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**European Neighbourhood Policy**

**Country Report**

**Jordan**

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## **1. INTRODUCTION**

### **1.1. The European Neighbourhood Policy**

On 1 May 2004, the enlargement of the European Union took place with the accession of ten new Member States. It has brought changes to the EU's political geography offering new opportunities to deepen existing relations between the Union and its neighbours to the East and to the South. The Union is determined to further develop partnerships with its neighbours to mutual benefit, promoting security as well as stability and prosperity. The EU's external borders will not become new dividing lines but the focus of enhanced co-operation.

The European Neighbourhood Policy sets ambitious objectives for partnership with neighbouring countries based on strong commitments to shared values and political, economic and institutional reforms. Partner countries are invited to enter into closer political, economic and cultural relations with the EU, to enhance cross border co-operation and to share responsibility in conflict prevention and resolution. The Union offers the prospect of a stake in its Internal Market and of further economic integration. The speed and intensity of this process will depend on the will and capability of each partner country to engage in this broad agenda. The policy builds upon and reinforces the existing framework of co-operation.

In the present report, the Commission provides an assessment of bilateral relations between the Union and Jordan. It reflects progress under the Association Agreement, and describes the current situation in selected areas of particular interest for this partnership: the development of political institutions based on the values – democracy, the rule of law, human rights - underlined in the Agreement, regional stability and co-operation in justice and home affairs, and economic and social reforms that will create new opportunities for development and modernisation, for further liberalisation of trade and for gradual participation in the Internal Market. The report provides guidance for the preparation of joint action plans, and may also serve as a basis for assessing future progress in the Union's relations with Jordan.

### **1.2. Relations between the European Union and Jordan - The existing contractual framework under the Association Agreement**

Jordan and the European Community first established diplomatic relations in 1977. In 1978 a first co-operation agreement came into effect.

The **Euro-Mediterranean Partnership** inaugurated at the 1995 Barcelona conference established a policy with ambitious and long-term objectives. The three main fields of activity within the Barcelona process are (a) the political and security partnership, (b) the economic and financial partnership, and (c) the partnership in social, cultural and human affairs. The Association Agreement with Jordan sets out in more detail the specific areas in which these objectives can be developed bilaterally.

The **Association Agreement (AA)** that entered into force in May 2002 sets the long-term framework of Jordan-EU bilateral relations within the Euro-Mediterranean Partnership. Based on respect of democratic principles and fundamental human rights the Association Agreement provides a framework for political dialogue, liberalisation of trade in goods, services and capital including the establishment of a Free Trade Area by 2014, and close economic, social and cultural relations between the parties. Economic co-operation,

including approximation of laws and application of Community standards, aims to support Jordan's efforts to achieve sustainable economic and social development.

The short term priorities for Jordan with regard to the Agreement within the economic field are to increase Jordanian exports into the EU, to develop a competitive private sector and to promote foreign direct investment.

Jordan is one of the four signatories of the **Agadir free trade agreement** with Morocco, Egypt and Tunisia, which is open to accession by other countries.

At the 2<sup>nd</sup> EU-Jordan Association Council (October 2003), the EU and Jordan decided to gear up efforts in all domains: political, financial, economic and social. With this goal the Council created sub-committees to implement the Agreement within the framework of the European Neighbourhood Policy. Both the Neighbourhood Policy and the new sub-committees are in line with the priorities of the new Government appointed in October 2003.

Under the MEDA programme Jordan has so far received a total of €423 million in **Community and macroeconomic assistance** (commitments).

Community and macroeconomic assistance (MEDA I and MEDA II), in € million

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	Total
Commitments	7	100	10	8	129	15	20	92	42*	423

\* The figures relating to the Tempus programme are not included.

The main priorities of EU financial co-operation with Jordan, as set out in the Country Strategy Paper 2002-2006 adopted by the Commission in 2001, are i) institution building, trade enhancement and regional integration, ii) stable macro-economic framework and economic reforms, iii) social reforms and human resources development, iv) development of infrastructures including regional co-operation.

The National Indicative Programme (NIP) 2002-2004 for Jordan amounts to €142, including a Structural Adjustment Facility of €60 million, and a frontloaded €35 million budgetary aid to mitigate the economic repercussions of the conflict in Iraq. The NIP 2005-2006 currently being finalised will provide for €110 million to support i) democracy, human rights and good governance, ii) the preparation of the Neighbourhood Policy and implementation of the Association Agreement, iii) the social sector, and iv) the development of the knowledge society.

Jordan participates in a range of Euro-Med programmes promoting people-to-people contacts and co-operation between actors of civil society, associations and NGOs. Jordan is eligible for participation in the Community programmes Tempus and Erasmus Mundus.

Jordan has been allocated support under the European Initiative for Democracy and Human Rights (EIDHR) in the context of regional projects in the years 2002-04. EIDHR supports civil society initiatives that aim to promote democracy and human rights.

Jordan will participate in cross-border co-operation and **Neighbourhood Programmes** with the priority of supporting the incipient sub-regional network of transport, energy and telecommunications and connection with Trans-European networks.

The volume of **European Investment Bank** lending to Jordan during the period 1995-2002 amounted to €363.2 million, intended among others for the potash and phosphate mining industry, the water supply network of Greater Amman, the Amman wastewater treatment, and the Aqaba port. Jordan should also be in a position to benefit from the Facility for Euro-Mediterranean Investment and Partnership (**FEMIP**), which aims at promoting private sector development, in particular SMEs, and improving the economic and social investment climate in the Mediterranean countries.

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At the EU-Jordan Association Council of 14 October 2003, Jordan welcomed the **European Neighbourhood Policy** and highlighted “the importance” of the “concept in offering a broader perspective for the Euro-Med Partnership, bearing in mind that it undoubtedly constitutes a new quality” in the Union’s policy towards its neighbours. More recently, Jordan has also stressed the importance of the Neighbourhood Policy as a new framework to help underpin the process of national political and economic reform that Jordan has embarked on. Jordan also sees the Policy as a vehicle to achieve a reinforced co-operation that would reflect Jordan’s status as key partner of the EU.

## 2. POLITICAL ISSUES

### 2.1. Democracy and the rule of law

The Hashemite Kingdom of Jordan is a **constitutional monarchy** ruled by King Abdullah II. Jordan’s Constitution was adopted in 1952.

Jordan retains some principles of a parliamentary regime. However, the Constitution gives the King a high degree of legislative and executive authority. The King is the effective Supreme Commander of the Armed Forces and has discretionary authority to appoint the Prime Minister and ministers, and to dismiss them. He appoints the members of the Senate. No law may be promulgated unless ratified by him. The King can also dissolve the Chamber of Deputies and he decides on the holding of general elections.

