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## **JOINT STAFF WORKING PAPER**

### **Implementation of the European Neighbourhood Policy in 2010 Country Report: Jordan**

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## JOINT STAFF WORKING PAPER

### Implementation of the European Neighbourhood Policy in 2010 Country Report: Jordan

#### 1. OVERALL ASSESSMENT

Jordan and the European Community first established contractual relations in 1977 by signing a Cooperation Agreement. An EU-Jordan Association Agreement (AA) entered into force in 2002. It sets out in more detail the specific areas in which relations can be developed bilaterally. On this basis, the EU-Jordan European Neighbourhood Policy Action Plan (ENP AP) was approved in January 2005, for a period of three to five years. It supports the national reform process articulated in Jordan's ten-year national agenda and the initiative '*We are all Jordan*' which form the basis for Jordan's National Social and Economic Development Programme.

In 2010 EU-Jordan meetings took place at the level of the Association Council (in October), and subcommittees.

This document reports on progress made on the implementation of the EU-Jordan ENP AP between 1 January and 31 December 2010, although developments outside this period are also taken into consideration when deemed relevant. It is not a general review of the political and economic situation in Jordan. In addition, for information on regional and multilateral sector processes, please refer to the sectoral report.

The ninth EU-Jordan Association Council's meeting announced political agreement on the 'advanced status' partnership and the conclusion of technical negotiations on the new EU-Jordan ENP Action Plan. The 'advanced status' reflects the ambitious character of the partnership based on the overarching objective of promoting peace, stability and prosperity and on the core values shared by Jordan and the EU, i.e. the rule of law, good governance and respect for human rights. They constitute an essential element of the Association Agreement and of the new ENPAP. Jordan is the second ENP partner country (after Morocco) with whom the EU has agreed an 'advanced status' partnership, but it is the first one to have concluded the negotiations for a new ENP AP.

Towards implementation of the ENP Action Plan, progress included the adoption of the temporary 'Personal Status' Law, which strengthens women's rights when divorcing, and the recent amendment of the Public Gatherings Law (rallies can take place without prior authorisation of a governor). In other areas, two concrete achievements of the EU-Jordan cooperation were the signing of a comprehensive air services agreement leading to a gradual opening-up of these markets (first country in the Near East to reach such a comprehensive Agreement with the EU) and the signing in February 2011 of the Protocol for Dispute Settlement in bilateral trade.

Recurrent postponements in the implementation of key reforms have undermined the population's trust in the implementation capacity of the government and its true commitment for reform. Jordan needs to respond to the legitimate expectations of the population and meet the many challenges which lie ahead, notably in the areas of rule of law, good governance and human rights. One of the urgent issues to be addressed is the revision of the temporary

electoral Law, which currently maintains an electoral system favouring tribal affiliations over political party development. The fight against corruption should also be enhanced in order to strengthen people's trust in institutions, democracy and economic development.

Outside the reporting period, the continuation of peaceful demonstrations at the beginning of 2011 led to the resignation of the government. In his Letter of Designation of the new prime minister, King Abdullah asked the new government to launch political reforms which, if fully implemented, will go a long way in addressing the issues highlighted above and implementing core values of the 'enhanced status' partnership and key commitments of the EU-Jordan ENP Action Plan negotiated in 2010.

Jordan's economy has weathered the global economic crisis relatively well and its economic performance gained momentum in 2010, yet Jordan is confronted with important challenges in order to address the expectations of the population in the socio-economic area. Moreover, partly reflecting a narrow export base, Jordan faces persistently large current account deficits and needs to place public finances on a more stable footing and to increase private sector activity to promote growth and raise employment, as reflected in the objectives of the AP. In 2010, the authorities maintained a broadly satisfactory track record in policies to support macroeconomic stability, raise sustainable growth, and establish a fully functioning market economy.

## **2. POLITICAL DIALOGUE AND REFORM**

### **Democracy and the rule of law**

Confronted with strong criticism from different strands of society, Prime Minister Samir Rifai reshuffled his government in July 2010, affecting the ministries of education, justice, agriculture, tourism and media affairs and communication.

