

Jordan Country Strategy 2020-2025

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Glossary of Key Terms

ABI	Annual Business Investment	M&A	Mergers and Acquisitions
ASB	Advice for Small Business	M&S	Manufacturing & Services
CoO	Country of Operations	MEMR	Ministry of Energy and Mineral Resources
CPI	Consumer Price Index		
EBRD	European Bank for Reconstruction and Development	MOU	Memorandum of Understanding
		MR3	Municipal Resilience Refugee Response
EE	Energy Efficiency	MSME	Micro, Small and Medium Enterprise
EIB	European Investment Bank	NBFI	Non-Bank Financial Institution
ETI	Expected Transition Impact	NCI	National Center for Innovation
EU	European Union	NEEAP	National Energy Efficiency Action Plan
E&S	Environmental & Social		
FDI	Foreign Direct Investment	NDC	Nationally Determined Contribution
FI	Financial Institution		
GAM	Greater Amman Municipality	NEPCO	National Electric Power Company
GCAP	Green Cities Action Plan	NPL	Non-Performing Loans
GEFF	Green Economy Financing Facility	PFI	Partner Financial Institution
		PPA	Power Purchase Agreement
GET	Green Economy Transition	PPP	Public-Private Partnership
GHG	Green House Gas	PSP	Private Sector Participation
GNI	Gross National Income	PTI	Portfolio Transition Impact
GoJ	Government of Jordan	RE	Renewable Energy
GVC	Global Value Chains	RSF	Risk Sharing Facility
H&S	Health & Safety	SEFF	Sustainable Energy Financing Framework
ICA	Industry, Commerce & Agribusiness		
ICGI	Investment Climate and Governance Initiative	SOB	State-Owned Bank
		SOE	State-Owned Enterprise
IFI	International Financial Institution	SSA	Storage Service Agreement
IPPF	Infrastructure Project Preparation Facility	TC	Technical Cooperation
		TFP	Trade Finance Programme
LCY	Local Currency	VET	Vocational Education & Training
LSE	London Stock Exchange	WiB	Women in Business programme

Jordan's commitment to and application of the principles of multiparty democracy and pluralism as enshrined in Article 1 of the Agreement Establishing the Bank has, in the previous country strategy period, been marked by exogenous challenges, which made further progress understandably challenging.

Since the last strategy, Jordan has faced significant challenges. Disruption to gas supplies from Egypt has required it to adjust to renewable energy and other alternative sources in record time; its neighbour Syria continues to be afflicted by conflict and Iraq, although moving towards stability, still suffers from political upheaval; the support that it traditionally received from regional countries has become less reliable; and crucially a large number of displaced Syrians, including over 660,000 UNHCR-registered refugees, continue to live in Jordan. This has resulted in one of the fastest population increases in modern history. These shocks and challenges have imposed major pressures on the country's financial situation, internal market, ability to export, infrastructure, and the provisioning of services. Successive governments have nonetheless continued the country's economic reform programme, in coordination with the IMF and donor community, and within a political environment that remains largely open, inclusive, tolerant, and permissive of individual rights and freedoms. However the country's political system continues to have challenges, including not yet having a parliamentary government in which the representatives of the people exert real supervision over all branches of the executive.

Jordan's rate of growth remained subdued in 2018 at 1.9 per cent, below the 2.5 per cent recorded since 2010 and the 6.5 per cent averaged over the preceding decade. GDP per capita grew for the first time in five years in 2018, by a slight 0.13 per cent. Modest growth is expected to reach 2.2 per cent in 2019 and 2.4 per cent in 2020, supported by various factors: implementation of structural reforms, domestic and foreign investment, the lower cost of imported energy, increased finance provided to SMEs under various schemes from the Central Bank, and an increase in exports resulting from the re-opening of the border with Iraq. Risks to the outlook include eroding real competitiveness stemming from higher inflation, slow progress in implementing reforms, and ongoing regional turbulence. On the upside, the capacity of Jordanian companies to comply with the relaxation of the rules of origin requirements by the European Union could boost exports of agriculture, pharmaceuticals and textiles.

Although Jordan has made significant progress towards a sustainable market economy in comparison to its regional peers, certain transition gaps remain, notably in **competitiveness** and **inclusion**. A growing population and influx of refugees has increased the strain on basic services and infrastructure, and created pressure to advance reforms that will translate into jobs, especially for the young. Persistent trade imbalances and ongoing regional instability (including the closure of traditional trade routes) have also negatively impacted competitiveness, placing a premium on increasing productivity, fostering innovation and diversifying sources of finance. In recent years the country has admirably reduced its dependence on imported fossil fuels but now needs to strengthen its capacity to fully harness indigenous renewable energy sources. While the Government is attempting to address all of these different needs, with high levels of public debt, limited administrative capacity and declining financial support from abroad, attracting private sector investment, particularly to meet infrastructure needs, will be critical.

With that in mind, the Bank is set to pursue the following strategic priorities in Jordan in 2020-2025:

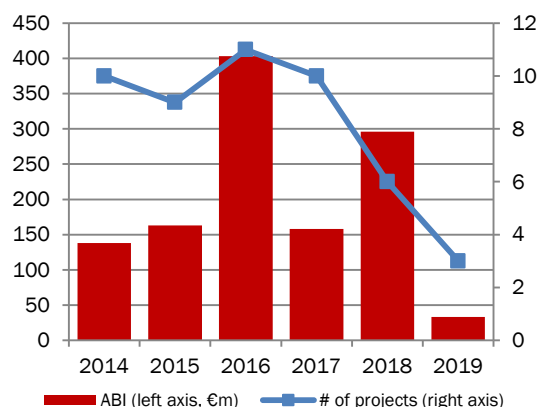
- Promoting economic inclusion across sectors;
- Further developing sustainable municipal infrastructure and green energy; and
- Strengthening competitiveness and resilience by diversifying access to finance and fostering innovation.

Jordan- EBRD Snapshot

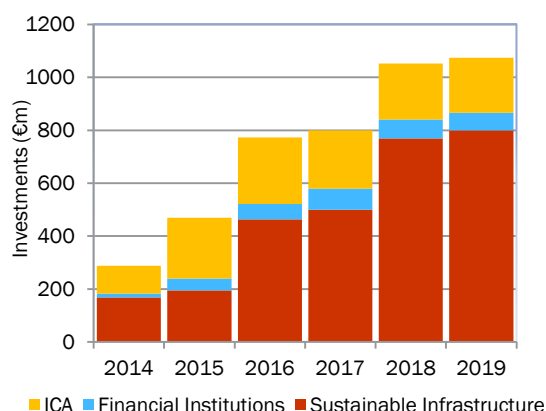
EBRD Investment Activities in Jordan¹

Portfolio	€1,074m	Active projects	45
Equity share	9%	Operating assets	€848m
Private sector share ¹	73%	Net cum. investment	€1,405m

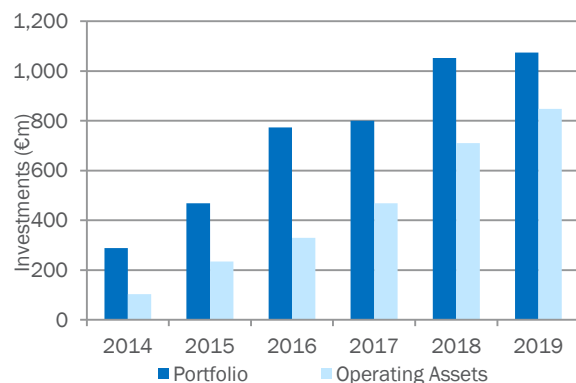
ABI and Operations



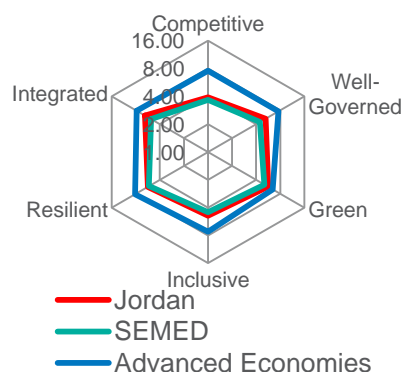
Portfolio Composition



Portfolio Dynamics



Transition Gaps²



Jordan Context Figures

	Jordan	Comparator Countries
Population (million) 2017	9.7	(97.6) Egypt (6.1) Lebanon (80.7) Turkey
GDP per capita (PPP, USD)	9,173	(11,608) Egypt (14,513) Lebanon (28,002) Turkey
Global Competitiveness Index (WEF) (rank / 140 economies)	73	(94) Egypt (80) Lebanon (61) Turkey
Unemployment (% ILO est.)	15.0	(11.4) Egypt (6.2) Lebanon (10.9) Turkey
Youth unemployment (% ILO est.)	37.2	(32.6) Egypt (17.4) Lebanon (20.0) Turkey
Female labour force participation (% ILO est.)	14.1	(22.8) Egypt (23.5) Lebanon (33.5) Turkey
Energy intensity (TPES/GDP)	0.29	(0.33) Egypt (0.19) Lebanon (0.12) Turkey
Emission intensity (kg 2010 US\$ of GDP)	0.90	(0.84) Egypt (0.58) Lebanon (0.34) Turkey

¹ As of August 2019: Cumulative Bank Investment: 5 year rolling basis on portfolio.