The **National Assembly** (Parliament) is composed of the 110 member Chamber of Deputies and of the 55 member-Senate. The Chamber of Deputies is elected for four years by secret ballot in a general election. The Parliament is empowered by the Constitution to initiate legislation and it may approve, reject and amend legislation proposed by the Cabinet. The Prime Minister and Ministers are collectively responsible to the Chamber of Deputies, who can raise a motion of no-confidence.

In June 2001, King Abdullah II dissolved the Parliament at the end of its normal 4 years term and scheduled elections to be held at the end of 2001. The elections were postponed twice before they actually took place in June 2003 the reason cited being the instability of the region caused by the beginning of the Intifada in the neighbouring West Bank and the tensions prior to the conflict in Iraq. 211 ‘Temporary Laws’ were passed in the meantime by the government without parliamentary control. Political parties complained about their “growing marginalization”. A number of the temporary laws further restricted public liberties, others improved the civil status of women. Any activity that potentially threatens the “integrity of the State” became prosecutable under the Penal code, while the

list of offences falling under the jurisdiction of military tribunals and the State Security Court was significantly extended.

In the Elections of June 2003, opposition parties that presented candidates included 31 political parties, including Islamists, tribal parties, communist, Baathist and liberal parties. The Islamist Action Front, the party with most affiliates in Jordan gained 15 out of the 30 seats they contested but complained that the elections law favours the candidates in the rural areas. The current parliament includes representatives of the main political tendencies in Jordan. The Government has announced as part of their political reform agenda the reform of the new elections and parties' laws to 'reinvigorate the role of political parties'.

The **Government** is headed by Prime Minister Faisal Al Fayed. The central executive is composed of the Cabinet of the King and 21 Ministries. The new cabinet approved in 2003 includes for the first time three women ministers.

Since 1989 Jordan has tried to intensify the process of democratisation. However in the last decade progress has been uneven, because of the influence of the instability of the Middle East and Iraq. Recently, more significant steps have been taken. In the second half of 2002, the King launched an ambitious reform programme, "Jordan First". The programme aims at modernizing and democratising the country's political life and at focusing it on internal affairs instead of regional conflicts. In October 2003, the King announced further details of the Reform, and set out the 4 main orientations : independence of the judiciary, reform of the political parties and elections law, equal treatment of women and development of an independent media. A *Political Development Committee* has been set up to implement the reform and review current legislation in the four areas. In late 2003 the King has launched a comprehensive national dialogue on new legislation for political parties and elections.

**Decentralization** of local affairs is a constitutional principle, but a 2002 amendment to the municipal law gave the government the right to appoint mayors and up to half of the members of municipal councils. The Government plans to delegate powers to the municipal administration by increasing the municipal budget allocation and allowing the Governorates and Municipalities to design and implement socio-economic development programmes.

The **judicial system** consists of a complete hierarchy of tribunals including civilian courts (for civilian and criminal cases), religious courts (for private and familial matters concerning Muslims and non-Muslims), and the State Security Court (for example for sedition, insurrection or financial crimes). The right to appeal is catered for by the Appeal Courts and the Court of Cassation.

The appointment, advancement and dismissal of judges are determined by the Higher Judiciary Council, whose members are appointed by the King. In June 2001 the Parliament passed a law intended to give the Council increased independent jurisdiction over the judicial branch.

A law was enacted in 2001 to reduce the delays in the judicial process, notably in matters of commercial litigation.

The government has recently amended the statutes of the Judicial Institute for the training of judges to transform it into a more efficient and autonomous agency. The Ministry of Justice has been recruiting new judges and improving their remuneration; it

has also been modernising the court system and infrastructure (computerisation, plans to establish an integrated case management system, construction of courthouses, training).

The Jordanian Government has recognised the need for further measures to guarantee the independence and increase the efficiency of the Judiciary and has made of the reform of the Judiciary system a priority of its political agenda. A three year strategy for judicial reform will be soon announced.

Jordan's **public sector** performs relatively well when compared to countries at similar levels of income, particularly on measures for rule of law, government effectiveness and the regulatory framework. In June 2002, the Government decided to adopt measures to increase performance, including greater feedback from service users. In order to improve financial and budgetary management, a medium term budgetary framework (MTBF) is under consideration as well as investment programming and better integration and capital and recurrent spending.

A 1960 law first addressed crimes against public management, bribery, embezzlement and conflict of interest. Since 2002, the Audit Bureau was entrusted the tasks of producing administrative procedures, monitoring implementation of laws and ensuring operation of internal control units in the administration. A Law on Economic Crimes was passed in 1993 to govern misuse of public funds.

Transparency International Corruption Perceptions Index 2003, which reflects the perceptions of business people and country analysts, ranks Jordan 43 out of 133 countries.

An **Anti-corruption** Department was set up in 1996 with preventive and repressive functions. It carries out investigations and data-collection and refers cases to the public prosecutor. In July 2000 a Higher Committee to Fight Corruption was established under the Prime Minister; it coordinates its work with the Anti-Corruption Department. Another National Committee for Combating Corruption and Favouritism was set up in 2003 to co-ordinate and establish a comprehensive policy for public and private sectors.

The reform agenda of the Government concentrates on increasing transparency and accountability in the administration.

## **2.2. Human rights and fundamental freedoms**

Jordan has ratified the core UN Human Rights Conventions, except the two Optional Protocols to the International Covenant on Civil and Political Rights and the Optional Protocol to the Convention Against Torture.

Jordan has ratified most of the ILO's Fundamental Conventions (non-discrimination, child labour, forced labour, trade union rights), except Convention No. 87 on the freedom of association and protection of the right to organize.

Current legislation puts some restrictions on the **freedom of expression and association**. A 2001 temporary law, endorsed by Parliament in 2004, requires organisers of public rallies to obtain permission from the local governor three days before calling for any public assembly. Under the same law, the local governor enjoys ample discretion in his decision to authorize a public rally. According to Human Rights organisations, there have been numerous detentions of political demonstrators on grounds of public order or of involvement with Islamist groups, or of terrorist activity, or of gun-running to support the Intifada in the Palestinian territories.

Negative commentary on the King and the Royal Family is prohibited by law and considered a criminal offence for which prison terms are given. Also prohibited is slander against "friendly" countries. Under its political reform programme, however, the government has announced its intention to introduce greater freedom in these areas.

While the Constitution provides for **freedom of the press**, legislation foresees a number of restrictions. The 1998 Press and Publications Law grants the Government wide discretionary powers to issue fines, withdraw licenses, and order shutdowns. Other constraints include requirements such as minimum financial capital requirements for publications and compulsory membership of the journalists' Union.

