MoE</i>	Ministry of Environment
<i>MoI</i>	Ministry of Industry
<i>MoM</i>	Minutes of meeting
<i>SW</i>	Solid Waste
<i>SWOT</i>	Strengths Weaknesses Opportunities Threats
<i>WES</i>	Water and Environment Support in the ENI Neighbourhood region
<i>WW</i>	Wastewater

## 1 BACKGROUND OF THE ASSIGNMENT

### 1.1 INTRODUCTION

One of the key objectives of WES is to tackle problems related to pollution prevention, and to aim for (1) increasing the capacities of stakeholders and creating the conditions for knowledge exchange and ownership in the Partner Countries (PCs), (2) increasing the capacity of stakeholders that are involved in pollution reduction and support them in formulating and implementing the environmental policies by introducing more sustainable consumption and production model.

Technical assistance activities support the Partner Countries so that their institutional, legal, technical and management frameworks are conducive to prevention and reduction of pollution. These activities will be directly linked to the needs and priorities of the PCs contributing also to the achievements of the common goals identified and addressed by the Union for the Mediterranean, the Barcelona Convention's UNEP/MAP and other international and regional bodies and initiatives.

This activity will be coordinated closely with the WES Focal Point at the Ministry of Environment (MoENV) in Jordan, keeping the EU delegation closely involved.

### 1.2 OBJECTIVE OF THE ACTIVITY

This WES activity aims to:

- support the MoENV in the implementation of the Green Economy roadmap and green investment opportunities in the solid waste sector in Jordan by focusing on the issues of Single-Use Plastics (SUPs) and promotion of Green Banking.

The **overall objective** is:

- to enhance the banking and other sectors' capacity to promote sustainable investment opportunities that foster the shift towards a green economy and facilitate access to green investments with emphasis on the waste sector.

The **specific objective** is:

- to enhance the understanding of the concept of Green Banking as well as of the inhibiting and enabling conditions for both the Central and Commercial Banks of Jordan and the private sector to better invest in green projects. Emphasis will be on solid waste and plastics sector activities, capitalizing also on all previous initiatives on Green Banking from the entire environmental sector. The activity will also help in identifying suitable themes for appropriate projects.

Moreover, this activity (N-E-JO-2) is a 'twin' to the activity: "**Contribution to the development of a joint public-private roadmap to transition to reduce the use of single-use plastics (SUPs) in Jordan**" (N-E-JO-1), which aims to enhance the country's awareness and capacity to respond to the challenges posed by plastic pollution, the specific objectives of which are the following:

- Provide information on production and good practices on replacing and/or recycling SUPs;
- Approach policy measures and financial options for curbing SUPs;
- Pave the way for a gradual phase-out of SUPs and provide recommendations for a relevant strategy.

This report presents the main findings and results of Task 1 of the activity.

### 1.3 TASKS AND EXPECTED RESULTS OF N-E-JO-2

WES has already organised the Kick-Off meeting for this activity on the 2nd of August 2021 (see 1.4). The next Tasks to be delivered are briefly described below (for a full description please refer to the Activity TORs). It is noteworthy that an important component of the methodology proposed was the capitalization on and relevant lessons learned from Green Banking in Lebanon.

#### **Task 1: Inception phase and review of relevant/representative environmental projects submitted to banks for financing**

=> **Result 1.1:** An inception report is prepared and presented describing the situation of Green Banking in Jordan, including any detailed reference which may exist on waste management projects (with focus on plastics) that have been submitted to banks for financing;

=> **Result 1.2:** Completion of the Stakeholder Commitment Tracking Form is launched.

#### **Task 2: Identification of potential inhibiting operational aspects and concrete suggestions for addressing them**

=> **Result 2.1:** Brief Desk Study on the Green Banking situation in Lebanon, to contribute in the identification of inhibiting factors in Jordan and suggestions to address them (see results 2.2 and 2.3) as well as for shaping the framework for the P2P exchanges (see result 3.1 of Task 3).

=> **Result 2.2:** Concrete suggestions for addressing inhibiting operational aspects are proposed.

=> **Result 2.3:** Report describing the inhibiting factors and suggested ways to address them.

#### **Task 3: Facilitating exchange of experiences between the Banks of Jordan and Lebanon**

=> **Result 3.1:** Concept Note providing the framework for the P2P exchanges based on the Desk Study carried out under Task 2 (see result 2.1);

=> **Result 3.2:** P2P exchanges between peers from Banks in Jordan and Lebanon are organised remotely;

=> **Result 3.3:** Summary report on key conclusions-recommendations useful for Jordan to enrich the report of Task 2.

#### **Task 4: Enhancing the conditions for Green Banking in the plastics sector / SUPs.**

=> **Result 4.1.:** Set of recommendations addressing all partners involved for necessary improvements in the enabling conditions and operations for the promotion of green financing/banking in the plastics sector.

=> **Result 4.1.:** Identified/suggested themes for green projects related to plastics, suitable for Green Banking/financing.

**Task 5: Webinar on Green Banking to foster green investment/banking in the plastics sector of Jordan**

=> **Result 5.1:** Recommendations to foster Green Banking in the overall plastics/SUP sector in Jordan are presented, discussed with all stakeholders and finalized.

**Task 6: Compile a synthesis report.**

=> **Result 6.1:** The results of the project are documented for wider dissemination.