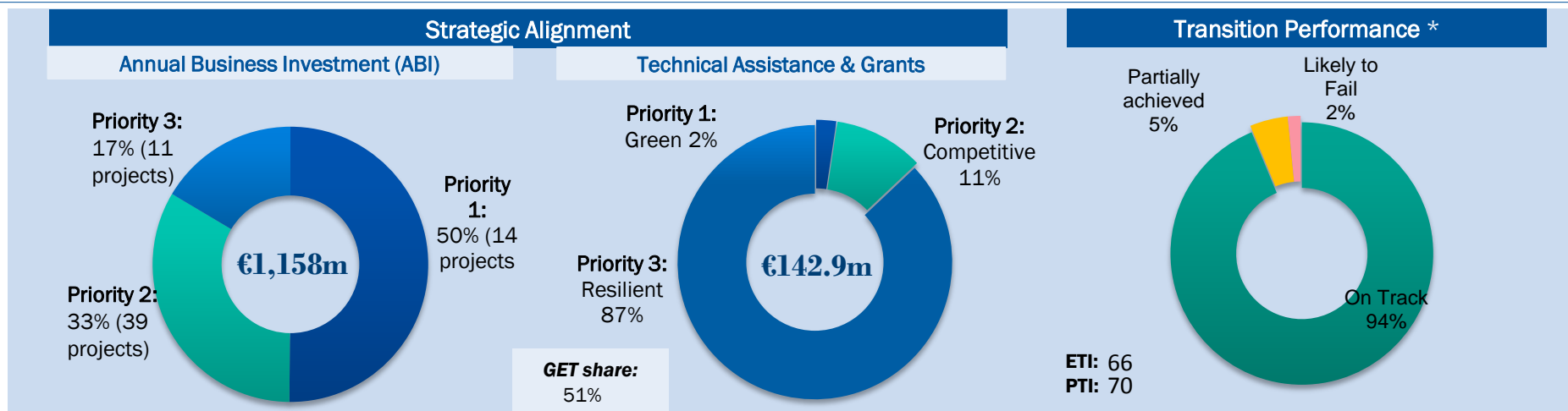
² Cf. EBRD Transition Report 2017-2018. ³ World Bank WDI. ⁴ IEA's Energy Atlas.

1. Implementation of Previous Strategy (2014-2018)



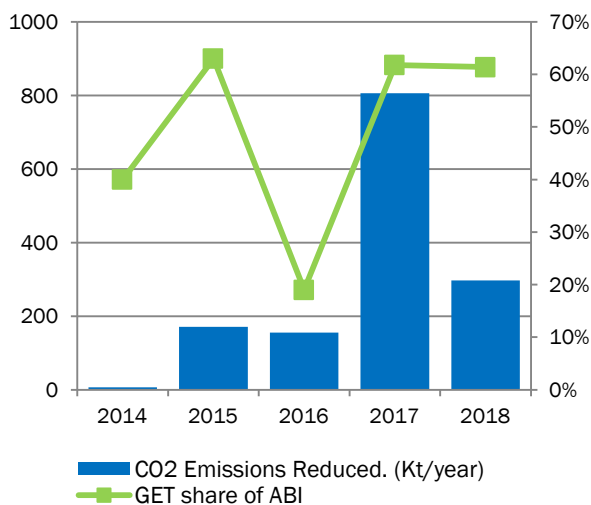
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1.1. Key Transition Results



Priority 1: Enhancing energy sustainability and efficiency

Green Economy Transition



Key Transition Results

- Spearheaded efforts to introduce renewable energy generation projects and promoted private sector investments in sustainable energy and energy efficiency to reduce annual electricity consumption. In particular, financed 12 projects for €410.5m to enhance energy generation, contributing to an increase in generation capacity of 1.1GW since 2012.
- Signed the first solar energy generation project in the country (co-financed with OPIC) and subsequently invested in three solar energy projects alongside Proparco (part of AFD) for a total of €57.7m in financing for 60MW electricity generation.
- Invested directly in energy intensive companies (e.g., €19m loan to Al Jazeera Agriculture) to improve their energy efficiency.
- Provided key financial and operational support to the National Electric Power Company (NEPCO) and adapted its operations to integrate renewable energy, including:
 - €238m restructuring loan to enhance resilience and improve the grid's capacity to absorb renewable energy.
 - Introduction of e-procurement to improve compliance and transparency.
 - Development of a Corporate Reform Roadmap that tackles areas of inefficiencies, mainly in financial forecasting, corporate governance, compliance, procurement, and renewable energy integration.
 - Helped NEPCO diversify energy sources by financing the Al Manakher Power Project, whose flexible capacity will aid intermittent renewable generation, helping NEPCO achieve its 2020 target of 20% RE contribution to the energy mix.
- Enhanced institutional and regulatory support for sustainable energy by providing policy recommendations to the Ministry of Energy and Mineral Resources (MEMR) and the Energy and Minerals Regulatory Commission (EMRC) to promulgate energy storage by-laws, support the first solar power purchase agreement, and develop a bankable Storage Service Agreement (SSA) for the permanent storage regime.

* Transition impact performance reflects how likely projects are to achieve the transition impact expected of them at signing. Calculated based on active mature (> 2 years) portfolio.

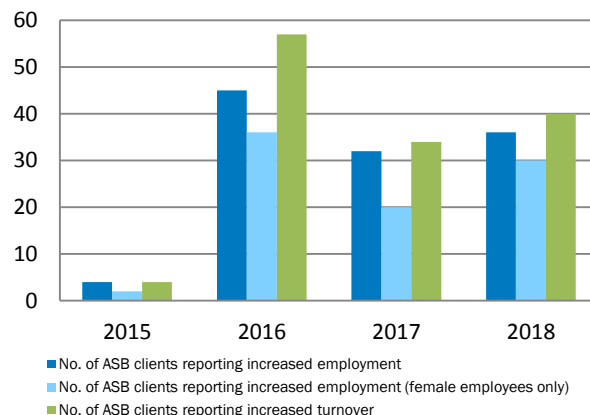
1. Implementation of Previous Strategy (2014-2018)



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1.1. Key Transition Results

Priority 2: Enabling dynamic, private sector-led, inclusive growth



Key Transition Results

- Strengthened MSME access to finance, with a focus on underserved segments in society, through on-lending programs and RSF with local banks/PFIs in the amount of €95m.
- Signed the first micro-entrepreneur loan (US\$6m) with Microfund for women to support Syrian refugees and host communities.
- Signed MoU with JIC to support improvements to the business environment, including on corporate governance standards, public procurement reform and other measures (e.g., e-services) that will benefit investors.
- Supported the development of the private equity industry in Jordan through the first equity investment of US\$50m to MS Pharma, and provided a €22.3m loan to Foursan Capital Partners which will facilitate critical skills transfer and ensure stronger corporate governance.
- Provided financial support to help companies expand and upgrade their facilities, enabling Al Jazeera Poultry (€19m) to supply safer and more hygienic produce for consumers and MS Pharma (US\$22.7m) to refurbish its plant and purchase a license for new generic drugs.
- Provided skills and training opportunities to reduce youth and female unemployment through the first Sector Skills Organisation in the tourism and hospitality sectors and financed a hospitality-related training programme in Aqaba for local youths.
- Supported the establishment of the National Centre for Innovation (NCI) to help the government boost innovation-led and inclusive productivity.

Priority 3: Support for commercialisation and PSP in infrastructure

Key Transition Results

- Provided €87m across 5 projects to upgrade and expand the Greater Amman Municipality (GAM)'s infrastructure and services, specifically in solid waste management, helping improve access to basic services for over 5m people. Also provided a comprehensive TC for GAM as part of the EBRD's Refugee Crisis Response Plan, including assistance with financial management, corporate governance, and capacity building vis-à-vis an environmental and social action plan.
- Signed €11.5 million sovereign-guaranteed loan with GAM to finance a landfill gas recovery system with substantial environmental benefits and CO2 reduction, utilising a technology new to the country. The project was inaugurated by the Mayor in the presence of the EBRD on 1 July 2019.
- Supported the commercialisation of solid waste services by helping create a separate solid waste operational unit within GAM and entering into a public service contract with the newly created solid waste company.
- Supported the development of the PPP market with the aim of attracting more investment capital into such structures, including by:
 - Financing infrastructure PPPs such as the Queen Alia Airport (indirect equity stake of €30.5m)
 - Supporting improvements in the PPP regulatory framework through infrastructure project preparation support to the PPP Unit and GAM (including help structuring the first street lighting PPP project in Jordan).
- Provided technical & policy advisory to GAM and the Water Authority of Jordan (WAJ) to enhance their financial and operational performance and promote sustainable infrastructure investments.
- Financed Jordan's first district plant for cooling and heating (Abdali, US\$30m), setting a benchmark for the efficient use of energy in the development of large projects.
- Supported GAM in joining the Green Cities Framework, with a GCAP launched in Feb. 2019. The GCAP is in the process of generating various green projects for the City of Amman which will also require private sector participation in the implementation stage.