The Penal Code authorizes the State to take action against any person who incites to violence, defames heads of state, disseminates "false or exaggerated information outside the country that attacks state dignity," or defames a public official. A series of amendments to the Penal Code introduced in 2001 reinforce restrictions on free speech and allow for the prosecution of any person found to have published, or aired any statements harmful to the state. The amendments give the State Security Court the authority to temporarily or permanently close any media that airs any such statements.

In a first attempt to promote independence, pluralism and professionalism in the media, the King took the initiative to revive the Higher Media Council at the end of 2002. Further measures to liberalise the media have been announced recently. The government has recognised the need for increasing the independence of the media and has announced a number of measures to ensure the disengagement of the government's control over the media. The first measure adopted in this regard has been the dissolution of the Ministry of Information.

Although the government is currently the sole Jordanian broadcaster of radio and television, international satellite television and Israeli and Syrian television broadcasts are available and unrestricted. In January 2000, the Government passed a bill that grants foreign media operations "absolute freedom of expression" in the country.

The State **religion** of Jordan is Islam and the overwhelming majority of the population are Sunnis. Ethnic groups, such as Circassians and Chechens, are Hanafi Muslims. There is, in general, no visible official discrimination against religious and minority groups and Christians who form about 4% of the population have the right to go to church and give their children religious education.

**Torture** is prohibited by law (including in the new prison bill). The law provides prisoners with the right to humane treatment and to an attorney. However, Human Rights Organisations report incidents of **ill-treatment** of political detainees, including arbitrary arrests and 'incommunicado' detention

There is to date, no national body which can effectively address the prevention of torture and impartial supervision of prisons is not ensured. Visits by qualified civil society organisations are permitted but restrained. This situation, however, has been changing since the official launch of the National Centre for Human Rights, which has become operational in 2003, and which has been proceeding to impromptu visits of prisons and has also issued recommendations to the government regarding cases of incommunicado detentions. Jordan has not ratified the UN protocol of 1989 on the abolition of the **death penalty** and continues in practice to apply the death penalty.

Jordan has ratified the Rome Statute for the establishment of an **International Criminal Court**.

Jordan has signed the UN Convention of Elimination of All Forms of **Discrimination against Women** (CEDAW, 1979) but has not yet transposed it into national law.

Women experience legal discrimination in matters such as the right to obtain a passport, pension and social security benefits, inheritance, divorce, and the weight of court testimony. Jordanian law still allows for reduced punishments for so-called "honour crimes" by relatives against women for alleged immoral acts. Abused women have the right to file a complaint in court against their spouses for physical abuse but, in practice, few of them seek legal remedies due to the familial and societal pressures according to Human Rights organisations. Women's participation in the elections is hindered by the fact that they are registered in the family election card and hence obliged to vote in the same centres as their husbands or fathers.

In 2001 the Personal Status and Civil Status Laws were amended to grant women the right to divorce in return for compensation to the spouse, and the age of marriage was raised from 15 for women and 16 for men to 18 for both. New restrictions on polygamy were also introduced.

Jordan has acknowledged that the promotion of the political and economic role of women is crucial for Jordan's development. The programme of the new government includes this as a priority, and a programme of reforms has been announced. Under the law governing the 2003 elections, a quota of six seats was reserved for women.

Labour law forbids **children** under the age of 16 from being employed, except as apprentices. The Ministry of Labour established a Child Labour Unit in 2001 to receive, investigate and address child labour complaints and to coordinate Government child labour activities. In 2002, the Ministry reported that it investigated the cases of over 3000 child workers.

With regard to **civil society**, NGOs are only allowed to work in their stated specialised field and after presenting a detailed description of their activity plans and budget to the authorities. The Ministry of social development, with whom they must register, can at any time control the activities of the NGOs. NGOs are not permitted to engage in political activities. In addition, their elections, leaders and members must be cleared by the security apparatus. In principle, foreign funding for NGOs must be channelled through approved intermediary bodies.

According to Human Rights Organisations, human rights defenders faced repression and harassment by the authorities. Nevertheless, the number of NGOs in the Kingdom has doubled since 1989. The government has announced its intention to introduce greater freedom in this area.

Workers in the private sector and in some state-owned companies have the right to form and join **unions**. Unions must be registered to be considered legal. Union membership is limited to citizens, effectively excluding the country's numerous foreign workers. Over 30 percent of the work force is organised into 17 unions. Unions are required by the Government to be members of the General Federation of Jordanian Trade Unions (GFJTU), the sole trade union federation. The Government subsidizes and audits the GFJTU's salaries and activities.

Unions have and exercise the right to bargain collectively. Labour laws mandate that workers must obtain permission from the Government in order to strike, but Unions generally ignore this requirement. Strikes are prohibited while a labour dispute is under mediation or arbitration.

The constitution prohibits all forms of discrimination. **Minorities**, either ethnic or religious, suffer no obvious discrimination in Jordan. They are free to practice their own religion and cultural habits and hold their own festivities. They also have equal rights to education, medical care and employment. Minority ethnic groups, notably Circassians, Chechens and Armenians have their own self help organisations and social and cultural clubs which operate publicly and freely. Minorities are represented in Government and in Parliament through quotas. In general, these quotas are greater than their share of the population as a whole.

The Department of Statistics produces an annual report about all aspects of life in Jordan. However, there is no explicit separate data for Jordanians and Palestinians since the subject is considered highly sensitive and a threat to national unity. The government has recently acknowledged that Palestinians constitute 40 per cent of the population of .2 million. Other estimates, however, place that percentage higher.

### **2.3. Regional and global stability**

Jordan is member of the United Nations, the Arab League and the Organisation of Islamic Conference and participates in all sectoral institutions/bodies of the above organisations.

Jordan's contributes to regional stability through its mediation efforts in the Arab-Israeli conflict, as well as through support to stabilisation and reconstruction in Iraq. Jordan is a driving force for modernisation in the region, and it has pursued a steady path of integration into the global economy, mainly through the establishment of the Association Agreement with the EU, the free trade agreement with the US, and membership of the WTO. The steps it has recently taken towards democratisation are significant also in the regional context.

Jordan participates in the newly established dialogue on the European Security and Defence Policy at regional level within the Barcelona Process, and seeks to develop this under the Association Agreement.

The Hashemite Kingdom of Jordan has acceded to the Treaty on the **Non-Proliferation** of Nuclear Weapons the 11<sup>th</sup> of September 1970 and has also signed the International Atomic Energy Agency (IAEA) comprehensive safeguards agreement and the IAEA additional protocol on safeguards.