## 1.4 KICK-OFF OF THE ACTIVITY

Due to the impact of the COVID-19 pandemic both in the region and in Europe, it has been necessary to launch the activity remotely and adapt/re-organise accordingly the activities until it becomes possible to undertake missions to Jordan. Within this framework, three national non-key experts (NKEs) have been mobilised to carry out this activity with the direct and significant contribution of the Team Leader of WES, as well as of the Environment Key Expert of WES:

Type of NK Expert	Name	Position
National-Local (NKE1)	<i>Koussai Quteishat</i>	Water/Environmental and institutional expert
National-Local (NKE2)	<i>Adli Kandah</i>	Economic, Banking and Financial expert
National-Local (NKE3)	<i>Ahmad AlQatarneh</i>	Solid Waste Management and Plastics local Expert

The NKEs' mobilisation and initial activities started as soon as the remote kick-off meeting took place on August 2<sup>nd</sup> 2021. The aim of the meeting was for the core group of people that will be monitoring the activity (the TL, KE, NKEs, MoENV and the Association of Banks in Jordan (ABJ)) to discuss the overall objectives and workplan of the activity, confirm the overall methodology, identify/confirm the key stakeholders to be involved, agree on the modalities and the timing of the desk work and other tasks. Based on the KOM discussions, Task 1 was launched.

Internet meetings have been and shall continue to be organised with the main partners and beneficiaries, as needed to discuss ways to implement parts of the tasks remotely and to agree on the type of information / data needed which can be sent to the experts electronically in close coordination with the Ministry of Environment.

## 2 OVERVIEW OF THE INCEPTION PHASE TASKS

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This inception report presents the work done and the results achieved under Task 1 of the activity which was mainly a phase dedicated to the analysis of the situation through the following:

- The main structures and actors that need to be engaged or consulted were identified (see Table 1) and most of them were contacted (meetings, interviews, calls, etc.). Some more, who were not available, will be contacted and interviewed as soon as they can.
- A survey was carried out using questionnaires (see Table 2) prepared and circulated to many banks, the results of which were analysed.
- Via the survey and interviews, information on relevant/representative environmental projects related to the wider environmental sector, with emphasis on solid waste and plastics, submitted to banks for financing (either approved or rejected) was collected.
- An assessment of the scope of the projects, their technical and economic profiles, current finance practices, including selection criteria for green funding and the reasons why most projects are considered as not bankable or not fit for green funding, was also done. According to the findings, the results of the analysis are given in part 5.2.

The duration of the Inception Phase had to be extended by about one month to allow for as many as possible from the many stakeholders contacted to reply to the survey. The proposed next steps in the implementation of this activity are in the last section of the present report.

## 3 MAIN STRUCTURES AND ACTORS CONSULTED

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Close contact was maintained with the Ministry of Environment. Mr. Ahmad Qatarneh had several meetings with the Ministry of Environment (MoEnv) in the months of August and September. The dialogue was continued with **Dr Mohammad Alkhashashneh / Secretary General of MoENV**. Discussions focussed mainly on waste management and the waste management framework law no. 16 of the year 2020. There was great emphasis on the topic of plastic pollution and how to utilize all means available to control this problem. The principle of the Extended Producer Responsibility (EPR) was also discussed and seems to be the likely program to follow. According to the EPR principle, producers (including developers and manufacturers) are required to incorporate the environmental costs associated with the end-of-life of a product and/or its packaging. The EPR program aims to enhance the prevention, reduction, reuse, recycling, and recovery of waste. **Dr. Jehad Alswaer/Head of the Green Economy Unit at MoENV** was interviewed, and the Waste Sector in the Green Growth National Action Plan 2021-2025 (GG-NAP) was discussed along with the challenges and opportunities of shifting toward more resource efficient urbanization and, ultimately, a more circular economy. Meetings were also held with **Ms Maha Maaytah/Director of Policies and International Cooperation** and **Engineer Heba Zabalawi/Head of Solid Waste Management** where the discussions dealt with

policies regarding waste management particularly plastics, and issues regarding waste management in Jordan were elaborated.

The **Association of Banks of Jordan (ABJ)** was contacted, and they were kind enough to forward their summary report of the response to the questionnaire as received from eleven (11) banks. The report was translated to English by the WES team and is attached at the end of the present report, as an Annex.

The **Central Bank of Jordan (CBJ)** was contacted by Dr Adli Kandah at the level of:

- Deputy Governor, **Dr. Adel Al Sharkas**,
- **Dr. Nidal Al Azzam**, Executive Director of the Research Department, and
- **Mr. Mohamad Amaireh**, Executive Director of Financial Stability Department

Mr. Amaireh informed us of a Green Banking Strategy that the Central Bank is preparing in collaboration with the **EBRD** and offered to distribute the questionnaire prepared by the WES team (see section 5) among the commercial banks, via the ABJ. A formal letter, along with the WES questionnaire were signed and sent to the ABJ to be circulated to all banks operating in Jordan. The questionnaire was indeed circulated, and response received from eleven banks (see section).

Furthermore, CBJ has formed a Steering Committee headed by Mr. Mohamad Amaireh and **a Technical Committee was also established to work on a Green Banking Strategy**. A comprehensive survey will also be prepared by the Technical Committee to be circulated to all banks. It is doubtful that they will consult WES in its preparation as they are doing it jointly with EBRD. However, WES will follow up on its development.

Mr. Adli Kandah met with individual Directors and CEOs of other banks, as follows;

- **Mr. Caesar Qulajen**, CEO of Jordan Commercial Bank,
- **Mr. Samer Tamimi**, CEO, Safwah Islamic Bank,
- **Mr. Saleh Rajab**, CEO, Bank of Jordan,
- **Mr. Mohamad Musa**, CEO, Jordan Ahli Bank,
- **Mr. Ammar Al Saeed**, Head of Retail, Ahli Bank,
- **Mr. Kamal Al Bakri**, CEO, Cairo Amman Bank,
- **Mr. Nadim Abaouata**, GM, SGBJ,
- **Mr. Ammar Safadi**, CEO, Housing Bank,
- **Mrs. Ibtisam El Ayoubi**, COO, Housing Bank,
- **Mr. Eyad Al Assali**, CEO, Arab Islamic International Bank,
- **Mr. Ibrahim Taani**, Finance Department Manager, Jordan Kuwait Bank,
- **Mr. Nemeh Al Sabagh**, CEO, Arab Bank, was contacted by phone, he promised to collaborate and gave us the name of a contact person,
- **Mr. Tareq Al Haj Hassan**, Branding Manager at the Arab Bank, to whom the questionnaire was sent, and within few days sent us the answers.