**Parliamentary elections** took place in November 2010, one year after King Abdullah II dissolved the parliament. The elections were governed by a temporary election law adopted in May 2010. This law maintained the single-non-transferable-vote electoral system (known in Jordan as the 'one man, one vote' system) which favours the representation of sparsely populated rural areas and hampers political party development. The new temporary Law increased the number of seats in the Chamber of Deputies (lower house of the parliament) from 110 to 120 and additional seats were allocated to large urban areas such as Amman, Zarqa and Irbid. The number of seats reserved for women increased from six to twelve. In addition to domestic monitoring, for the first time, the government accepted international observers (on the day of elections only) and facilitated electoral observation by diplomatic missions. The Islamic Action Front, the main opposition party, eventually boycotted the elections. Out of 120 members of the Chamber of Deputies, 83 are new and 13 are women.

According to domestic and international NGOs, the elections were an improvement over the 2007 polls, but structural changes are needed to increase voter confidence and allow fairer representation.

Samir Rifai was re-appointed prime minister and his cabinet sworn in November 2010. At the opening session of the parliament, King Abdullah emphasised the need to enhance the relations between the legislative and executive authorities and asked the government to submit to the parliament, as a matter of priority, a draft of the temporary Election Law and the Decentralisation Law. Peaceful demonstrations took place in 2010 and continued at the

beginning of 2011 asking the country's prime minister to step down and the government to curb rising prices, unemployment and corruption. Samir Rifai resigned on 1 February 2011 and King Abdullah designated Dr Marouf Bakhit as new prime minister; the new government was sworn in on 9 February. In the Letter of Designation, King Abdullah said the new government should 'take practical, speedy and tangible steps to launch real political reform', to achieve comprehensive modernisation and development. The King singled out a new elections law, more involvement by civil society institutions in public life, freedom of expression, a more effective role for youths and strengthening the economy's competitiveness as the major tasks of the new government. The full implementation of these reforms will go a long way in implementing core values of the 'enhanced status' partnership and key commitments of the EU-Jordan ENP AP as negotiated in 2010.

The Judicial Upgrading Strategy for 2010–2012 focuses *inter alia* on enhancing the **independence and integrity of the judiciary**, attracting distinguished staff to develop law courses at universities, and developing the criminal justice system. As part of the positive discrimination policy, twenty female judges were expected to join the judicial system before the end of the year.

Corruption remains a serious matter of concern and a priority for the government. According to the Jordanian anti-Corruption Commission, 890 cases were dealt with in 2010 (compared with 834 in 2009).

### ***Human rights and fundamental freedoms***

In October 2010, the UN Human Rights Committee reviewed the 4th periodic report submitted by the Government of Jordan on measures taken to implement the International Covenant on **Civil and Political Rights**. In its concluding observations, the Committee highlighted some positive achievements in recent years, at the same time raising some concerns about women's rights, torture and ill-treatment in detention centres, child labour and freedom of the media.

The UN Committee against **torture** submitted its contribution on Jordan's 2nd periodic report, while the UN Special Rapporteur on torture and other cruel, inhuman or degrading treatment or punishment conducted a follow-up to the implementation of recommendations formulated following his visit to Jordan in 2006. Both reports raised concerns about the right of detainees to prompt access to a lawyer, the absence of sufficient legal safeguards against torture, and the absence of compensation to victims of torture.

Jordan has pending mandatory periodic reporting to be submitted to three UN treaty bodies. It has extended an open invitation to UN special rapporteurs, already provided in 2006.

Jordan continues to apply a *de facto* moratorium on the application of the **death penalty** since May 2006, but five death sentences were issued in 2010. Jordan did not ratify the 2nd Optional Protocol to the International Covenant on Civil and Political rights. A third Resolution on a moratorium on the use of the death penalty was adopted in December 2010 by the UN General Assembly. Jordan abstained.

Five new correctional and rehabilitation centres are being built in 2010, which has helped to reduce the persistent overcrowding situation of previous years and improved the living conditions of the inmates.