Jordan is committed to full international cooperation in the **fight against terrorism**. The amended Penal Law increases the punishment of acts deemed to be acts of terrorism. It also stipulates that those who assist terrorist groups financially or provide them with weapons will be punished. Furthermore, stricter border controls have been introduced, and the Jordanian customs law grants custom officers new powers to investigate and handle any illicit trafficking.

Jordan sees the need to deal with the issue of water rights and management at a regional level, in order to minimise the threat of conflict over access to resources. As a result of its limited renewable and non renewable water sources, it is among the world's 10 water poorest countries. Aside from water scarcity, Jordan faces additional challenges in

institutional aspects relating to water resource management, the financial requirements of an investment programme for water and the operation and maintenance of the water and wastewater sector. Jordan is working together with Lebanon, Syria and the EU in this field.

#### **2.4. Justice and Home Affairs**

Jordan has been both a country of origin and destination for **migrant** workers. Prior to the Gulf War of 1991, hundreds of thousands of highly skilled professionals emigrated from Jordan, mainly to the Gulf States; while semi-skilled labour from Egypt, Syria and the Asian countries immigrated to the country to meet the needs of its agrarian, semi-industrial and services oriented economy.

Estimates of the number of foreign workers in Jordan vary significantly, between 350,000 and 1.5 million. A large number of these work in the agricultural sector. Migrant women workers are predominantly employed as domestic helpers. The provisions of the Jordanian Labour Law do not cover domestic workers. The latter are under the jurisdiction of the police and immigration services but minimum wage and work hours are not legally defined. On August 2001, the Labour Ministry and the United Nations Development Fund for Women (UNIFEM) signed a memorandum of understanding to empower female migrant workers and improve their living conditions in the Kingdom.

In the context of the Association Agreement, Jordan and the EU have created sub-committees concerning Justice and Security, and Social Affairs, which also deals with migration issues.

Jordan's Association Agreement with the EU contains no readmission clause.

Jordan is not a signatory to the UN **Refugee** Convention, but the government signed a memorandum of understanding with UNHCR in April 1998, which incorporates the main features of international protection, including the refugee definition and the principle of non-refoulement contained in the 1951 Convention. Neither the Jordanian government nor UNHCR consider Jordan to be a permanent country of asylum. Therefore, resettlement outside the region is the only durable solution for the overwhelming majority of UNHCR-recognized refugees in Jordan. The Jordanian government limits to six months the period that refugees may legally remain in Jordan and does not renew identification documents after the first six months have elapsed.

At the end of 2001, Jordan hosted more than 1.68 million refugees in need of protection, including mainly Palestinian refugees registered with the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). Iraqis are among the other refugees living in Jordan.

**Visas** are required on the basis of reciprocity for nationals of all countries. Visas for EU nationals can be obtained upon entry. Public security and border police authorities, as well as customs officers, are responsible for the management and functioning of the border traffic.

Jordan has ratified all international **drug** control conventions. It has been a regular participant in the annual meetings of the Arab Office for Narcotic Affairs and has been attending the UN's Commission on Narcotic Drugs meetings regularly and responding positively to International Narcotic Control Board requests for reporting. Jordan is engaged in international co-operation against drug trafficking also through its

membership to the Unified Arab Law Interpol, the League of Arab States, and the Organization for Social Defence against Crime.

Jordan is considered mainly to be a transit country for drugs, particularly from South-west Asia, Turkey and Lebanon towards Israel, Egypt, Saudi Arabia and the Gulf States. The main drug control concern of the Jordanian authorities in the past years has been the upsurge in heroin trafficking.

There is an Inter-Ministerial Committee to oversee drug control matters in the country. The Committee, however, needs to strengthen its ability to ensure an appropriate implementation of its decisions and to provide effective coordination among the various relevant government agencies.

### **3. ECONOMIC AND SOCIAL SITUATION**

#### **3.1. Macroeconomic and social outlook**

##### *3.1.1. Economic developments*

Jordan is a small, lower-middle income country of 5 million people, with a projected population average growth rate of 2.1% for 2000-2015 (down from 3% in 1995-2001). Although average living standards have improved, income per capita in Purchasing Power Parity terms was US\$ 4070 in 2002. The economy is open and highly dependent on mineral exports prices (especially of potash and phosphates, of which it is the world's third largest supplier) and remittances from Jordanian workers in the Gulf countries. Water and other natural resources are scarce.

Services contribute about 70% of GDP and employ two-thirds of the labour force. The respective shares of manufacturing and mining are 14% and 3% respectively, whilst agriculture accounts for 2% of GDP and around 6% of employment.

Since the early 1990s, Jordan has made considerable stabilisation and adjustment efforts. Growth rate average 7.6% per year up to the mid 1990s. After slowing in the second half of the 1990s growth accelerated again, reaching nearly 5% in 2002. Despite the adverse regional environment associated with the war in Iraq, real GDP growth was around 4% in 2003 owing to economic recovery in the second half of the year.

The export sector has been driving improved growth. The authorities launched a Plan for Social and Economic Transformation (PSET) in November 2001, focused on privatization, private sector investment, human resource development, rural development, health care improvements and poverty alleviation. They also pursued an ambitious strategy of trade liberalisation, including WTO accession in 2000 and free trade agreements with the US and EU. The National Social and Economic Plan 2004/06 aims at reaching by 2006 and sustaining thereafter a GDP growth rate of over 6% per annum, through rural development, citizens' empowerment (especially youth and women) and encouragement of private investment.

Jordan's stabilisation efforts, as well as the steady real appreciation of the exchange rate, the reductions in tariffs and increased market competition, kept **inflation** under control at about 2% in 2002 and 3% in 2003 (due to increases in goods and services taxes and increased money supply). Subdued domestic demand helped dampen the inflationary effects of higher oil prices in 2002, while high unemployment limited wage pressures.

### *3.1.2. Fiscal management, monetary and exchange policy*

While some progress with **fiscal consolidation** has been made, notably in the context of the Stand-by Arrangement with the IMF, deficits before grants remain large. The government deficit was 10.2% of GDP in 2002 (5% after grants). Investment represents a relatively small proportion of expenditures (around 16%). In mid-2003, in view of the deteriorating in the regional environment, the deficit rose to 13.2% of GDP. Due to additional grant support from international donors (total grants estimated at a record 10.8% of GDP) the deficit after grants is significantly lower, at around 1.2% of GDP. The government's medium term plan aims at gradual reductions of the deficit to 6.3% (2.7% after grants) by 2007.