All bankers showed interest in this WES activity and indicated readiness to cooperate and complete the questionnaire. Four responses were separately received by WES on the 20<sup>th</sup> of October, and these

four plus seven more banks sent their responses to the **Association of Banks of Jordan (ABJ)** who summarized the responses in a separate report, as mentioned above.

Mr. Kandah also met with **Eng. Amjad Al Rashaydeh**/Food Department, **Jordan Food and Drug Administration JFDA**, and **Mrs. Amal Al Jaghbeer**/Assistant Director, JFDA. They too are ready to collaborate with WES.

Furthermore, several meetings were held by Mr. Qatarneh at the **Jordan Chamber of Industry (JCI)** with **Mr. Alaa Abu Khazneh**/responsible for the plastics industry at JCI, and also with **Mr. Faraj Al Taweel**/ owner of a plastics factory. Different issues were discussed regarding legislation already in place to control the recycling of plastic and ways to enhance the financing of green investment in Jordan especially in the plastics sector.





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TABLE 1: SUMMARY TABLE – STAKEHOLDERS/ACTORS

Name of entity	Role	Level of involvement	Proposed focal point - position	Method of communication (till date)
Jordan Food and Drug Administration JFDA	Setting policies and legislations on Food and Drug in Jordan	Primary	Eng. Amjad Al Rashaydeh, Food Department	Personal meeting
Jordan Food and Drug Administration JFDA	Setting policies and legislations on Food and Drug in Jordan	Primary	Mrs. Amal Al Jaghbeer, Assistant Director, JFDA	Personal meeting
Central Bank of Jordan	Regulating and monitoring the banking and financial sectors and managing monetary policy in Jordan	Primary	Dr. Adel Al Sharkas, Deputy Governor	Personal Meeting
Central Bank of Jordan	Regulating and monitoring the banking and financial setors and managing monetary policy in Jordan	Primary	Dr. Nidal AlAzzam, Executive Director, Research Department	Personal meeting
Central Bank of Jordan	Regulating and monitoring the banking and financial sectors and managing monetary policy in Jordan	Primary	Mr. Mohamad Amaireh	Personal meeting
Ministry of Environment	Setting legislations and following up with the implementation of legislations	Primary	Hanadi Al Rabayah, Chemical Engineer	Personal meeting
Ministry of Local Administration	Operation of the waste collection, disposal, and treatment in Jordan	Primary	Jumana Al Abbadi, Head of solid waste management and Planning	Personal meeting
Greater Amman Municipality	Operation of the waste collection, disposal, and treatment in Amman	Secondary	Omar Arabiyat, Head of Environment Directorate	Personal meeting
Ministry of Industry and Trade	Monitoring and controlling the	Primary	Naghem Jaber, Engineer	Phone call

Name of entity	Role	Level of involvement	Proposed focal point - position	Method of communication (till date)
	exported and imported materials			
Department of Statistics	Provide statistics regarding the plastic generation	Secondary	Sudki Hamdan, Head of Environmental statistics Department	Phone call
Approved Plastic Industries	Manufacturing of plastic bags and food packaging	Primary	Rami Fraihat, Factory manager	Phone call
Jordan Commercial Bank	Providing banking services including different types of commercial financing	Primary	Mr. Caesar Qulajen, CEO	Personal meeting
Safwah Islamic Bank	Providing Islamic banking services including different types of financing	Primary	Mr. Samer Tamimi, CEO	Personal meeting
Cairo Amman Bank	Providing Banking services including different types of commercial financing	Primary	Mr. Kamal Al Bakri, CEO - General Manager	Personal meeting
Jordan Ahli Bank	Providing Banking services including different types of commercial financing	Primary	Mr. Mohammad Musa, M. Ammar Al Saeed, Head of Retail	Personal meeting
Housing Bank	Providing Banking services including different types of commercial financing	Primary	Mr. Amar AL Safadi, CEO Mrs. Ibtisam El Ayoubi, COO	Personal meeting
Societe General Bank of Jordan	Providing Banking services including different types of commercial financing	Primary	Mr. Nadim Abaouata, GM	Personal meeting
Arab Islamic International Bank	Providing Islamic Banking services including different types of financing	Primary	Mr. Eyad Al Assali, CEO	Personal meeting
Bank of Jordan	Providing Banking services including different types of commercial financing	Primary	Mr. Saleh Rajab, CEO	Personal meeting