In March, the State Security Court banned news **media** from covering corruption allegations against public officials. In April, the cabinet approved the temporary law on 'Press and Publications'. Cases involving journalists accused of harming the internal and external security of the state are now transferred from the State Security Court to the exclusive competence of the Amman Court of First Instance. However, the law still authorises the imprisonment of journalists for criticism of the King, the Royal Court or religious symbols, thereby encouraging self-censorship.

In August, in response to the criticism from international and domestic human rights and media activists, the government approved a temporary Law on '**Information Systems Crimes**', the so-called 'Cyber Crimes Law', amending several provisions of the legislation which undermined the freedom of online media by making news websites vulnerable to prosecutions and lawsuits.

Regarding **freedom of assembly**, no progress was made in 2010. However, in February 2011, the new government endorsed an amendment to the Public Gatherings Law which no longer requires a prior written authorisation of the governor to stage rallies. Organisers of rallies will need to notify the ministry of interior 48 hours in advance only. Regarding core labour standards, no progress can be reported on the ratification of the International Labour Organisation Convention 87 on Freedom of Association and Protection of the Right to Organise.

On rights of **women**, in July 2010 Jordan presented the 5th Convention on the Elimination of All Forms of Discrimination against Women (**CEDAW**) Report to the UN Committee as part of its commitments. It maintained its reservations related to the transmission of nationality to children and to inheritance rights. Jordan is not party to the optional protocol of CEDAW. Progress can be reported, as in October the temporary Law on 'Personal Status' was adopted.. The law includes the establishment of an alimony fund for divorced women, the registration of property in the name of female inheritors, an increase in restrictions on the marriage of minors, the lessening of the burden of proof in the judicial process of divorce, and the consideration of psychological violence by the courts in cases of divorce.

The National Centre for Human Rights and the Ombudsman's Bureau signed a Memorandum of Understanding boosting efforts to improve **information-sharing and protection of citizens' rights**. The two organisations will work together to better document human rights violations.

In the field of **foreign domestic workers' rights**, Jordan has taken significant strides in strengthening their legal protection through the amendment of Jordan labour law in 2009, guaranteeing monthly salary payment into the worker's bank account, a weekly day of rest, paid annual and sick leave, and a 10-hour working day. The government should further publicise the new requirements and closely monitor the enforcement of the adopted legislation.

The 65th UN General Assembly adopted in October 2010 a resolution proposed by King Abdullah on an annual '**World Interfaith Harmony Week**' between all religions, faiths and beliefs. This initiative provides a platform for religious institutions worldwide to speak out in their communities for peace among religions.

*Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management*

The EU kept a regular dialogue with Jordan on **CFSP**-related matters and international issues. Jordan remains a strong supporter of a comprehensive solution to the Middle East Peace Process (MEPP) and pursues efforts to resolve the Palestinian-Israeli conflict on the basis of the two-state solution. Jordan played a constructive role in promoting the stability of the region, especially regarding the Holy Sites in Jerusalem.

In 2010, Jordan continued to be the 7th largest contributor of police and military personnel to UN international peacekeeping operations worldwide (3.977 participants – December 2010) in some 12 missions.

Jordan is still hosting a large number of Iraqi refugees, whose overall number is however still disputed. By the end of November 2010, the total number of Iraqi refugees registered by the United Nations High Commissioner for Refugees in Jordan was 31.476, down from 38.744 a year earlier (decrease by 18,8%).

### **3. ECONOMIC AND SOCIAL REFORM**

#### ***Macroeconomic framework and functioning market economy***

The Jordanian economy gained momentum in 2010 but the recovery is set to be gradual. Real GDP growth rose to 3.4% in 2010 from 2.3 % in 2009. Investment and external trade both increased after contracting slightly in 2009. Private consumption continued to grow at a rate similar to that of 2009, helped by reductions in personal taxation and higher remittances, but constrained by tighter government finances. While demand from major export markets remained subdued, it was offset by rising demand from Iraq. Export earnings were also boosted by strong growth in the tourism sector. Gross fixed investment grew marginally despite government cuts to capital expenditure as a part of a fiscal consolidation drive. FDI inflows increased slightly in 2010 to around 2.5 % of GDP, which is still well below pre-crisis levels.