The stock of government and government-guaranteed **debt** stands at around 100% of GDP, down from 110% in 1998. External debt fell from 95% of GDP in 1998 to around 77% at the end of 2003 owing to significant privatisation proceeds, debt swaps and buy-back operations. While debt ratios are high, the debt dynamics appear sustainable, albeit vulnerable to a depreciation of the Jordanian dinar against other major currencies. The authorities aim at reducing external debt further to around 50% of GDP by 2007 by reducing deficits and devoting privatisation proceeds only to debt reduction. They have also begun a strategy of increasing the proportion of domestic debt to total debt.

Jordan's **fiscal reforms** during the past decade have aimed at addressing the weaknesses stemming from the combination of high budget deficits and a large debt burden. The most important initiatives on the revenue side include the introduction of a general sales tax (GST) of 13%. GST is a large revenue contributor to the Jordanian treasury (30% of revenues excluding grants in 2000), and has helped to offset declining revenues from foreign trade due to trade liberalisation. The Government envisages further reforms of the revenue base, including the broadening of the GST and income tax bases, and improvements of the tax administration and enforcement. On the expenditure side, **pension reform** is a key priority, given the significant outlays and growing share of government expenditure. Analysis of **fiscal data** is hampered by lack of figures at the level of general government.

**Monetary policy** is officially geared towards inflation targeting, although maintaining the exchange-rate peg is probably the over-riding objective. The Jordanian dinar is effectively pegged to the dollar (1US\$ = 0.709 JOD). This strategy has played a key role in attracting foreign capital in recent years. The exchange rate peg is supported by relatively high international reserves (US\$ 4.4 billion or over nine months of imports at the end of 2003). In real terms the exchange rate appreciated in recent years, but in 2002 it depreciated by around 6% and continued this trend in 2003. Competitiveness does not appear to be an issue given the strength of exports in 2002 and 2003. Jordan has accepted all obligations of the IMF's Articles of Agreement, implying the **convertibility** of its currency for current account transactions.

The Central Bank of Jordan (CBJ) enjoys the status of an independent and autonomous corporate body. Since the end of the 1990s, the CBJ has gradually lowered interest rates (from 9% in 1998 to 2.5% at the end of 2003) on the back of decelerating inflation and decreasing US interest rates, in an effort to help bolster economic growth and investment. However, these cuts have only spilled over to lending rates of commercial banks to a limited extent. Commercial bank lending rates stood at over 9 percentage points in late 2003, and were decreasing very slowly. Deposit rates by commercial banks reacted more quickly, decreasing at a much higher pace.

### *3.1.3. External situation*

Jordan's **current account** has been traditionally characterised by high trade deficits, large service balance surpluses, and large grant inflows broadly balancing the current account. Exports grew remarkably in recent years (over 20% in both 2001 and 2002), supported by the conclusion of free trade agreements, as well as export-oriented policies and structural reforms. In particular, exports benefited from a lasting surge in US demand for Jordanian exports (28% of total domestic exports) through the Qualifying Industrial Zones. Exports to other partners such as Iraq, India, Saudi Arabia and Syria also recorded some increases. In 2002, buoyant exports combined with lacklustre import growth due to weakening domestic demand resulted in an almost halving the trade deficit to 16.7% of GDP, down from around 30% in 2001. Owing to higher current transfers and remittances from Jordanians working abroad, the current account recorded a surplus of around 5% of GDP. In 2003, the balance of payment situation remains strong with an estimated current account surplus of around 7% of GDP. This included US grants.

### *3.1.4. Social situation and Human Development Policies*

**Social indicators** have improved, and Jordan ranked 90 out of 175 according to the 2003 UNDP Human Development Indicators. In 1990-2001 7% of the population was living on less than 2 US\$ a day, although according to the national poverty indicator the incidence is higher at about 12% of population, and deep pockets of poverty persist.

Despite relatively strong growth performance, unemployment remains high at around 15% (27% according to unofficial estimates). Among women, the rate is over 22%, while among the 15-24 year age group it is over 31%, accounting for more than half of total unemployment. The main causes of the high levels of unemployment are said to be the increasing number of entrants in the labour market (population working age is estimated to be growing around 3% per year up to 2010. 40% of the population is less than 15 years old), the rigidity of the labour market, and the mismatch between the skills taught at school and those needed in the economy. Jordan's labour force participation rate has been falling continuously from 42% in 1997 to 38.6% in 2002.

The 2004-2006 National Social and Economic Plan continues efforts to reduce poverty and unemployment, which should be brought below 8% and 11%, respectively by 2007. The strategy foresees enhancing qualitative investment in rural development, introducing programmes that aim at empowering and enabling citizens, especially youth and women, as well as encouraging more private investment.

To tackle unemployment and poverty, the 2001 government Plan for Social and Economic Transformation (PSET), included a combination of structural reforms aimed at promoting growth, creating jobs, and improving basic social services. Jordan's education policy agenda aims to tackle the problems in education.

**Education** is obligatory and free for the primary level, and adult literacy is 90%, primary enrolment ratio 94%, while secondary enrolment ratio 76%. However, the illiteracy rate for women remains high at 15% (while for men is at 5-6%). Differences in education and literacy levels by geographic location are also reported.

Jordan has eight public and twelve private universities. The public universities, which receive some financial support from the government, are generally older and larger than the private ones. .

The reform of the vocational education and training system is an integral part of the Education Reform Programme that started in 1988. While the overall policy objectives are in line with EU policy conceptions – including the focus on lifelong learning – implementation has been facing a series of obstacles such as for instance difficulties in overcoming traditional gender perceptions and a rapidly growing population.

With health spending at more than 9% of GDP, the health system performs relatively well in terms of overall access to services and outcomes, as indicated by rates of infant mortality and life expectancy. The health system extends primary and preventive health care at subsidised rates to the entire population through the governmental National Aid Fund (NAF).

**Jordan - Selected Economic Indicators, 1997-2002**

	1996	1997	1998	1999	2000	2001	2002	2003
Real GDP growth (in %)	2,1	3,1	2,9	3,1	4,2	4,2	5,1	3,0
Unemployment rate (ILO definition)	12	13,2	13,4	13,5	13,7	14,7	15,0	15,0
CPI inflation (end of year; in %)	65	3	3,1	0,6	0,7	1,8	1,8	2,5
Broad money (end of year; % change)	-0,9	7,6	6,3	15,5	7,6	5,8	7,0	12,8
Consolidated government balance (% of GDP)	-7,4	-7,3	-9,7	-7,0	-8,9	-8,1	-10,2	-13,3
Current account balance (% of GDP)	-3,2	0,4	0,3	5,4	0,7	-0,1	4,9	7,0
Official net international reserves (end of year)								
In millions of US dollars	2.055	2.436	1.988	2.770	3.441	3.174	4.100	
In months of imports of G&NFS	4	5	4	6	7	6		
Public external debt (% of GDP) (end of year)	110,3	101,9	96,3	96,6	79,2	76,1	77,6	73,4
Debt service (in % of exports of GNFS)	25,7	23,1	23,3	22,9	20,6	20,4	18,8	21,2
Exchange rate (dinar/EUR) <sup>1</sup> (end of year)	0,96	0,9	0,83	0,7	0,7	0,6	0,7	0,8
Real effective exchange rate (annual change in %, 1990=100)	104	114	113	124,0	134,0	143,0	134,0	131,0
Population (thousands)	4.325	4.459	4.597	4740,0	4887,0	5031,0	5307,0	5460,0

*Source:* National sources, WB, IMF.