1. Implementation of Previous Strategy (2014-2018)



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1.2. Challenges to Implementation and Key Lessons

Context for Implementation

As the first EBRD country of operations in the SEMED region, Jordan has made significant progress towards a sustainable market economy in comparison to its regional peers. However certain transition gaps remain, notably in competitiveness and inclusion. A growing population and influx of a large number of Syrian refugees has increased the strain on basic services and infrastructure and the pressure to create jobs. Persistent trade imbalances and ongoing regional turbulence (including the closure of traditional trade routes) have also negatively impacted competitiveness, placing a premium on increasing productivity, fostering innovation and diversifying sources of finance. In recent years the country has admirably reduced its dependence on imported fossil fuels but now needs to strengthen its capacity to fully harness indigenous renewable energy sources. While the Government is attempting to respond to these myriad needs, high levels of public debt, limited administrative capacity and declining financial support from abroad have increased the challenge of doing so. Together with other IFIs, the EBRD will thus seek to help Jordan mobilise the necessary private investment and donor resources to meet these critical needs.

Implementation Challenges

- Jordan's ongoing transition to a complex energy system with a high share of intermittent and decentralised renewable generation will require significant corporate and regulatory reform
- Human capital challenges remain substantial, with large inclusion gaps for women and youth and key infrastructure services further strained by the influx of refugees
- Unpredictable regulatory processes and weak corporate governance weigh on the business environment and limit foreign investment
- Low productivity, regional instability and poor export diversification and sophistication have limited opportunities for Jordanian firms
- Large infrastructure needs, particularly outside Amman, but also high public debt, which limits fiscal space for public sector investment (especially under the IMF program) and weak administrative capacity.
- Relevant line ministries lack experience in conducting procurement policies in accordance with best practices and the Bank's policies.

Key Lessons & Way Forward

- Continue to support development of a strong and sustainable energy sector through combination of investment in the next generation of renewable energy projects and technical assistance to implement the NEPCO Reform Roadmap
- Seek expansion of sector skills councils to better align training and opportunity and step up efforts in support of micro-businesses (which can benefit both refugee populations and host communities) and enhance financial inclusion
- Multi-dimensional approach to improving economic governance, including implementation of ICGI MoU and efforts to strengthen corporate governance of mid-sized firms
- Channel support to innovative and export-oriented companies that have potential to grow and integrate into regional value chains, particularly in the services sector
- Focus on implementing the Infrastructure Investment Programme signed between EBRD and GoJ during the 2018 Annual Meeting, including project preparation and pipeline development.
- Continue efforts to promote digital public procurement to enhance eProcurement capacity in the public sector in advance of the expected introduction of mandatory electronic procurement by 2022.

2. Economic Context

2.1 . Macroeconomic Context and Outlook for Strategy Period



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Jordan - Main macroeconomic indicators

	2015	2016	2017	2018
GDP growth (% y-o-y)	2.4	2.0	2.1	2.0
CPI inflation (% avg.)	-0.9	-0.8	3.3	4.5
Government balance (% GDP)	-8.5	-3.7	-3.7	-4.8
Current account balance (% GDP)	-9.0	-9.4	-10.6	-6.7
Net FDI (% of GDP)*	-4.2	-4.0	-5.0	-2.5
External debt (% GDP)	65.1	66.3	69.6	67.6
Gross reserves (% GDP)	43.6	39.6	38.2	34.4
General gov't gross debt (% GDP)	92.4	93.8	94.3	94.2
Unemployment (% labour force)	13.1	15.3	18.1	18.3
Nominal GDP (\$bn)	38.0	39.3	40.8	42.4

- Growth remained subdued in 2018 at 1.9% and 2% in Q1 2019, below the average of 2.5% since the start of instability in Syria and Iraq in 2010 and the 6.5% average growth over the preceding decade. The modest level of growth has been driven by financial services, manufacturing, and transport. GDP per capita grew for the first time in five years in 2018, by a slight 0.13%.
- Tourism continued to increase for the second consecutive year in 2018, by 7.7%, and this rebound continued in H1 2019, although the level of visitors remains at only 65% of the peak levels achieved prior to the Arab uprising in 2011.
- Inflation has been decreasing since November 2018. It declined to 0.5% y-o-y in the first 7 months of 2019, compared to an average of 4.5% in 2018 and a peak of 5.7% in July 2018.
- Labour market conditions have deteriorated. Unemployment continues to be high, reaching 19% in Q1 2019, and higher still among women (29%) and youth (39.4%). The overall economic participation rate for women remains one of the lowest in the world at 15.2%.
- The fiscal deficit widened to 4.8% of GDP in 2018, from 3.7% in 2017, reflecting reduced revenues and grants, despite lower capital expenditure. Public debt remains high at 94.2% of GDP.
- The current account deficit narrowed to 4.8% of GDP in Q1 2019 and 6.7% in 2018, from 10.6% in 2017. This was driven by a reduction in the trade balance and a higher services balance surplus relative to GDP. Gross official reserves have been decreasing since December 2017, but they remain at comfortable levels, covering 6.5 months of imports.
- Growth is expected to remain below 2.5% in 2019-20. Risks to the outlook include a slow-down – or reversal – in implementing reforms, and an escalation of regional conflict.

* Negative FDI figures represent inflows.

2. Economic Context

2.2 . Key Transition Challenges



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Resilient (5.86)

- The resilience of the financial sector depends on the **stability of the banking system**, as alternative sources of capital are not well developed.
- Banking sector **ownership** is largely private even though the government-administered pension scheme retains stakes in most banks. The system has remained **well capitalised and profitable** in a challenging environment.
- The **low loan to deposit ratio** suggests that banks have the capacity to increase lending without relying on more volatile and costly external funding.
- The **high exposure of banks to government debt** links the credit risk of the sector to that of the sovereign.
- Jordan now needs to transition to an **increasingly complex energy system** which will include high shares of intermittent and decentralised renewable generation.

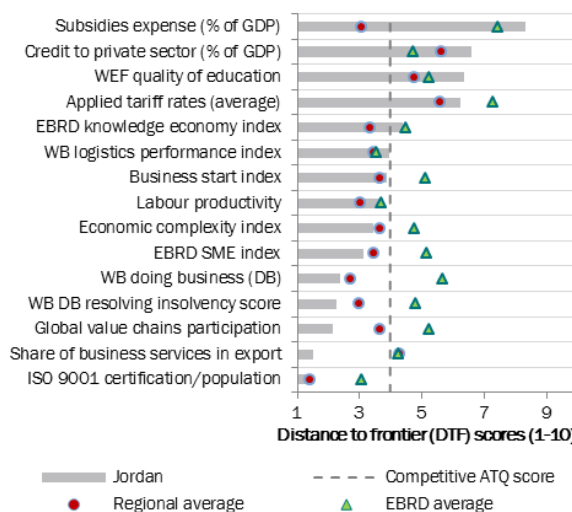
Financial Soundness Indicators, in %

	2003	2010	2018
NPL/total loans	15.5	8.2	4.9
Capital Adequacy Ratio (CAR)	15.9	20.3	16.9
Return on Equity (ROE)	9.9	8.8	9.6
Return on Assets (ROA)	0.7	1.1	1.2
Liquidity ratio	179.6	161.4	131.9

Competitive (3.97)

- The state has a low propensity to intervene in the economy through **subsidies**, and the volume of subsidies to the private sector has declined in recent years.
- The quality of **education** is high. Jordan is progressively moving towards a stronger **knowledge-based economy**.
- Despite being a **service-oriented economy**, the share of advanced business services in total services exported is relatively low.
- Jordan notably improved in Doing Business 2020**, rising 29 places to 75th, by improving access to credit and streamlining tax and insolvency procedures.

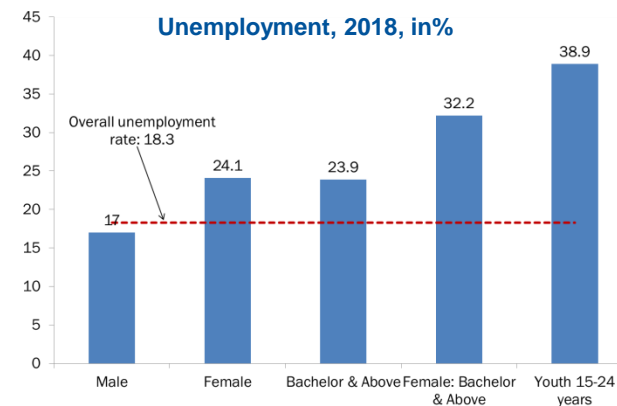
Competitive ATQ indicators' scores (2018)



Inclusive (4.28)

- Challenging geo-political dynamics and economic conditions limited the **creation of jobs** for new labour market entrants.
- The labour force has significant horizontal and vertical **gender** segregation, due to social norms and educational choices for both sexes.
- Competition with Syrian refugees for available jobs, skills mismatches and poor working conditions are among the main factors contributing to high **youth unemployment**.
- Schools** have been unable to meet increased demand caused by rapid population growth, further intensified by the refugee influx.
- Staff turnover** is generally high for firms because competition for skilled labour is high.
- Access to finance** is one of the key obstacles start-ups, SMEs & female-owned businesses.