Name of entity	Role	Level of involvement	Proposed focal point - position	Method of communication (till date)
Jordan Kuwait Bank	Providing Banking services including different types of commercial financing	Primary	Mr. Ibrahim Taani, Finance Department Manager	Personal meeting
Arab Bank	Providing Banking services including different types of commercial financing	Primary	Mr. Nemeh Al Sabagh, CEO	Phone call & email
TAJ Mall	Generator of SUPs – shopping mall	Primary	Mr. Mohammad Mustafa, Head of Operations	Phone call
City Mall	Generator of SUPs – shopping mall	Primary	Mr. Osama Al Dawat, Cleaning Department Manager	Phone call
Mecca Mall	Generator of SUPs – shopping mall	Primary	Mr. Sa'ed Dodakh, General Manager	Phone call
Coca Cola	Generator of SUPs – Plastic bottles and caps	Primary	Mr. Qasim, Head of Hygiene Department	Phone call
McDonalds	Generator of SUPs – food packaging and Plastic bottles and caps	Primary	Mr. Murad Al Zaghal, Senior Operations manager	Phone call
Golden Meal	Generator of SUPs – food packaging	Primary	Mr. Jamal, Restaurant Branch Manager	Phone call
Jabri Restaurant	Generator of SUPs – food containers, cutlery, trays and plates	Primary	Mr. Eyad Al Masri, Restaurant Manager	Phone call
European Delegation	Implementing various plastic-waste related projects	Secondary	Mr. Omar Abu Eid, EEAS Manager Cooperation Sec	To be contacted
Global Green Growth Institute	Implementing various plastic-waste related projects	Secondary	Mr. Dereje Senshaw, Country representative	To be contacted
USAID	Implementing various plastic-waste related projects	Secondary	Mr. Haitham Ali, Project Management specialist	To be contacted

Name of entity	Role	Level of involvement	Proposed focal point - position	Method of communication (till date)
UNDP	Implementing various plastic-waste related projects	Secondary	Mr. Murad Al Shishani, Project Coordination Manager	To be contacted
Federation Canadian Municipalities	Implementing various plastic-waste related projects	Secondary	Mr. Bana Abo Yousef, SWM Specialist	To be contacted
GIZ	Implementing various plastic-waste related projects	Secondary	Mr. Islam Daoud, Project officer - waste to positive energy	To be contacted
Jordanian Union of Restaurants & Confectionary Properties	Restaurant, generating food packaging, containers, cutlery, plates, trays, bottles, and lids	Primary	Mr. Nimr Wild Ali, Secretary General	To be contacted
Jordan Chamber of Industry	Representing the plastic manufacturers in the private sector	Primary	Mr. Maen Ayasrah, Energy and Environmental Sustainability Unit (EESU)	To be contacted
			Mr. Ala'a Abu Khazneh, Representative of plastic industry in the chamber	To be contacted
Jordan Chamber of Commerce	Sale of plastic products	Primary	Mr. Hisham Dweik, Director of the Chamber	To be contacted



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## 4 BRIEF ANALYSIS RESULTING FROM THE DISCUSSIONS

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The discussions with bankers provided some useful information and led to a series of preparatory actions. Those with Government officials confirmed the interest for relevant actions and concluded that the legal framework is not adequate and that more work is needed - however without any concrete commitments at this stage.

One relatively important finding is that EBRD is becoming a major player on Green Banking with banks in Jordan and particularly with the Central Bank.

The Central Bank of Jordan (CBJ) is preparing a Green Banking Strategy in collaboration with the EBRD

The CBJ distributed the questionnaire prepared by the WES team (see section 5, Table 2) among the commercial banks, via the ABJ. A formal letter, along with the WES questionnaire were signed and sent to the ABJ to be circulated to all banks operating in Jordan. The survey was indeed circulated, and responses were received from eleven banks.

Furthermore, CBJ has formed a Steering Committee headed by Mr. Mohamad Amaireh and **a Technical Committee was also established to work on a Green Banking Strategy.**

All banks showed full support to WES project.

Banks are looking forward to receiving the CBJ Green Banking Strategy

In the meetings and discussions held with Secretary General of the Ministry of Environment and the Director of hazardous and solid waste department and the *respective people working on this topic* at the Ministry of Environment the following were suggested

- (i) Ways have to be found to enable the implementation of the waste hierarchy scheme, to **reduce, reuse and recycle** the amounts of plastic waste *especially the single use plastics*, in order to reduce the negative impacts of plastic waste
- (ii) The **circular economy** has to be promoted at different levels
- (iii) The Polluter Pays Principle and the Extended Producer Responsibility have to be applied.
- (iv) The topic of **single use plastics with all policies and strategies** has to be linked to the **framework law of waste and the green growth strategy and the sustainable development goals.**

On the other hand, the meetings held with the Chamber of Industry and the private sector discussed the **obstacles and challenges** related to the **manufacturing of plastics** and ways forward in **benefiting from plastic waste**, alongside, **negotiations on feasible financing solutions** to reach the common goal. Apparently, the way forward is not yet defined.

## 5 REVIEW OF RELEVANT/REPRESENTATIVE ENVIRONMENTAL PROJECTS SUBMITTED TO BANKS FOR FINANCING

### 5.1 THE SURVEY

The survey was carried out by employing a questionnaire prepared and circulated to a selected group of banks directly by the NKEs and all banks of Jordan via the Association of Banks of Jordan (ABJ) at the request of the Central Bank. From the preliminary investigation it became clear that no bank took credit for any solid waste project nor for plastics. Therefore, no question was included in specifying the nature of projects.

Note: In parallel, the Central Bank has established a Steering Committee to prepare a much more comprehensive survey on Green Banking.

The questionnaire had 14 questions seeking answers to information requested in the activity ToR.

**Table 2: List of the Questions included in the questionnaire:**

1. The respective bank's financing of environment related projects in years 2017 – 2021.
2. Any bank's policies towards Green Banking and environmental projects.
3. Number of projects in which the respective bank has participated.
4. Main purpose of loans/finance provided to these projects?
5. Beneficiaries of these projects?
6. Loans' main problems in closure of finance given to environmental projects, solid waste management with emphasis on plastics?
7. Procedures that the respective bank has taken when the facilities/loans were provided?
8. Conditions or requirements that the respective bank would impose to the financing of environmental projects, solid waste management with emphasis on plastics? Example: Debt Benefit Ratio DBR/payment period/currency of loan/precautionary conditions /feasibility studies/repayment source
9. Reasons for rejecting finance of environmental projects, solid waste management with emphasis on plastics?
10. Obstacles and challenges facing the banks in providing green financing?
11. Suggestions to motivate banks to provide facilities/finance of solid waste management with emphasis on plastics?
12. Securities requested by the bank in financing environmental projects, solid waste management with emphasis on plastics? Example: mortgage loan, ownership securities, government or sovereign guarantee, cash margin, etc.
13. Suggestions for this project (WES activity)?