<sup>1</sup>Exchange rate dinar/US\$ is fixed at 0,71.

## **3.2. Structural reforms and progress towards a functioning and competitive market economy**

### *3.2.1. State involvement in the economy and privatisation*

Before the start of the **privatisation** programme in 1996, state-owned enterprises were mainly concentrated in the infrastructure sectors (transport, electricity, water, and telecommunications). Through the Jordanian Investment Corporation (JIC), the Government also had substantial share-ownership in other sectors, including mining, cement and the financial sector. Out of the 40 companies originally targeted for privatization, 34 have been privatized, including six out of eight major enterprises in the infrastructure sector. In addition, part of the Government's participations in the JIC's portfolio was sold. Progress with privatisation continued in 2003, notably with the sale of the Arab Potash Company. Until 2003, privatisation proceeds were used to repay loans owed by the privatised firms to the government, and to finance economic and social development projects. As of 2003, the government announced that the entire proceeds are to be used for debt reduction.

The government is also restructuring a number of state-owned companies with a view to increase efficiency and in anticipation of privatisation. For instance, the National Electricity Power Company, the Jordan Phosphate Mines company, and the Jordan Telecommunication Company have undergone comprehensive restructuring.

### *3.2.2. Regulatory framework and private sector development*

The Jordanian Government adopted a temporary law on **competition** with effect from August 2002. It prohibits agreements which restrict competition and abuse of a dominant position, however there is scope for the granting of exemptions. It also provides that mergers, which result in control of over 40% of the market, must be notified. A Competition Directorate was established in the Ministry of Industry and Trade in December 2002, its activities include conducting investigations, receiving merger notifications and preparing legislative proposals and advisory opinions. The Minister of Industry and Trade is formally empowered to decide on mergers, grant exemptions and intervene in related legal proceedings. Since May 2003, he is assisted by the new Committee for Competition Matters, which consists of representatives of regulators, consumer organisations and experts and advisers on competition strategy in specific sectors. Appeals against ministerial decisions can be addressed to the Supreme Court of Justice. The Amman Court of First Instance is competent to hear competition cases, based on violation of the new law; two specialised judges and a specialised prosecutor have been appointed to handle competition matters. There is currently no uniform state aid surveillance or control regime comparable with that of the EU.

Jordan has taken serious steps to modernize its **legislative and regulatory framework**, to provide a regulatory environment more conducive to support private sector development, comply with WTO requirements, and prepare for free trade with the EU and other trade partners. Jordan ranks above the average for its income and regional grouping in terms of the WB index for regulatory quality (0.1 against -0.4 for lower-middle income countries and -0.2 for MENA countries). However the index still remains low compared to that of developed countries (1.4). Similar results emerge for the indicators on government effectiveness.

### *3.2.3. Financial sector*

Jordan has a relatively well developed **banking sector**, served by over 20 commercial banks and financial institutions. Despite an apparent fragmentation, the Arab Bank, after taking over the troubled Jordan Gulf Bank in 2003, dominates the sector with about 60% of all assets. The CBJ has offered incentives and raised the minimum capital requirements to encourage smaller institutions to merge in order to offset the overwhelming national presence of the Arab Bank, but its initiative has not been very successful.

The banking system is regulated by the CBJ. Regulatory standards have been tightened over the past few years and a new banking law in 2000 strengthened the Central Bank's supervisory role. Measures included a reduction of the rating period on non-performing loans from 120 to 90 days. Following the setting up in 2000 of a deposit guarantee scheme, the Deposit Insurance Corporation was established in September 2002 with finance from the Central Bank and some nineteen banks. At the same time, the Central Bank raised the risk-weighted capital adequacy ratio from 10% to 12% and the reserve requirement of investment banks to 14% (the same as for commercial banks). The Central Bank introduced tighter regulations, intensifying on-site auditing and ensuring that no bank should lend more than 25% of its capital to a single person or group. The Central Bank is also planning further measures, including an increase in commercial banks' minimum capital requirements, and strengthening banks' reporting requirements.

Jordan's **insurance** market is regulated by the Jordan Insurance Federation, established in 1989, in cooperation with the Insurance Regulatory Commission. In 2000 there were 27 insurance companies, including one foreign company, all of them working in a relatively small market. A new **securities** law was introduced in 1997 to improve transparency and efficiency. The Amman Stock Exchange, established in 1976 with the cooperation of the International Finance Corporation, is one of the largest and fastest growing stock exchanges in the Arab world. Under the supervision of the Jordan Securities Commission, the market has been open to foreign investors since foreign ownership ceilings were lifted in 1997.

### *3.2.4. Sustainable Development*

Jordan adopted in 1999 "Jordan Agenda 21 of the UN: Towards **Sustainable Development**", which identifies the sustainable use of environmental resources such as water, soil and vegetation as one of Jordan's most urgent challenges. An Agenda 21 Committee, of government, NGO and private sector representatives has been set up to periodically review progress towards the Agenda goals and assess the continued relevance of the objectives.

### *3.2.5. Relations with the IFIs and other donors*

Jordan has a formal arrangement with the IMF (a two-year stand-by credit of SDR 85.28 million, about US\$ 113 million approved in 2002).

The new World Bank Country Assistance Strategy (CAS) for Jordan will run from July 2003 to June 2005. It aims to support Jordan's programme of institutional reforms and will focus on human development, governance, private sector led growth, water management, and gender inclusion. IBRD lending over the three years to mid-2005 is expected to range between US\$ 305 and US\$ 380 million in the areas of Public Sector

Reform, Road Management and Tourism among others. The IFC is also actively supporting the private sector with a portfolio of around US\$100 million.

### **3.3. Trade, market and regulatory reform**

The Jordanian economy is relatively open, with imports and exports of goods and services accounting for respectively 70% and 45% of GDP (2001 data). During recent years, Jordan has pursued a vigorous strategy of trade liberalisation. Since 1998, it has been a member of the Greater Arab Free Trade Area (GAFTA), signing bilateral free trade agreements with most countries of the region. In 2000, it became a WTO member and signed bilateral free trade agreements with EFTA in 2001 and the USA in 2002. In February 2004, Jordan, Morocco, Tunisia and Egypt concluded the Agadir free trade Agreement.