Unemployment, 2018, in %



2. Economic Context

2.2 . Key Transition Challenges

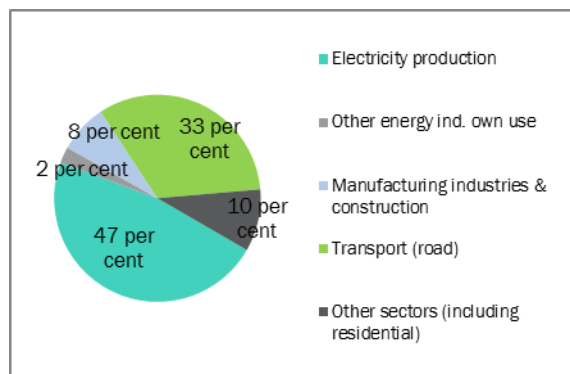


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Green (5.86)

- Jordan is one of the most **water scarce** countries in the world due to low natural supply and persistent droughts, over-consumption, over-pumping and losses during distribution
- Jordan has the highest **energy intensity** in the region. Projected annual growth rates for energy demand for 2015-25 (~5%) are some of the highest in the world.
- While progress has been made on **electricity tariff rates**, with full cost recovery endorsed under Vision 2025, energy prices remain subsidised for-social reasons.
- The potential for **solar and wind energy** is promising, with important progress in the last few years.

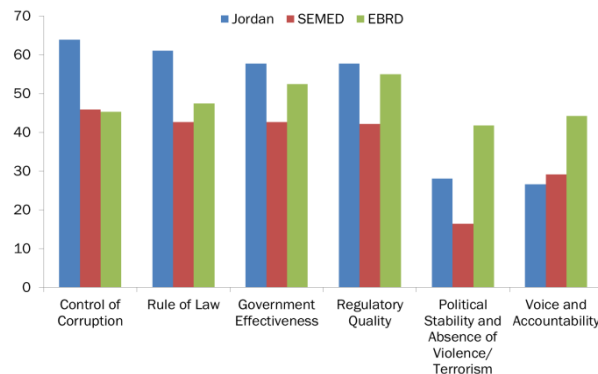
CO2 emissions by sector (mil tonnes)



Well-Governed (6.18)

- Regulatory quality** has slightly worsened in the last decade, **government effectiveness** has steadily begun to improve.
- The **perceived transparency of government policy-making** by business leaders has steadily decreased in the last five years.
- Political instability** resulting from security challenges, regional turmoil and external shocks remains an obstacle for businesses.
- Perceived **corruption** remains high. However, implementation of AML/CFT and tax exchange standards has improved steadily.
- Quality of contracts' enforcement** is above the regional average but worse than peers. However, overall **rule of law** has deteriorated.
- The institutional environment promoting **corporate governance** is fairly developed.

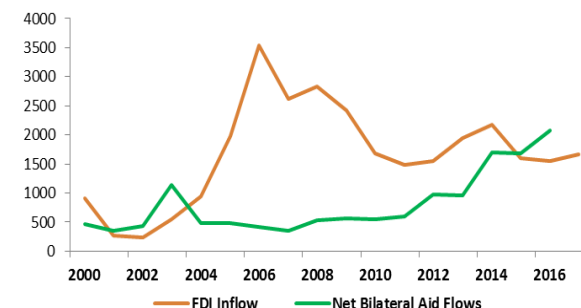
Worldwide Governance Indicators 2017



Integrated (6.27)

- Jordan's **binding overhang ratio** is high, implying high unpredictability of trade policies.
- Net FDI** inflows as a percentage of GDP are shrinking, but **portfolio** inflows as a percentage of GDP are the third largest in the EBRD region.
- Jordan performs well in terms of **quality of infrastructure**, especially regarding the quality of air transport.
- Jordan's **logistic performance** score has decreased in 2018.
- The **trade policy regime** is fairly particularly open. Jordan has been strengthened its bilateral and regional relationships with its closest trade partners by concluding several free trade agreements, including with the EU and some Arab countries.

Financial flows to Jordan, in USD millions



3. Government Priorities and Stakeholder Engagement

3.1. Government Reform Priorities

The Government's "Jordan National Vision and Strategy 2025" includes the following priorities:

- **Active citizens with a sense of belonging** – through adequate health services and education that equips all citizens with the skills needed for decent and rewarding employment opportunities.
- **Safe and stable society** – by ensuring that all citizens have confidence in, and comply with, the law and feel protected in a safe and strong society with a desire to be active members in their communities.
- **Dynamic and globally competitive private sector** – focusing on Jordan becoming a competitive regional hub with a thriving and stable business environment that enables exports. Also prioritizing clusters that will drive growth and job creation, including construction and engineering, transport and logistics, and tourism.
- **Efficient and effective governance** – that ensures macroeconomic stability in the country, enhances the economic well-being of the people, and provides them with essential public services with high transparency and accountability (enhanced by development e-government services).
- **Resource security and management** – addressing water and food scarcity to meet the demands of the growing population by diversifying resources and reducing any losses.
- **Reduced energy waste and dependency** – through diversification of energy resources, expansion of renewable energy projects, expansion of the electricity network's capacity, and encouragement of green buildings and measures.

3.2. EBRD Reform Areas Broadly Agreed with Authorities

- Improved capacity of Jordanian firms to export to new markets
- Further development of the tourism sector, including in new growth areas (e.g., adventure, medical, conferences)
- A supportive ecosystem for innovative companies and start-ups, including digital services
- Enhanced vectors for economic inclusion, incl. development of microfinance and platforms for skills development & job creation
- Development of effective mechanisms for public-private partnerships, e.g. PPP platform and enabling legal framework
- More diversified sources of finance, including the insurance sector
- Deployment of renewable energy enabling infrastructure, coupled with measures to improve the sector's financial sustainability
- Improved commercialisation of municipal infrastructure & services

3.3. Key Messages from Civil Society to EBRD

- CSOs broadly endorsed the proposed priorities, in particular the work envisaged in support of SMEs and energy sector reform.
- Economic inclusion was noted as a priority, with enhancements in vocational training urgently needed to boost job creation. The Bank was encouraged to work closely with the authorities and community based organisations to help shape relevant programs.
- Access to finance was also noted as a particular challenge, especially for SMEs and female businesses. Targeted advisory, including to boost financial literacy and help businesses identify export opportunities, would be beneficial.
- The Government's recent support for home based businesses was a positive step forward and should be expanded.
- The Bank's ongoing support for renewable energy and green finance was appreciated, with CSOs querying whether the GEFF model could be replicated in other sectors. Continued support for regulatory reform in these areas will be critical.

4. Defining EBRD Jordan Country Strategy Priorities



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What needs to change ? (Country Diagnostic)	Can it be changed ? (Political Economy)	What can the Bank do ? (Institutional Capabilities)	Strategic Priorities (2020-2025)	What We Want to see (Key Objectives)
<ul style="list-style-type: none"> Financial inclusion is limited and female labour force participation among the lowest in EBRD region Skills mismatch and limited opportunities for new labour market entrants, which strongly impacts youths Huge social and economic challenge from large numbers of refugees, places strain on basic services (incl. education) and infrastructure Increasing urbanisation is adding to the pressure for job creation 	<ul style="list-style-type: none"> National Financial Inclusion Strategy and recent reforms to create quality jobs for women Gov't commitment to improve human capital by 2025 and establishment of sector skills councils Strong potential of tourism and hospitality sector New laws liberalising home-based businesses may help women, youth & refugees expand micro-enterprises Opportunities for refugees and host communities under Jordan Compact 	<ul style="list-style-type: none"> Effective instruments to support underserved segments (ASB, WiB, SEMED Youth Employment Programme) EBRD can promote work-based skills-enhancing solutions together with corporate clients EBRD Cultural Heritage investments can boost tourism and improve infrastructure, while also creating skilled jobs and deepening backward linkages to local economies EBRD Refugee Response Plan 	Promoting economic inclusion across sectors	<ul style="list-style-type: none"> Increased access to finance for inclusion target groups Enhanced access to skills development Increased access to services and economic opportunities
<ul style="list-style-type: none"> Third most water stressed country in the world; risk of adverse impact on future food security & social stability Poor water and energy infrastructure exacerbated by low resource efficiency and high intensity of use Increasing urbanisation & migration strain infrastructure services Transition to more sustainable energy system will require greater integration of renewable generation and additional reforms to enhance commercialisation, PSP 	<ul style="list-style-type: none"> Government commitments under COP21 NDC and water management a priority in Vision 2025 Sovereign debt capacity is limited and impacted by IMF conditionality Declining Gulf financial support may provide greater impetus for reform Rapid development of conventional and renewable generation capacity creates opportunities in the form of energy surplus but also heightens urgency to reform EMRC & NEPCO Government planning a PSP platform 	<ul style="list-style-type: none"> Considerable experience developing sustainable municipal infrastructure via dedicated GET products (e.g., GEFFs, Smart Cities, Green Cities) Given strong IFI focus/finance in water sector, EBRD can leverage its experience to facilitate PSP in niche infrastructure areas (e.g. PPPs) EBRD can champion innovative green technologies (e.g., FINTECC) Strong record of institutional and financial support for renewable energy & energy/resource efficiency 	Further developing sustainable municipal infrastructure and green energy	<ul style="list-style-type: none"> Improved performance, service delivery and sustainability of infrastructure Increased renewable energy capacity Improved energy and resource efficiency and climate resilience Enhanced institutional and regulatory support for sustainable energy and water use
<ul style="list-style-type: none"> Limited trade and export diversification, low productivity and poor integration into global value chains Access to finance main constraint for Jordanian firms, especially SMEs Stronger and more diversified capital markets needed to provide alternate means of finance and spread risk Absence of strong innovation ecosystem Business climate has improved, but obstacles remain 	<ul style="list-style-type: none"> Strong services-orientation of economy may provide best opportunity to increase exports, jobs Fiscal consolidation likely to shift banking sector from predominantly public financing to private lending Increased emphasis on fostering innovation (e.g., NCI) Limited public sector capacity has inhibited reform delivery, esp. PPPs Positive trends in Iraq and Syria could provide an economic boost over the longer term 	<ul style="list-style-type: none"> Longstanding experience providing companies with finance and advisory to improve corporate governance, standards and capacity Effective instruments to support SMEs, including credit lines Specialised experience in developing capital markets, including PE/VC, and support for new and innovative banking products EBRD well positioned to promote business climate reforms and PSP solutions, including PPPs 	Strengthening competitiveness and resilience by diversifying access to finance and fostering innovation	<ul style="list-style-type: none"> Strengthened capacity of corporates and SMEs to grow and add value through improved business standards, greater integration in regional value chains and increased innovation Strengthened resilience through development of capital market and local currency financing solutions Increased private sector participation Improved business environment