## **5.2 BRIEF ANALYSIS OF SURVEY RESULTS (FINDINGS FROM FOUR INDIVIDUAL REPLIES AND A BRIEF SUMMARY BY ABJ OF ELEVEN BANKS WHICH INCLUDE THE FIRST FOUR)**

It is clear from the responses that Green Banking in Jordan is limited to the Central Bank program and strongly in favor of renewable energy. Banks finance solar power on a wide scale; some that they call "direct" and some through the CB program and some with a mixture of both. Finance covers the range, among and not within banks, from single dwellings to PPPs involving grid connections and wheeling.

It is repeated at this point that no bank took credit for any solid waste project nor for plastics.

Though they all are environmentally aware and supportive to projects that help the environment, they see the market of environmentally friendly projects as immature with technologies that, even if not doubtful, are financially risky. They rely on extensive feasibility studies to assess loans often resorting to the assistance of third-party experts; all leading to heavy, even excessive, risk mitigation requirements. They see these projects as not only subject to the regular scrutiny that they give to other projects but more, so as they involve a third party that does the permitting. There is not much trust even in the party that does the permitting.

Apparently, all banks request and insist that the financed project should cover itself and will not finance it until that is proven but still request collaterals mostly in real estate in excess of the value of the project.

Furthermore, a Green Banking strategy, though 4 out of 11 claims that they have one seems to be related to renewables as judged from responses to other questions. They see the challenges ahead as:

- ensuring that an accurate feasibility analysis of a project is prepared
- having in place a third party as a reference body to be consulted on the environmental aspect/specifics of feasibility
- needs for raising awareness among the public but also the banks
- expediting response of permitting agencies such as respective ministries, municipalities, electricity companies, etc.
- having a centralized hub where experiences are shared

As for plastics, they appreciate the problem and suggest that the Government:

- strengthens laws related to getting rid of plastic waste and slating practical solutions to the problem
- puts efforts towards raising awareness of the importance of the environment
- increases knowledge of the presence of Green Banking and that solid waste is a targeted sector for Green Banking provided project concepts are developed and excessive details thereafter such as studies, licenses, etc. are explained

As for motivating banks to grant facilities/financing for solid waste management projects by focusing on plastics, they expect that:

- the Central Bank facilitates soft loans and conditions thereto
- official bodies show greater involvement to reach out to the banks with projects that are deemed feasible
- banks are provided with tools to assess environmental impacts
- specialized grants are made available for this type of financing and are known to companies such that they approach the banks for finance

As for WES, suggestions made in that the project:

- helps in developing a well-announced national strategy towards solid waste, and plastics along with policies and action plans
- develops videos, digital ads to raise awareness
- conducts awareness training through workshops involving MoE, Central bank, commercial banks and companies
- creates a central database for the project and an information base for the sector, activities, environmental rules and tools as well as that

**It is needless to say, from the above, that there were no relevant/representative environmental projects to review.**

## **6 SUMMARY AND SUGGESTED NEXT STEPS FOR THE IMPLEMENTATION OF WES N-E-JO-2**

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The following is a brief summary of the findings:

- Main structures and actors that need to be engaged or consulted were indeed identified and contacted. Some remain to be contacted at a later stage.
- The survey was carried out based on a questionnaire prepared and circulated to many banks, the results of which were analysed.
- Relevant/representative environmental projects related to the wider environmental sector submitted to banks for funding are primarily limited to renewable energy, and none was identified on solid waste and plastics

Based on the interviews, survey results and all other available information, the suggested next steps would include:

- organization, further development and completion of meaningful contacts
- exploration of conditions for securing the active WES expert participation in the Technical Committee or the Steering Committee

- clear delineation on the EBRD modus operandi
- follow-up on the Central Bank's own questionnaire to the banks and its strategy development
- compare Green Banking requests, expectations and procedures followed by the banks of Jordan with practices used in the neighborhood, especially Lebanon and, if resources allow, eventually banks of an East Mediterranean European country, e.g. Greece.

The steps would likely lead us to:

- identify and analyse inhibiting factors and opportunities. Elaborate and suggest ways to address both. This calls for a desk study of the GB Lebanon experience.
- make concrete suggestions in order to address the above inhibiting factors
- report on the efforts

These represent Results 2.1 and 2.2 and 2.3, respectively of Task 2



## 7 ANNEX

### RESULTS OF BANKS' RESPONSES TO THE WES SURVEY ON GREEN BANKING

English Translation of ABJ interpretation of the Survey

***The number of banks responding to the questionnaire was 11.***

- 1. In the last five years 2017-2021, your bank has co-financed environmentally related projects in general (renewable energy, solar, wind, solid waste management projects focusing on plastics, etc.)?**

Project	Number of Banks
Renewable Energy Projects	8
Solar Energy	9
Wind Power	2
Solid Waste management projects focusing on plastics	1
Other projects include: <ul style="list-style-type: none"><li>• Environmentally friendly plastic bags industry projects</li><li>• Sustainable fisheries</li><li>• Forests or sustainable agriculture</li><li>• Waste and waste reduction projects</li><li>• Environmental improvement projects that allow for reduced permit fees or fines such as sewage treatment and air pollution reduction</li><li>• Eco-friendly car campaign</li><li>• Wastewater recycling</li></ul>	4

- 2. Is there a special policy at the Bank towards Green Banking and environmental projects?**