Jordan has intensified the implementation of export-oriented policies, notably by creating duty-free Qualifying Industrial Zones and establishing the Aqaba Special Economic Zone. Jordan is also committed to progressive liberalisation of the service sector, as indicated by its commitments during the WTO accession process, as well as during the GATS negotiations. As a service-orientated economy, it hopes that liberalisation of this sector will promote greater inflows of FDI.

Jordan's overall trade balance with the world shows a structural deficit with imports almost twice as high as exports (including re-exports). This structural deficit is partially covered by a surplus in services, mainly remittances and tourism receipts, and has usually been more than fully covered in recent years when donor grant inflows are included. Around one third of Jordanian imports originate in the EU, but the EU share in the country's exports is very small. More specifically, in 2003, the trade balance between the EU and Jordan was a € 1.2 billion surplus in favour of the EU. Over the period 2002-2003, Jordan's annual imports from the EU averaged more than € 1.4 billion, while exports to the EU averaged less than € 70 million.

Under the Association Agreement, the EU and Jordan have begun to discuss measures required to improve Jordan's export competitiveness, its capability to attract foreign direct investment and, eventually, to improve the bilateral trade balance in the long term. Concerning agriculture, which accounts for almost 9% of bilateral trade, measures in the Association Agreement, are scheduled for revision. Jordan's imports from the EU mainly consist of chemicals, manufactures, machinery and transport equipment, while Jordan's exports are concentrated in very few sectors, such as textiles, chemicals and pulp.

In the context of regional economic integration, Jordan, and Israel and the EU exchanged views on how the *Qualified Industrial Zone* (QIZ) experience could be used in their trade relations.

Under Jordan's Agriculture Protection Law of 2002, the Ministry of Agriculture is responsible for ensuring **animal health and the safety of plants**. The Jordan Food and Drug Administration, established in 2003, is responsible for the enforcement of food law applied after the level of primary production. Jordanian municipalities also play an important role through management of inspection services controlling various establishments connected with the food chain.

Jordan's **food safety** system needs improvement. However, the food safety strategy aims at harmonisation of Jordan's SPS framework with international standards, guidelines and regulations, as well as at establishing an effective organisational and administrative

structure for implementation and enforcing legislation. Also, it aims at maintaining relations with international organisations and at developing the administrative and institutional capacities.

The **Customs** Department is the central governing body for customs administration and operates under the Ministry of Finance. Customs operations and import and export procedures are governed by the 1998 Jordanian Customs Law. Jordan maintains Customs Clearance Centers at several locations. The Aqaba Special Economic Zone Authority maintains its own Customs Clearance Center for goods entering the Special Economic Zone. The Aqaba zone is not part of the Customs territory of Jordan and a special customs regulation for the zone was adopted in 2000.

Jordan has implemented the Harmonized System since 1994. Information in English and Arabic is available on the Customs Department web, including legislation and instructions. The national tariff can also be consulted on internet. The Customs Department is working to roll out the customs declaration processing system ASYCUDA to all customs offices. There are two customs laboratories within the Customs Department. The “*Qualified Industrial Zone*” agreement allows for specific rules of origin for duty and quota-free exports to the United States of products manufactured partly in Israel, partly in certain areas of Jordan and exported from Jordan or Israel. Jordan has requested a similar arrangement with the European Community.

Jordan, as a partner to the Barcelona Process, endorsed on 7 July 2003 the new Protocol on rules of origin allowing the extension of the Pan-European system of cumulation of origin to the Barcelona Partners. The next stage aims at amending the origin protocol in the relevant Euro-mediterranean Agreement in order to insert the changes necessary for the application of diagonal cumulation. This could help fostering economic integration and allow for a better use of the complementarities and the economics of scale in the Euro-mediterranean area.

There are several types of **taxation**. The main ones are the following: Corporate Income Tax, Personal Income Tax, Sales Tax. The implementation of the general sales tax started in 1994 and covered importers, manufacturers and providers of certain services. In mid-2000, the General Sales Tax Directorate became an independent department directly linked to the Ministry of Finance. Subsequently, with the General Sales Tax (GST) Law of 2000 GST was partially converted into VAT covering also wholesale and retail traders and other traders that are within the registration threshold. Under the new law, all goods and services are liable for sales tax, except for certain goods and services that are exempt or zero-rated. The General Sales Tax is by far the most important revenue contributor to the Jordanian treasury and has a 13% rate imposed on any supply of goods or services. A rate of 2% is applied to food, agriculture and medicine. Special provisions apply to the Aqaba Special Economic Zone.

Jordan has signed double taxation treaties with in total 14 countries, amongst others with 16 Member States.

In the area of **technical regulations and standards for industrial products**, the Jordanian Institute for Standards and Metrology (JISM) is the central organisation for standardisation, metrology, conformity assessment, accreditation and market surveillance. It adopts standards and technical regulations, approximately one third of which are based on international standards. The JISM is a full member of the International Organization for Standardization (ISO) and the International Laboratory

Accreditation Cooperation (ILAC) and an affiliate member of the European Cooperation for Accreditation (EA).

Key legislation in the area of **intellectual and industrial property** is the 1992 Copyright Protection Law, which was amended in 1998 and 1999 to reflect international IPR standards, including the Berne Agreement for the Protection of Literary and Artistic Works, the WTO TRIPS Agreement, and the World Intellectual Property Organization (WIPO) Copyright and Performances and Phonograms Treaties. The Ministry of Industry and Trade's Industrial Property Protection Directorate is responsible for registering trademarks, patents, and industrial designs and models. This includes the registration and transfer of ownership, mortgage rights, and any objections.

**Public procurement** is mainly regulated by the 1993 Supplies Act. Government supplies are managed by the Ministry of Finance General Supplies Department. The general principle for procurement is tendering, with reasoned exceptions. Purchasing authorities act independently up to a certain threshold, above which purchases must be referred to a committee of representatives from the relevant department. Jordan is currently considering joining the WTO's Government Procurement Agreement (GPA). A national GPA Committee was formed in 2002 to guide and assess Jordan's possible accession and prepare a draft initial offer. Joining the GPA will have implications for the two main ways in which the current system provides preferential national treatment: the requirement that all bidders have a local representative and the price differentials given to local bidders.