5. Activities and Results Framework

Priority 1: Promoting economic inclusion across sectors

Key Objectives	Activities	Tracking Indicators (Outcomes)
Increased access to finance for inclusion target groups	<ul style="list-style-type: none"> Continue support for female entrepreneurs, including through expansion of the Bank's Women in Business programme, dedicated credit lines, business advisory services, training to PFLs and networking and mentoring to women-led SMEs Seek opportunities to enhance financial inclusion for women, youth and other underserved groups (e.g., refugees, businesses located outside Amman) through targeted financial products, including loans disbursed through microfinance institutions 	<ul style="list-style-type: none"> Number of women-led businesses accessing finance Number of women-led businesses accessing finance and/or advisory services
Enhanced access to skills development	<ul style="list-style-type: none"> Support private sector-led review of skills curriculum and together with corporate clients, develop and scale up programmes to enhance vocational training and skills development for youth, women and populations (including refugees) living in underserved regions Seek to roll out SEMED Youth Employment Programme to promote quality work-based learning opportunities and encourage job creation Expand the work of the Sector Skills Council in designing relevant occupational skills' standards in the tourism and hospitality sector 	<ul style="list-style-type: none"> Number of inclusion target groups (youth, women, others) receiving new/improved skills and/or employment opportunities as a result of training
Increased access to services and economic opportunities	<ul style="list-style-type: none"> Deploy financial resources and technical assistance, including through the Cultural Heritage Framework, to develop a sustainable, inclusive and accessible tourism sector (including related infrastructure) to facilitate job creation with strong backward linkages into local economies Expand access to municipal infrastructure and transport to cover a wider segment of society, e.g., women and those in underserved regions, including investments made through the Municipal Resilience Refugee Response Framework Further expand the Bank's pilot project on inclusive procurement in infrastructure to all applicable investments, specifically in the public sector 	<ul style="list-style-type: none"> Number of people benefitting from improved/increased access to municipal or transport services, as targeted Number of clients with improved procurement practices

5. Activities and Results Framework



European Bank
for Reconstruction and Development

Priority 2: Further developing sustainable municipal infrastructure and green energy

Key Objectives	Activities	Tracking Indicators (Outcomes)
Improved performance, service delivery and sustainability of infrastructure	<ul style="list-style-type: none"> Building on the 2018 Infrastructure Investment Roadmap MoU, finance, upgrade and expand sustainable infrastructure and related services (incl. water & wastewater, solid waste, street lighting and transport) primarily through niche investments such as PPPs, with a focus on improving governance, financial and operational performance, environmental sustainability and private sector participation In conjunction with the above, expand activities under the Green Cities Framework (including cross-sectoral investment, capacity building and policy engagement) to promote sustainable municipal investments that help cities address environmental challenges (e.g., decrease traffic congestion, improve air quality and urban mobility and increase energy and resource efficiencies) 	<ul style="list-style-type: none"> Total CO2e reduced/avoided (ton/y) Total water saved (m3/y) Number of investments that address priority environmental challenges identified by a GCAP
<p>Increased renewable energy capacity</p> <p>Improved energy and resource efficiency and climate resilience</p>	<ul style="list-style-type: none"> Provide direct and intermediated finance to further develop and integrate renewable energy projects such as storage and private-to-private sales Further increase the electrical grid's capacity to absorb renewable energy through investments in transmission and redistribution networks Support digitalisation and smart systems, including automated grids and smart meters Further develop private sector mechanisms to foster energy and resource efficiency in energy-intensive industries (e.g., steel, cement) and prominent sectors such as property and tourism (e.g., green buildings) by investing in innovative, clean technologies through the FINTECC programme and supporting other green investments Launch GEFF to provide energy and resource efficiency credit lines through partner FIs, with a focus on SMEs and the residential sector Finance transition gas infrastructure to replace dirtier fuels and support energy integration 	<ul style="list-style-type: none"> Renewable energy capacity added to the network (MW) Total energy saved (GJ/y) Material reduced/recycled (tonnes/y)
Enhanced institutional and regulatory support for sustainable energy and water use	<ul style="list-style-type: none"> Complement other IFIs/DFIs by facilitating reforms that address water scarcity and high energy use in the water sector, thereby improving the water/energy nexus; help the Ministry of Water and Irrigation increase sustainable water (re)use and implement water and energy efficiency measures Support the Ministry of Energy and Mineral Resources (MEMR) in developing energy storage legislation as well technical assistance to build capacity in both the Ministry and Regulator (Energy and Minerals Regulatory Commission (EMRC)) Provide technical assistance to support the implementation of NEPCO's reform, including restructuring, sustainability, corporate governance and unbundling Support MEMR and EMRC on legislative/regulatory improvements to further enhance transmission and distribution capacity and integrate renewables into the energy mix, including distributed power production, as well as gas market design 	<ul style="list-style-type: none"> Legal, institutional or regulatory improvements in target areas related to the energy sector's resilience and sustainability



5. Activities and Results Framework



European Bank
for Reconstruction and Development

Priority 3: Strengthening competitiveness and resilience by diversifying access to finance and fostering innovation

Key Objectives	Activities	Tracking Indicators (Outcomes)
Strengthened capacity of corporates and SMEs to grow and add value through improved business standards, greater integration in regional value chains and increased innovation	<ul style="list-style-type: none"> Provide direct and indirect finance and advisory to corporates and SMEs in sectors with the highest comparative advantage, including in pharmaceuticals, ICT, tourism and the general services sector, with a particular focus on innovative and export-oriented companies, to help them expand, improve business related skills and adopt international management standards, become more energy/resource efficient and integrate into regional and global value chains Increase access to finance for micro & small enterprises by working with financial intermediaries through capacity building, risk sharing and new product development, as well as directly with MSMEs to enhance corporate governance, operational practices and skills development through business advisory services Nurture the eco-system for innovative companies to export to the EU and other global markets, including through support to the National Centre for Innovation (NCI), expansion of the pilot Star Venture Programme providing advice to Jordanian accelerators and start-ups and enhancement of best international innovation standards 	<ul style="list-style-type: none"> Number of advisory clients reporting increased productivity or turnover Number/volume of SME sub-loans provided by PFIs
Strengthened resilience through development of capital market and local currency financing solutions	<ul style="list-style-type: none"> Continued support to broaden and deepen local capital markets as an alternative source of finance, including equity/quasi-equity/mezzanine and capital market instruments from public and private issuers, as well as policy engagement with the Jordan Securities Commission to implement the 5-year Capital Markets Development Strategy Roadmap Promote equity market diversification through, e.g., private equity and venture capital instruments such as investments in early-growth funds Continue to develop local currency solutions Further support for financial innovation, including outcome-based financing structures (e.g., impact bonds) or FInTech (e.g., crowd funding, e-payment platforms, green/project bonds) Seek to enhance partner bank capital base through investments in equity and sub debt 	<ul style="list-style-type: none"> Volume of capital market transactions facilitated New financing instruments/products introduced and/or expanded
Increased private sector participation in the economy Improved business environment	<ul style="list-style-type: none"> Support inbound and outbound FDI across sectors as a source of skills, technology, competition and standards, particularly in support of regional and global value chains Implement the MOU under the Investment Climate and Governance Initiative (ICGI) with the Jordan Investment Commission to support improvement of the business environment, help facilitate increased public-private dialogue (including engagement with relevant civil society organisations) and lay the foundation for large, transformative FDI Promote increased private sector participation in the delivery of essential services, as well as in developing cultural heritage locations, with a focus on infrastructure/services in the transport, municipal and energy sectors, including by strengthening the PPP legal framework and developing additional PPPs in water and social infrastructure, in partnership with other IFIs 	<ul style="list-style-type: none"> Legal, institutional and regulatory improvements to the business environment

Impact Indicator: Knowledge Economy Index (Baseline: 4.43, 2018),
World Bank Doing Business (Baseline: 104th out of 190, 2019).

PUBLIC

Competitive



Resilient



Mapping of International Partners' Complementarity in EBRD Business Areas



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EBRD BUSINESS AREAS

Potential Areas of Cooperation



Green:

- Co-finance additional renewable energy projects with IFC to promote private sector investment in RE.



Competitive:

- Collaborate with the EU and the World Bank to support small businesses and strengthen their contribution to the economy.



Integrated:

- Pursue opportunities to develop infrastructure for transportation with AFD and EIB.