Answer	Number of Banks
YES	4
NO	7

- 3. How many projects have you been offered?**

Answer: 2546 projects

**4. What was the result of your evaluation of these projects?**

Answer	Number of Banks
Refusal	4
Acceptance	7
Update of information	2
Under study	3

**5. Who are the main beneficiaries of these projects?**

- Implementation companies of solar energy projects and renewable energy and commercial and service companies that have installed solar energy systems to save on their own cost of electricity
- Private and government sectors
- Partnership between the government and private sectors in the areas of renewable energy, infrastructure, water and communications
- Individuals, companies (hotels, universities, commercial complexes, housing projects, sports clubs, schools, factories, hospitals, farms)

**6. What are the most important forms of credit/financing facilities granted to environmental projects, solid waste management?**

- Direct facilities (financing the procurement of systems and equipment for solar energy projects).
- Targeted amount and duration for the loans and revolving loans
- Medium and long-term decreasing loans (asset purchase financing/asset
- Short-term decreasing loans (financing of importation of assets/tools/instruments from local or external companies, for the purpose of installing or delivering them to the beneficiary, mostly linked to a short-term project)
- Renewable loans/financing procurements (short term)
- Credit cards to finance environmentally friendly and interest-free equipment with no interest
- Indirect facilities (letters of credit, guarantees, especially performance guarantees)
- Loans through the Central Bank's advance program (low-cost financing) or outside the program for customers who do not meet the terms of the program, with deadlines of up to 10 years

**7. What conditions does the Bank set for granting facilities/financing for environmental projects, solid waste management? (e.g. debt burden, repayment period, financing currency, preventive conditions, feasibility studies documents, clear source of repayment)**

- Study the requests for facilities submitted in accordance with the policies and procedures used by the bank to grant facilities and after obtaining the approval from the competent committees that would then lead to the implementation the facilities.
  - Access to all information related to the project including project agreements (licenses, energy purchase, implementation and operation, project management),

information about the entrepreneur/private sector), the project developer, their financial capabilities and their ability to cover their financial and contractual obligations for the project as well as information on the environmental impact of the project.

- Due Diligence of this information and the results of the study must be satisfactory to proceed with the financing of the project (covering the financial, legal and technical risks of the project disbursement of funds is conditional to obtaining the approval of the competent authorities).
- Obtaining financial security agreements for finance and conditions thereto
- Preparation and signature of finance agreements
- Compliance with the preconditions for finance and start of withdrawals

The same procedures as any application for credit funding may be added to it according to each case: (submit a feasibility study, request construction permits, project permits or third-party approvals). In the event that financing is through EBRD, a Due Diligence form has to be completed regarding the environmental risks of the project and based on the results of this form, additional actions are taken regarding finance according to EIB conditions.

- Approvals from the relevant authorities if the "electricity company, municipalities, energy authority, ..."
- Seeking the opinion of the legal department to ensure the bank's rights regarding the agreements.
- Solvency and in-kind provision of the parties involved in the implementation and payment of the project.

### **Related to the conditions set by the Bank for granting facilities/financing for environmental projects, solid waste management?**

- Most banks set terms related to debt burden, repayment period, finance currency, feasibility study documents, and a clear source of repayment.
- The conditions vary depending on the project and are divided into four main headings:
  - *Financial terms:* Related to the ratio of financing, the amount and duration of the loan, the applicable interest rate, the mechanism of its determination, the repayment program and financial ratios to be maintained during the duration of the loan.
  - *Technical conditions:* In accordance with the technical terms and ratios that the borrower must comply with under the project agreements to ensure that the license granted to him for execution and operation is not breached during the duration of such license. It also includes the submission of specific periodic reports during the duration of funding.
  - *Environmental impacts:* The project should have clear positive environmental impacts
  - *Legal requirements:* Maintaining legal form and not disposing of assets or shares of partners within specific restrictions in project agreements and financing agreements

- These are in normal conditions, but exceptional conditions are set for commercial finances on a case-by-case scale and according to the client's comprehensive credit study.
  - If the EBRD lending source is in place, a procedure guide is already in place to ensure compliance with EBRD-funded projects.

**8. Have environmentally related projects, solid waste management focused on plastics, been rejected and why?**

<b>Answer</b>	<b>Number of banks</b>	<b>Most important reasons for rejection</b>
No	5	
Yes	3	<ul style="list-style-type: none"> <li>• Reasons related to the length of financing, unwillingness of the entrepreneur to provide any obligations to compensate the developer and the financier in the event of termination of the agreement, insufficient solvency, lack of adequate guarantees.</li> <li>• Failure to complete credit conditions in accordance with the Bank's financing policy.</li> <li>• Credit safety reasons (standard grant procedures regardless of loan purpose)</li> <li>• Refusal or approval is subject to a comprehensive credit study and according to the funded project and purpose, sources of payment, duration of payment, etc.</li> <li>• The implementation of an approved loan may be hindered or incomplete because the documentations are incomplete.</li> <li>• The property offered by the customer to the bank may not be available or not credit desirable.</li> <li>• Depending on the customer's status, financial and credit status, the decision is made.</li> <li>• The usual reasons for apologizing is due to financing and not related to the client's business sector.</li> </ul>