Concerning **provision of services and the right of establishment**, the latter is addressed in the Investment Promotion Law of 1995, last amended in 2000. It lays down conditions for foreign investment and grants a number of exemptions and facilities (reduction in income and social services taxes) to the following sectors: i) industry, ii) agriculture iii) hotels, iv) hospitals, v) maritime transport and railways, vi) any other decided by the Council of Ministers. Jordanian and foreign investors are treated on an equal footing, with no preferential treatment for export performance or domestic content requirements. The main challenges in the area of investment relate to the investment climate in general and the operation of companies. The main obstacles for foreign investment relate to i.a. licensing procedures, accounting and tax laws.

Over 70% of Jordan's GDP is produced by the services sector. Jordan wants to adopt a strategy of gradual opening of their services sector to the world whilst strengthening its position as a services provider in the Middle East region. Jordan became member of GATS upon joining the WTO in 2000. It has made substantial commitments vis-à-vis GATS for 11 of 12 sectors. Jordan is also committed to start preparatory work with the EU to further liberalise trade in services under the EU-Jordan Association Agreement.

The Government has passed legislation to abolish remaining controls on the foreign ownership of property and land. The **Investment Promotion** Law grants foreign investors the same treatment as Jordanian investors. Under this law, investors in the industry, agriculture and transport sectors, as well as in hotels and hospitals, can benefit from a number of exemptions and facilities, including reductions of up to 100% in income and social services taxes, applied over a period of 10 years, and extendable 4 more years. As a result, FDI represented 55% of total new investment flows by 2000. However, and despite the implementation of several other laws to improve the investment climate, licensing procedures, accounting and tax laws, customs and location problems remain as major hindrances to FDI, and domestic investment.

### **3.4. Transport, Energy, Information Society, Environment and Research and Innovation**

Jordan aims to establish itself as a multi-purpose regional **transport** service centre, and as a transport hub for the region, whereby the port of Aqaba plays an important role. In recent years the Ministry of Transport has pursued a policy of gradual liberalization of the sector. Incentives to the private sector in order to increase its investment in transport have been combined with the establishment of independent regulatory bodies and a legislative reform programme.

The Road Freight Transport law of 2002 seeks to develop and restructure the sector and to define the responsibilities of the operators. A Public Transport Regulatory Commission was established under the passenger public transport law of 2001. The rail network, with just 620km of track, is used primarily for transporting phosphates to Aqaba, although there are plans to upgrade and expand it. Aviation policy is geared towards greater liberalisation of the sector (accompanied by strong technical safety regulations) with a view towards further integration into the European aviation single market. Bilateral air services agreements between Jordan and EU Member States do not include Community designation and are not in line with Community legislation. Jordan has concluded an “open skies” agreement with the United States. The Civil Aviation Authority will be restructured to strengthen its role in policy implementation; the Jordanian airports, which are still operated by the Jordan Civil Aviation Authority, are being upgraded and services improved. The Jordan Maritime Authority was established in 2002 with the authority to regulate, control and develop the maritime transport sector. The strategy in this sector aims at encouraging competition and private sector participation in operations and services. To reinforce the regional dimension, Jordan established a Transport and Trade Facilitation Committee to improve the flow of goods with international trade partners.

Jordan is dependent on external **energy** sources, while its energy needs, notably in electricity, are growing rapidly. Oil is imported mostly from Iraq. The energy bill averaged about 8% of the GNP during the period 1995-2002. Jordan has modest hydrocarbons (gas notably) and large oil shale reserves.

Jordan’s orientations in the energy sector include: diversification, development of local resources (e.g. increased exploration, promotion of renewable energy sources); enhancement of competition, including tariff development towards cost coverage and increased private sector participation, efficiency improvement and stepping up regional network interconnections. A long term energy strategy is under development.

A key feature of the Jordanian energy economy is increased gas use (for electricity production), which necessitates investment in power stations. The development of the Arab Natural Gas Pipeline transporting Egyptian gas within the region is particularly important in this context. The first gas imports started in 2003 to fuel the Aqaba power station. Preparatory work has started for the development of an appropriate legal and regulatory framework. In December 2003 Jordan and certain other Euro-Med partners signed a Declaration of Intent on Euro Mashrek cooperation in the field of natural gas. Regarding electricity Jordan aims to further develop regional networks to other countries in the region including the submarine electricity cable with Egypt.

In accordance with the Jordanian economy reform programme the electricity sector has been reformed and partly privatised over the past years. A large degree of unbundling took place and a regulator, the Electricity Regulatory Commission, is operational. Almost

all electricity is produced by the Central Electric Generation Company (wholly state-controlled), but the law allows for private sector independent power producers (IPPs). The National Electric Power Company is responsible for transmission. Two of the three distributors are fully or partly in private ownership.

Jordan aims at increasing the share of renewable energy sources in the country's energy balance to 5% by 2015. The Ministry of Energy and Mineral resources and the National Energy Research Centre are the key bodies in the area of energy efficiency and renewable energy.

The Ministry of Information and Communications Technology, established in 2002, is responsible for the policy in the **Information Society** sector, in particular for electronic communications.

Jordan has established a regulatory authority, opened many markets for competition and started to introduce a regulatory framework. The telecommunications law of 1995, amended in 2002, includes provisions on privatisation of the Jordan Telecommunications Company (JTC), on competition in the mobile voice telephony market, Internet Services and data services as well as on the creation of the Telecommunications Regulatory Commission (TRC).

The mobile telephony market duopoly was opened to further competition on 1 January 2004 and the fixed telephony market will be liberalised on 1 January 2005. The current public consultation on the method of this liberalisation will be concluded in June 2004. Universal Service obligations are imposed on JTC as the monopoly operator of the fixed network till the end of 2004.

A framework law on the protection of the **environment** was adopted in 1995, and is currently under revision. In June 2003, Jordan adopted a National Biodiversity Strategy and Action Plan.

The Ministry of Environment was established in 2003, but is currently under restructuring. A number of other Ministries are responsible for environment related matters. Jordan is a beneficiary of Community support under MEDA, SMAP and LIFE-Third Countries programmes. Jordan has ratified relevant international and regional environment conventions to which it is party, and has acceded to the Kyoto Protocol.

Jordan is very active in the field of **research and innovation**, having a network of universities and higher education institutions as well as research and technological applications centres, like the National Centre for Agricultural Research and Technological Transfer in the field of agronomy. It is active in the international and regional scientific networks which participate in the Global Forum of Sustainable Development and in the International conventions of the Conférence des Nations Unies sur l'Environnement et le Développement (biodiversity, desertification...).

Under the RTD Framework Programmes (1998-2002) the Jordanian institutions have participated actively in research actions, concerning amongst others water management technologies.

The European Commission and Jordan plan to start negotiations on an agreement on scientific and technological cooperation in order to supplement and strengthen cooperation undertaken to date, based on the common interest and the reciprocal access of researchers in activities of RTD.