Inclusive:

- Work closely with IFIs and donors to advance the inclusion of women, youth and refugees in the labour market.
- Continue working with the wider donor and IFI communities on refugee response programs.

EBRD BUSINESS AREAS														
		Sectors								Cross-cutting Themes				
		Industry, Commerce & Agribusiness					Sustainable Infrastructure		Financial Institutions		Strategic Initiatives			
Indicative annual investment/ grants (2015-2019 average unless otherwise specified, excluding budget support)		Agribusiness	ICT	Manufacturing & Services	Natural resources	Property & Tourism	Energy	Infrastructure	Banking	Non-bank Financial Institutions	Green Economy	Inclusion and Gender	Local Currency and Capital Markets	Small Business
USAID	270		P	P		€P	P	€P				€P		€P
EU	240		€P				€P	€P				€P		€P
KFW / BMZ	135						€	€P			€P	€P		
IFC	96			€			€				€			
World Bank	93					€P		€P			€P	€P		€P
AFD	81						€	€P			€P	€P		
EIB	67						€	€	€	€	€			
JICA	3					€P	P							
EBRD – New Strategy				€P		€P	€	€P	€P	€P	€P	€P	€P	€P

- € Area of significant investments € Focus mostly on private sector
- P Area of significant policy engagement ○ Focus mostly on public sector

Note: IFI activity mapping based on publicly available information.

Significant IFI investment defined as projects exceeding 5% of annual investment and signed from 2015 onwards. Exchange rate used is of 26 June 2019.

7. Implementation Risks and Environmental and Social Implications



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Risks to Strategy Implementation	Probability	Effect	Environmental and Social Implications
<ul style="list-style-type: none"> ▪ Municipal infrastructure and energy projects will necessitate substantial grant resources, given limited sovereign debt capacity 			<ul style="list-style-type: none"> ▪ Assessment and Management of Environmental and Social Impacts, Stakeholder Engagement: Ensure that direct, indirect and cumulative impacts of projects are appropriately assessed and mitigated, and work with clients to ensure adequate E&S implementation capacity. TC funds will be needed to improve stakeholder engagement.
<ul style="list-style-type: none"> ▪ Weak administrative capacity could delay and affect project preparation and implementation, particularly for large scale infrastructure projects and PPPs. Importance of continued political support for NEPCO reform 			<ul style="list-style-type: none"> ▪ Labour and Working Conditions: Ensure client HR policies and labour practices comply with EBRD requirements, paying particular attention to workers organisations and freedom of association, working time and wage standards, potential discrimination towards refugees, minority groups and women, gender based violence and employment terms and conditions of migrant/seasonal workers. Large scale retrenchment may be associated with privatisation, requiring specific planning.
<ul style="list-style-type: none"> ▪ Water scarcity and vulnerability to climate change may negatively impact viability of municipal infrastructure projects already strained by increasing urbanisation and the refugee influx 			<ul style="list-style-type: none"> ▪ Resource Efficiency and Pollution Prevention and Control: EBRD investments will aim to improve municipal services, including infrastructure and systems to reduce water losses and improve water efficiency and encourage waste separation and recycling. EBRD will also promote GET projects to support a shift to a less energy intensive economy. Assessment of water use and alternative water resources, and development of water management plans, policy dialogue and capacity building all may require TC funds.
<ul style="list-style-type: none"> ▪ Regional political volatility could undermine investor confidence and may inhibit the EBRD's ability to attract quality FDI (and the skills transfer those flows can generate) 			<ul style="list-style-type: none"> ▪ Health and Safety: EBRD will aim to improve occupational and community health and safety standards across all sectors. Road and traffic safety including fleet management are priorities. TC funds may be required to support clients and key stakeholders to develop the capacity in these areas.
<ul style="list-style-type: none"> ▪ High levels of concessional finance from other IFIs and donors may reduce investment opportunities for the Bank 			<ul style="list-style-type: none"> ▪ Land Acquisition, Involuntary Resettlement and Economic Displacement: EBRD will encourage clients to improve consultation with and information provision to affected people on their rights and entitlements. With potential pressure on land due to the influx of refugees, and where occupiers have no legal titles, clients may be required to ensure compensation and livelihood restoration are provided in accordance with EBRD requirements, which may require TC funding.
			<ul style="list-style-type: none"> ▪ Biodiversity Conservation and Sustainable Management of Living Natural Resources: Renewable energy and infrastructure projects may impact sensitive habitats or protected areas. Water scarcity and land degradation can also result in loss of habitat and biodiversity impacts. EBRD will ensure robust biodiversity impact assessments of projects at sensitive locations and provide TC support where needed.
			<ul style="list-style-type: none"> ▪ Cultural Heritage: Work with clients, authorised state agencies and other key stakeholders to identify and protect cultural heritage. TC support may be needed to mitigate any identified risks and explore utilising cultural heritage for economic and community enhancement.
			<ul style="list-style-type: none"> ▪ Financial Intermediaries: Ensure that FI partners have adequate E&S capacity and risk management procedures in place and diligently apply relevant E&S requirements to projects financed under EBRD credit lines and other facilities.
			<ul style="list-style-type: none"> ▪ Monitoring and supervision: Work with clients to monitor E&S performance and address legacy issues associated with the Bank's portfolio. Use TC support for capacity building and awareness raising.

8. Donor Co-Financing Assessment

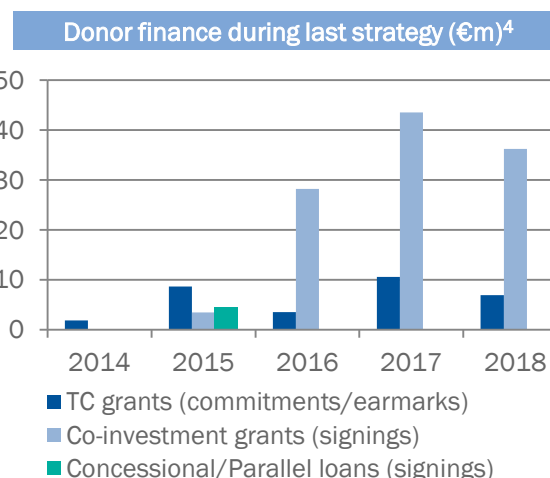
8.1. Needs Assessment for the New Country Strategy Period

Donor funding will be required to achieve the strategic objectives of the Country Strategy, including for:

- CAPEX grants to expand access to and improve the performance of municipal infrastructure services, mostly under the MR3 Framework. TC is also needed for related project preparation and implementation.
- Enhancing economic inclusion through vocational training and skills development.
- Policy dialogue to promote green economy transition, as well as grants to incentivise investments in energy and resource efficiency.
- Advisory services to enhance competitiveness and innovation among both corporate clients and SMEs.
- Policy reforms and institutional support to strengthen local capital markets, the investment climate and corporate governance.
- Guarantees to mitigate risks for innovative instruments or on-lending to disadvantaged groups (e.g., WiB).

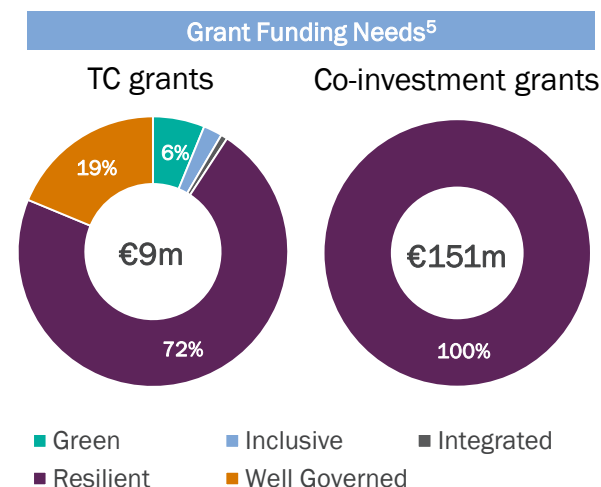
Selected Affordability Indicators		
		EBRD regional percentile rank ¹
GDP per capita (PPP, current. \$) ²	9,433	17 th (CoOs)
ODA Country	YES	N/A
ODA as share of Gross National Income (%) ³	7.33	88 th
ODA per capita (\$ - current prices) ³	301.05	92 nd

Sources: ² IMF (2018), ³ OECD (2017)



8.2. Potential Sources of Donor Funds

- EU funding in Jordan can be made available through the Neighbourhood Investment Platform (NIP) for sectors such as SME development, public infrastructure and energy efficiency. Additional funding from the EU can also be explored.
- The **Shareholder Special Fund (SSF)** is an important complement to donor resources. In particular, the **Community Resilience Sub-Account** of the SSF will be used to support EBRD's refugee response programmes, including projects related to infrastructure development, SME finance & entrepreneurship and promoting inclusive growth. €100 million of net income has been allocated to date to the Sub-Account, with the Third Work Plan set to deploy over 2019 and 2020.
- Funding from **bilateral donors** will continue to be pursued.
- Support can also be channelled through **Multi-Donor Accounts**. Funding sources for which Jordan is eligible include the SEMED Multi-Donor Account (SEMED MDA) and the Small Business Impact Fund (SBIF).
- The Bank will explore potential funding from the **Green Climate Fund (GCF)** and **Climate Investment Funds (CIF)** available for renewable energy integration and energy storage.