## 9. What are the problems and challenges facing banks when considering green facilities/financing?

- Ensuring the economic feasibility for the project and the company, and the solvency of the company that is requesting the finance, basically in providing sources of re-payment of the debt
- Financing currency is in dinar, with difficulty in hedging interest rate fluctuations during the financing period as well as the investor's fear of the risks of exchange rate fluctuations
- Funding period is relatively too long
- The lack of adequate studies and statistics for this sector, the difficulty of determining profit margins because there is insufficient experience, and the difficulty of identifying the financing needs of these projects
- The accuracy of project feasibility studies, limited cash flows resulting from projects and therefore inability to pay
- Lack of a neutral/independent body to evaluate technical and financial project studies
- Poor customer turnout for these projects while limiting it their involvement to renewable energy projects.
- Poor awareness of the importance of the environment and its preservation and the failure of official authorities to increase sufficient awareness
- Lack of controlled environmental legislation for economic activities and laws to encourage environmentalists
- The lack of reference bodies that can be consulted to assess the environmental suitability of these projects and if they exist, their role is done in a complex and unclear way, whether it is for lenders or applicants for financing, in addition to the high cost of using the services of these entities.
- High cost of environmentally friendly projects/materials due to lack of serious government support.
- Official authorities request prior approvals before initiating these projects (complexity of grant procedures).
- Borrowers do not have sufficient guarantees to be provided in exchange for the required facilities.
- The client cannot comply with environmental sustainability standards in light of competition and other challenges.
- Poor customer awareness of the importance of green financing and flexibility in the acceptance of change, impact and environmental and community responsibility towards every citizen, as the contribution of each citizen/company will positively affect the overall national goal
- The need to raise awareness of the impact of non-compliance with environmental sustainability indicators of companies/citizens related to the legal impact, financial impact, reputational impact, which may reflect on additional costs or losses due to non-compliance, which the client was not prepared for thus affecting his cash flows or closure of his company if the impact or risk is significant

- The extent to which there is sufficient support from third parties that authorize/give the necessary approvals for green projects
- There is intense competition in the market at the expense of the current cost of these companies, where there are small companies and are matched by major companies and the application of the green project may currently cost the company additional costs at the expense of future savings
- Lack of a sufficient information/ database and standardized tools regarding the measurement of the impact of the project on climate change and global warming and the extent of savings / positive impact on the company's cash flow, profits and others as providing them before lending to customers may constitute an additional cost to them, necessitating the existence of free tools available to them.
- Lack of a unified list of suppliers who contribute to the supply/installation/green tools
- The lack of a geographically defined area to launch as a green area to attract only green investments and therefore the financing of those investments is green and are supported by the government.
- Lack of a single framework for the environmental risk management system/network and technical persons to measure and evaluate those risks and their impact and to develop plans to reduce their impact/avoid them and link them to automated systems, both at the banking/customer level and link this to clear actions and procedures with defined risk models under which they are operated and monitored periodically.
- The sources of external funds offered to banks involved in green financing are considered to be high cost compared to what is currently available.
- Lack of adequate safeguards, insufficient practical expertise for entrepreneurs
- Technical knowledge or technical study / lack of guarantees of funding / high financing costs / difficulty in obtaining approvals from government or related entities

**10. What are your proposals to motivate banks to grant facilities/financing for solid waste management projects by focusing on plastics?**

- Increase the guaranteed rate of the Jordanian Company for Loans Guarantees on the facilities granted to the aforementioned.
- Granting preferential interest financing through an appropriate Central Bank vehicle.
- Support for state entrepreneurs such as renewable energy projects, and tax exemptions
- Additional benefits for projects in rural areas
- The Central Bank facilitates granting of soft loans to low-interest solid waste management financing projects, raising awareness through all related parties about the need to share successful experiences among all relevant institutions, including banks.
- Exclude some instructions and restrictions by the Central Bank for this sector in particular in terms of calculation of allocations and classification instructions.
- Workshops with banks and the Central Bank in cooperation with the companies that manage and implement these projects to find out the mechanism of work and technical and financial requirements about these projects.

- Development of financing programs in coordination with the Central Bank and local and international supporters and with incentives in terms of interest rates, flexible terms and conditions that differ in quantity and quality from other existing programs
- Coordination with official bodies to determine acceptable environmental requirements and provide the banks with feasibility studies for the projects subject to finance, through smooth and fast working procedures, without imposing additional costs for customers/banks
- Develop programs to ensure funding facilities for borrowers of this type of facility regardless of the type and size of the company and without imposing additional costs to customers/banks, while ensuring the rights of the bank and at the same time supporting the customer's ability to borrow without requesting additional guarantees.
- A special product from the Jordanian Loan Guarantee Company has been offered to provide a guarantee on the financing of these projects because of the weak guarantees provided to the Bank.
- Raise awareness of citizens and companies towards this type of project.
- Unifying the frameworks of work by all stakeholders, citizens and companies and to work under a unified national project that includes the development of a single framework and working system under which work is carried out at the national level
- Provide a unified database that serves the project
- Provide clear measurement tools to measure the current environmental impact and link it to a risk assessment system and, according to the assessment of each risk, is also linked to a risk management system under which operations are performed.
- All strategic partners in the project from the public and private sectors and the government have joined forces to unify the objectives of the project.
- Experts track projects periodically and impose fines/violations for not managing solid waste properly and according to the Ministry of Environment because a bank-funded project is subject, after funding, to field visits from specialized environmental impact assessment agencies such as experts from within the Ministry of Environment.
- Regarding facilities for solid waste management projects, it is possible to develop a policy of building customer allocations/environmentally friendly financing projects to in order to stimulate lending.
- Create a stumbling risk security umbrella for customers/funded solid waste management projects.
- The existence of specialized grants for this financing in relation to solid waste, encourages companies to secure financing through banks giving them advantages/or have guarantee programs for fundings secured granted by banks for this type.

**11. What guarantees does the Bank require to provide funding for an environmentally related project, solid waste management with a focus on plastics? (Examples: mortgage, property rights guarantee, government guarantee, cash margin, etc.)**

Answer	Number of Banks
Mortgage	5
Title guarantees	3
Government Guarantee	3
Cash margin	4
Others, including: <ul style="list-style-type: none"> <li>• Jordan Loan Guarantee Company Guarantee</li> <li>• Guarantees are determined by individual transactions</li> <li>• Personal guarantees and transfer salaries in accordance with the usual grant procedures in place internally</li> <li>• The project should be able to generate sufficient cash flows to meet the financing obligations. The guarantee package includes all mortgages on all project assets (in kind and non-sample) and waive all developer rights in the project, including mortgages on its shares in the project company and accounts, in addition to ensuring the government's guarantee of government projects or projects in which the government is a party or finding bank-accepted alternatives in this regard.</li> <li>• Transferred or immovable guarantees and sources of payment according to the customer's credit study.</li> <li>• Cash insurance /acceptable in-kind guarantees to the bank /government guarantee / shareholder stake mortgage / mortgage equipment</li> </ul>	4

**12. Do you have any other suggestions for this project? Strengthening laws relating to private sector projects as a developer and/or entrepreneur**

- Strengthening laws related to the private sector as developer/project owner to ensure that the financier is able to acquire and operate the project on behalf of a third party in the event that any of the parties violates their obligations to the financier, and the Government takes responsibility for paying the debt to the financier in cases where there is a breach by the government party or if the laws and procedures in force hinder the financiers' procedures towards the acquisition of the project in cases of breach, for example, related to schools and hospitals projects.
- Strengthening laws on the disposal of plastic waste and developing practical solutions.
- Regulating and standardizing instructions on sustainability and the environment by including them in the instructions of institutional governance, developing electricity grid infrastructure to absorb alternative energy (green energy) and deliver it to the consumer.
- Providing incentives for local banks to encourage them to funding green projects

- Providing serious government support for environmentally friendly projects such as tax cuts for environmentally friendly companies or special exemptions on imports and other features
- Raising awareness among citizens and companies about environmental and community responsibilities
- Circulate videos and Digital ads on the importance of achieving individual awareness in environmental sustainability as a comprehensive national initiative for all.
- Spread awareness of the impact of non-compliance with corporate/citizen environmental sustainability standards related to legal impact, financial impact, reputational impact that may be reflected in additional cost/loss on activity.
- Provide free awareness training services.
- Provide a unified database that serves the project, provide information about each sector/activity, environmental risks and tools used in the activity and its impact on the environment, and alternative green tools available for replacement and phased transformation to make the activity green and link it with special models to measure each risk and its potential impact and the mechanism of dealing with it in the event of the possibility of its replacement due to the specificity of some activities
- Establish a network for environmental risk assessment at the national level and the level of companies by sector of each company and the level of the banking sector (at the level of the bank and the level of the facilities portfolio and sectors)
- Companies, when preparing financial statements, should add environmental sustainability items to the audit supplement
- Support the role of entrepreneurship and project financing using environmentally friendly solutions.
- Direct low-cost financial support to environmental sustainability projects and provide them with cost-saving saving and discount support to establish such projects or move the project to become environmentally friendly.
- Develop additional incentives/discounts/support/points for suppliers if they are committed to environmental and community foundations and if they supply technology and environmentally friendly units, to develop their customer base and motivate them to grow green businesses and contribute to the national plan in force.
- Opening door to financing investments for green financing and granting them concessions.
- Develop a national comprehensive strategy and Action Plan that foresees united efforts from Public and Private Sectors to implement such that green sustainability and green finance are an integral part of it and with the support and guidance of the legislator and activate the oversight role on implementation and attract new investments specialized in the project of environmental sustainability and green transformation of projects.
- Preparing a comprehensive national strategy at the Jordan level and an action plan that guarantees unified efforts for the public and private sector to implement it, so that green sustainability and green finance are an integral part of it and with the support and guidance of the legislator and activate the oversight role on implementation and



attract new investments specialized in the aspect of environmental sustainability and green transformation of projects.

- Preparing a comprehensive plan that includes the re-study and rehabilitation of infrastructure, such as licensing systems for buildings, waste sorting mechanisms, transportation and electricity, raising the efficiency of sewage systems, drinking water, land reclamation, and rehabilitating landfills in areas most in need to combat environmental pollution and reduce carbon emissions through authorized entities to facilitate the initiative by confirming the readiness of the infrastructure and areas to be started to be green, and to benefit from it.
- Strengthening the public-private partnership to achieve the national strategy for environmental and community sustainability and stimulating funding for climate change and global warming-friendly programs and projects.
- Develop a business system for climate and environmental risk management analysis and business models to manage it.
- Establishing national regulations for all activities and classifying their impact on the environment and circulating them with a guide to each activity and its impact in numbers and studies on the environment prepared for it.
- The establishment of national regulations on all activities that are prohibited from being bank-funded because of their impact on the environment, which cannot be addressed and disseminated (Exclusion lists) stimulating these activities to take the necessary measures to reduce the environmental impact.
- Integrating environmental risks and climate change into bank policies, procedures, and approved risk systems. Integrating environmental risks and climate change also into corporate policies according to their size and procedures and providing technical experts to support these companies free of charge, accredited by government agencies, and carrying out periodic field visits to confirm compliance with the requirements and to ensure that no fines are imposed for non-compliance
- Training competencies/ and benefiting from existing expertise from specialists, in preparing and implementing the comprehensive national plan such as benefiting from their expertise on waste recycling mechanisms and turning sources into positively exploited energy at all levels.
- The establishment of an independent sustainable development body to be consulted for the purpose of developing plans, strategies, training and supervision of stakeholders' relationships
- Banks continue to offer green, environmentally friendly financial products with features for customers in terms of compliance. Examples of green current accounts (based on credit cards, statements, email correspondence, no papers or field visits), green deposits at preferential interest rates, green loans for environmental sustainability projects, green credit cards, mobile or internet banking and electronic payments), green documentary credits, etc.