1. Simple percentile rank reported as the share of EBRD countries (ODA CoOs in the case of ODA indicators) that are represented below Jordan.

4. The 2014-2015 TC data is based on commitments as at the end of March 2016 (the latest available date before data migration to a new Donor Funds System). 2016-2018 TC data is based on earmarks at the project level. Co-investment grants and concessional/parallel loan amounts are based on client signings.

5. Estimated grant funding needs are based on the operational needs reported by banking teams for projects to be started in 2019. Estimated funding needs generally exceed actual grant use as some needs may not materialise, may be delayed, or may be split into several years of fundraising efforts due to operational needs and realities.



ANNEXES

Jordan's commitment to and application of the principles of multiparty democracy and pluralism as enshrined in Article 1 of the Agreement Establishing the Bank has, in the previous country strategy period, been marked by exogenous challenges, which made further progress understandably challenging.

Introduction

In the years since the last country strategy, Jordan has faced significant challenges. Its energy supplies have not returned to the normalcy of the years prior to the eruption of the Arab uprisings in 2011; Syria – a neighbour with which it shares a large border – continues to be mired in multi-faceted wars; Iraq, though increasingly moving towards stability, also continues to suffer political upheavals and as such its border with Jordan for most of the past few years was largely shut; and, crucially, a large number of displaced Syrians, including over 660,000 refugees, continue to live in Jordan, largely outside any camps. This has resulted in one of the fastest population increases in modern history.

These challenges imposed acute problems on Jordan, and created major pressures on the country's financial situation, internal market, ability to export, infrastructure, and the provisioning of services.

Yet, amidst these different exogenous shocks and challenges, Jordan has continued its economic reform programme, including in coordination with the IMF. And that has been taking place in a political environment that, although not without its challenges, remains largely open, inclusive, tolerant, and permissive of individual rights and freedoms.

Jordan has also continued to be a key force of moderation, tolerance, peace, and stability in the region.

Jordanian politics are flexible, allowing for iteration in the face of political and economic challenges. In the period since the last country strategy, three prime ministers have headed the executive. And the current Prime Minister has undertaken three reshuffles since taking office in Summer 2018.

A key event in the period since the last strategy was the major demonstrations that took place in Amman in Summer 2018. They began as forms of rejecting an income tax law that was presented by the previous government, and evolved to reflect disillusionments with features of the country's political economy. The response of the authorities transcended the appointment of the current PM, a former minister of education, a former head of one of the country's main socio-economic funds, and previously a World Bank professional. The authorities also promised a major review of policies and approaches. The King's mandate letter to the PM asked the government to delineate the relationship between citizens and the state through "a clear social contract that identifies and protects rights and duties". The changes have already begun. And there have been significant changes in key organisations in the executive and in the security apparatus. Importantly, the political milieu in which the demonstrations took place, and the peaceful and respectful approach of the executive, including the interior ministry and the wider security apparatus, have demonstrated the maturity of the Jordanian political environment.

Though there have been some improvements in the regional scene, challenges remain. Militant groups continue to exist in the Eastern Mediterranean. Large parts of Syria remain inhospitable for the over 660,000 refugees currently in Jordan. The borders with and trading routes to Iraq continue to exhibit security and logistical problems. Though there are new initiatives for peace concerning the Israeli-Palestinian struggle, their materialisation into durable solutions remains laden with acute challenges. This means that Jordan will continue to shoulder the responsibilities that it has been undertaking for

decades with regard to Palestinian refugees. In addition, geopolitical considerations have impacted the financial support that Jordan traditionally relied on from some Arab countries.

Amidst these challenges, socio-political stability in Jordan, and the country's ability to leverage its strategic location, relatively well-developed educational system and human capital, necessitate finding ways to create sustainable, relatively high growth rates that translate into jobs, especially for the young.

This calls for increasing the pace of political reforms, which entails improving the balance between state institutions where currently the executive holds more power, with a prominent role for the security services.

Free elections & Representative Government

Free, fair, and competitive elections

In the period since the last country strategy, political representation has improved in Jordan.

A new election law was codified in 2016. The law moved away from the previous one-person, one-vote system, and introduced a voting structure according to which candidates run on electoral lists, and votes are based on proportionality between the constituency and regional levels. This was a significant change, because it reduces the tendency to vote for specific individuals on the basis of tribal or community connections, and instead, strengthens the importance of political programs. However, in implementation, the law left open the ability to vote for specific candidates in a list, and as such diluted the intended objective behind the law.

Another significant improvement in the system of political representation was the amendment of the political parties law, which reduced the barriers for political groups to launch and legally register parties to contest elections. Several civil society organisations have complained that the increase in the number of political parties has created confusion among voters, resulting in fragmentation, which benefits the very few parties that are either close to a major ideological group, or to financial power centres. But, whilst it's true that the Jordanian political parties scene is to some extent fragmented, the changes in the political parties law have, indeed, strengthened political representation in the country. It is also notable that the law gives political parties the right to invest with the objective of augmenting their financial resources, provided they periodically declare these investments in a public format.

The establishment of the Independent Elections Commission in 2012 preceded the period since the last country strategy, but remains a cornerstone of political representation through free elections. The law governing the Commission's work was amended in 2014 to widen its scope of supervision. In effect, this gave it a supervisory role over the entire electoral process. However, several international and local CSOs have remarked that, notwithstanding this advancement, there have been repeated forms of intervention by the executive in the electoral process.

The last parliamentary election, in 2016, was judged to be well run and credible by several observers.¹ It was also inclusive, as it allowed all political groups and parties, irrespective of their ideologies, to field candidates and lists across the country. Indeed, the Islamic Action Front, one of the largest opposition groups, ended a six year electoral boycott, and achieved 15 parliamentary seats, including 10 for party members.

In 2017, Jordanians, for the first time ever, elected mayors and members of local and municipal councils. The election was undertaken according to the decentralisation law. This election was a marked step in improving political participation at the local level. However, the legal and operational systems through which that decentralisation is supposed to take effect leave ample room for improvement, especially in empowering the elected officials with significant budgetary decisions.

Separation of powers and effective checks and balances

The Constitution enshrines the principle of the separation of powers. This was notably strengthened after the introduction of the 2011 amendments, which broadened the powers of the legislature. Of particular importance, the Government now must secure the Parliament's approval for its programme. The Constitution allows members of Parliament to refer allegations of misconduct by the government to the Attorney General. And the Constitution places limits on the period in which there can be no sitting parliament. This is important, because in the period before the constitutional amendments, Jordan had extended periods without a legislature.

The creation of the Constitutional Court, which has the sole discretion over the compatibility of any legislation with the Constitution, was a major constructive development in establishing effective checks and balances in the country.

Effective power to govern of elected officials

Jordan's parliament consists of the 65-member (Upper) House of Notables (Majlis al-Ayan) appointed by the king, and the 130-member elected lower house, the Chamber of Deputies (Majlis al-Nuwwab).

The Constitution has significantly empowered the legislature. It has reduced the time in which the monarch is able to rule by decree. It requires any government to submit its programme to parliament, and request confidence in it. The same applies to any official ministerial statement. Significantly, the Constitution has also distinguished between, on one side, governmental and ministerial statements, and on the other, throne speeches and programmes. In effect, this empowers members of parliament to criticise, object to, and potentially give a vote of no confidence to the former.

However, Jordan's system of constitutional monarchy remains anchored on the monarch, who holds extensive executive powers. This has historical reasons, given that the legitimacy of the throne is based on the direct endorsement of the people. As such, the Hashemite monarchy is widely seen as the symbol of national unity and the guarantor of the preservation of the state. These executive powers include the monarch's constitutional prerogative to appoint and dismiss prime ministers, the cabinet and the upper House of Parliament, dissolve the lower house, and appoint members of the Constitutional Court. The Constitution also grants the monarch exclusive rights to appoint the heads of all branches of the armed forces and security apparatuses.

There is a view that in most Arab countries, there has been a deterioration in the trust between governments and wide sections of the people. And that reserving these powers to the monarchy – the sole institution above all branches of power – consolidates the separation of these powers, and the independence of the judiciary. However, this political system does not lead to a parliamentary government in which the representatives of the people exert real supervision over all branches of the executive.

Civil society, Media, and Participation

Scale and independence of civil society

Jordan has a diverse and active civil society. Unions, syndicates, student groups, and associations representing various interests exist and operate in the country. Many civil society organisations in Jordan focus on charitable work. Some are related to the country's tribal structure, and as such largely operate in certain areas of the country. Because of this tribal nature, often CSOs' work revolves round lobbying for enhancing the allocation of state resources to their regional constituencies.

Foreign, non-for-profit organisations are also permitted to establish offices in Jordan. Many CSOs actively participate in national dialogues on political and socio-economic issues, and are often key voices in discussing and commenting on drafts of laws and regulations.

The law allows for receiving funding, including from foreign sources, though it requires prior approval and CSOs to conduct due diligence on the sources of funds and vendors.

There exist, however, several restrictions on the operations of CSOs in Jordan, arising from laws with broad range scope, such as the counterterrorism law. Also, observers from local and international organisations emphasise the expansive role of the interior ministry in monitoring, and often intervening in, the operations of CSOs in the country.

Independent pluralistic media

Jordan has a diverse and pluralistic media scene, with party-linked and independent print and digital newspapers and portals and websites able to voice their opinions on public matters in a largely free environment. Also, relative to the situation across the region, academic research and expression is largely free in Jordan. Local and international CSOs have reported tangible improvements in journalistic freedom in Jordan in the period since the last country strategy.

However, challenges remain. There have been several cases in which the authorities applied articles in the counterterrorism and cyber-crimes laws against local journalists in cases that many CSOs consider unrelated to either of these areas. Also the counterterrorism law and the press and cyber-crimes laws include several vague and open for many interpretations wordings, such as "sowing discord", "disturbing public order", and "spreading rumours", which undermine freedom of expression and often lead to self-censorship.

The press law also punishes, with multi-year prison sentences, views or rhetoric that could be considered insulting to the monarch, offensive to religious beliefs, stirring sedition, and/or slanderous of foreign governmental leaders. There have been several cases in which people were arrested and charged according to these articles. In addition, there are many cases, including in 2019, of raids by security services against journalists and online bloggers.

Multiple channels of civic and political participation

Political participation has increased in the years since the last country strategy. Whether in political campaigns prior to elections, or in the debates concerning laws and regulations, there is an open environment permissive of genuine debate and discussions.

The large-scale demonstrations that took place in 2018 made clear not only that large sections of the population had reservations about aspects of the political and economic reforms in the country; they also showed that Jordan's political milieu allows for peaceful expressions of discontent, and that the authorities deal with that in a respectful way.

Freedom to form political parties

Jordan's political environment is active, with various ideologies and political orientations vying for representation and for influencing public-policy making.

As mentioned above, the political parties law has significantly reduced the barriers to launching political parties. The law has diluted the influence of the executive, including the Interior Ministry, in the process of registering political parties. And it has given only the judiciary the right to dissolve a political party in cases where the judiciary rules that they have violated the law.

Rule of law and access to justice

Supremacy of the law

Jordan has a sophisticated, empowered judicial system that asserts its role in the separation of powers in the country. Judicial rulings are respected and largely implemented.

Independence of the judiciary

A key pillar of the political reform process, launched in 2011, was to entrench the independence of the judiciary. The creation of the Constitutional Court, with the powers invested in it, and the wide scope of the mandate of the Higher Judicial Council, which has the right to appoint, promote, transfer, and dismiss judges, have significantly strengthened this independence.

The establishment of the Royal Committee on Enhancing and Development of the Judiciary has added momentum to further streamlining the work of the judiciary. Also in the period since the last strategy, the Parliament passed a bill which has introduced deeper specialisation of judges and public prosecutors in almost all types of cases, whether criminal, commercial or civil. This builds on earlier work, as Jordan has previously sought technical support from the Venice Commission to enhance the operations of the judiciary, for example in the preparation of the rules of procedure and by-laws.

An achievement of the judicial system in the past few years is its persistence in establishing its credibility to the point that it has become the main channel for resolving disputes. This is important in a society with a long and entrenched tradition of tribal and community-based arbitration and reconciliation councils.

However, the judicial system still exists within the overarching structure in which the monarchy plays the role highlighted above. As noted, the monarch has the constitutional prerogative to appoint, effectively, all key and senior positions in the judiciary, including those of the Higher Council and the Supreme Court.

Government and citizens equally subject to the law

The Constitution ensures the equality of all citizens and state institutions before the law. The legislature has assertively performed its supervisory and monitoring role over the government.

The notion of equality has been strengthened, specifically in the legal system, which prohibits trying citizens in any court where judges are not civilians. This significantly limits the number of cases in which civilians are tried in military courts. However, this remains permissible in cases where defendants are charged with terrorism, espionage, or treason. And the wording of laws governing these areas is vague, leaving ample room for flexible interpretations by public prosecutors.

Effective policies to prevent corruption

This is an area in which Jordan has made significant steps in the period since the last strategy.

Jordan's Integrity and Anti-Corruption Commission, established in 2016 by merging different previous bodies, has assertively performed its role, and is already investigating tens of cases. The Ombudsman Bureau which handles complaints and whistleblowing has expanded its scope. A new Code of Governance Practices was introduced in 2017, and is being rolled out across different government departments. The authorities have launched an expansive anti-corruption campaign, and already a number of high-profile cases of alleged corruption have been brought to justice.

In the World Bank's Doing Business 2018 report,² Jordan gained 15 places, moving to 103 out of 190 countries covered in the report. Its ranking in the Transparency International Index has effectively remained the same in the past two years: 59th in 2017 and 58th in 2018, out of 180 countries surveyed.³

However, there remain major challenges. Because of legacy factors in the country's political economy, several prominent families continue to enjoy advantages in doing business in Jordan. Relatedly, land-ownership continues to be significantly affected by similar legacies. As a result, the availability of collateral and the ability to secure financing remain skewed. Jordan has commenced the process to put in action a National Integrity Strategy to fight corruption and increase transparency. Its implementation will be key to improving the overall business landscape.

2. World Bank. Doing Business 2018.

3. Transparency International. Corruption Perception Index, 2018.

Civil and political rights

Freedoms

The situation of civil and political rights has improved significantly over the past few years. Political demands are now routinely expressed in all forms of media. Political participation has strengthened. And there is general respect, including by state institutions, of private property rights.

The Constitution punishes by law the violation of public rights and freedoms, and safeguards the inadmissibility of restricting the freedom of Jordanian citizens. The Constitution also prohibits the monitoring of any private communication except by judicial order granted in accordance with the law.

Key laws, such as on Public Gathering, have been amended to entrench citizens' rights, for example legalising orderly demonstrations. And practice has shown that these freedoms are largely respected. The experience of the major demonstrations in Summer 2018, and the authorities' dealing with them in a smooth, orderly, peaceful way, reflected the maturity of the Jordanian political landscape, and represents a major advancement in the state of human rights in the country.

However, several international and local NGOs have highlighted that arbitrary arrests and pre-trial detentions remain a major concern. International human rights-focused organisations have reported that, as of the end of 2018, there were tens of thousands of people held in detention in cases of either national security and/or according to the Crime Prevention Law. In addition, because of the expanded definition of the Anti-Terror Law, there remains the possibility that journalists and bloggers are tried at the State Special Security Court. The UN International Covenant on Civil and Political Rights' report on Jordan highlighted that this "broadened definition of terrorism...would allow authorities to detain and prosecute, among others, individuals who exercise their right to freedom of expression and peaceful assembly".⁴

Political inclusiveness

The Constitution prohibits discrimination based on race, language, or religion.

There have been marked steps taken to increase the political participation of women. And they have yielded encouraging results. The 2016 parliamentary election more than tripled the number of female members of parliament from six to 20. Almost a third of local council members are women. This is particularly important for political representation, and inclusion in decision making at levels directly relevant to daily lives. By 2018, female representation in the judiciary has also more than tripled, with women now constituting 22 percent of Jordan's judges. Of equal importance, women are now represented in all Jordanian courts.

Steps have also been taken to strengthen the punishments for perpetrators of sexual assault. The rights of children of Jordanian women, who do not hold Jordanian citizenship, to public health services and schooling have also been expanded. This is directly relevant to the work of women's groups who have championed the rights of these children.

4. UN International Covenant on Civil and Political Rights. Concluding Observations on the 5th Periodic Report of Jordan. December 2017.

However, the political participation of youths remains a challenge. This was particularly noticeable in the reports of observers of the 2016 election, where general turnout was estimated to be circa 38%, and significantly lower among young citizens. This contrasts with Summer 2018, where youths constituted the bulk of the demonstrators calling for improvements in the country's overall political economy landscape.

Looking at inclusion from a wider context, Jordan has demonstrated admirable hospitality to the hundreds of thousands of Syrian refugees who have been living in the country since 2012. In 2016, the government announced it would allow Syrian refugees access to the formal labour market. By early 2019, over 120,000 work permits (temporary and permanent) were issued to Syrian refugees, facilitating access to the formal job market. The government also revised work permit procedures to allow Syrian workers in high-demand sectors (such as agriculture and construction) to switch employers without requiring new permits for transfers. These are significant steps towards general inclusiveness, especially given the pressures that the surge in residents in the country has put on public services and on local host communities.

Freedom from harassment

The Constitution bans torture, which it defines widely, including physical and moral abuse and psychological harm. It provides terms of up to three year's imprisonment for its use, and up to 15 years in cases where "grave injury occurs". In 2017, the parliament increased the mandatory minimum sentence for conviction on torture-related charges from six to twelve months.

Jordan's National Council of Human Rights has an active programme to monitor and report on abuses conducted by any arm of the executive. Its annual report is discussed by the parliament's two houses. However, in its periodic report on Jordan, the UN's International Covenant on Civil & Political Rights recommended that the Council be provided with the resources necessary to carry out its mandate and establish clear procedures for receiving and processing complaints concerning human rights violations.⁵

The government has permitted several local and international human rights observers and lawyers to visit prisons and conduct private interviews. In previous years the International Committee of the Red Cross (ICRC) also has had wide access to visit prisoners and detainees.

However, local and international NGOs have reported incidents of torture and repeatedly commented on what they emphasise are widespread mistreatments of prisoners and persons in detention by different security services. According to legal NGOs, as of the end of 2018, there have been no convictions under the new torture-related penalties.

5. UN International Covenant on Civil and Political Rights. Concluding Observations on the 5th Periodic Report of Jordan. December 2017.