The current account deficit (including grant aid) widened to 7% of GDP in 2010 from 5 % of GDP in 2009. This was mainly on account of import growth that outpaced growth in exports, due partly to reductions in government expenditure and despite rising food and fuel prices. Exports were led by the food, pharmaceuticals, and mining sectors. However, Jordan's export base remains narrow with the trade deficit estimated at 24.6 % of GDP in 2010. The surplus in the services balance increased partly on account of rising tourism revenue.

Inflation rose to 5.7 % by the end of 2010 due to the base effect of negative inflation through much of 2009 and the rise in international commodity prices, while the outlook is set to remain moderate due to restrained lending and further fiscal consolidation. The Central Bank of Jordan (CBJ) cut its benchmark interest rate to 2.25 % in February 2010, while bank lending rates remained high at around 9 %. This continues to restrain business credit, which rose by an estimated 10 % in 2010.

#### ***Employment and social policy***

In August 2010, the Department of statistics published **poverty** data. Between 2006 and 2008 around 13 % of the population was living on less than 1 JOD (EUR 0.97) a day. Since 2006, 11 new *poverty pockets* — areas where 25 % or more of the residents live under the poverty line — developed, bringing the total to 32, of which 13 are in Mafraq. These pockets are mostly rural.

The Social Security Corporation (SSC) postponed the implementation of the maternity insurance scheme and unemployment insurance until September 2011 to allow full coverage from the outset. The extension of social security coverage is progressing in eight of the twelve governorates of the country with a plan to cover around 909,000 workers (or 55% of those employed in the formal sector) in 2010. Moreover, the SSC carried out studies and field surveys with the aim to extend coverage to additional governorates.

**Unemployment** continued to rise in 2010 to an average of 13.4% of the labour force compared with 12.9% for the year 2009. The unemployment rate of women is more than twice that of men and their participation in the labour force is the lowest worldwide (14.9%) despite increase in education levels of women. 19% of young graduates are jobless. The persistent unemployment can be attributed to a range of factors: a long-term decline in public sector employment (between 1979 and 2010, employment in the public sector decreased by almost half); the presence of a large number of foreign workers in manufacturing, telecommunications and construction; a rapidly growing population with 60,000 new entrants to the labour market yearly, a geographical mismatch with most jobs (85%) created in urban areas whereas the majority (60%) of unemployed is in rural areas; and skills mismatches between young educated people and market demand. In July 2010, the cabinet approved amendments to the **labour law** with a view to improving labour conditions. These include financial compensation in cases of arbitrary termination, a revision of the calculation of annual holidays and a ceiling on overtime. The law also stiffens penalties against offending employers and imposes a quota for the employment of persons with disabilities.

In the area of **social dialogue**, the legislation establishing a tripartite committee dealing with the approval of labour union entered into force in May 2010. In January 2010, the Economic and Social Council (ESC), in collaboration with the University of Jordan and the Public Security Directorate, organised a conference on the rule of law and social tension. The policy recommendations were submitted to the government in March 2010.

In the area of **social inclusion and social protection**, Jordan approved the social security law in April 2010 as a temporary law. Administrative and technical arrangements for implementing the new law are under preparation.

#### **4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM**

In 2010, the overall bilateral **trade** between Jordan and the EU increased slightly, but the trade balance remained strongly in favour of the EU. Compared to the previous year, Jordanian exports to the EU increased by 36.2% while EU exports to Jordan increased by 6.9%. In the reporting period tariff dismantling continued in line with the provisions contained in the EU-Jordan Association Agreement.

The Protocol for Dispute Settlement in bilateral trade with the EU, initialled in 2009, was signed in February 2011. Before its entry into force the Protocol needs to go through the ratification process in the Jordanian parliament and the assent procedure in the European Parliament. In order to promote trade, Jordan adopted in 2010 the National Foreign Trade Strategy and the National Industrial Strategy for 2010–2013. Work is also ongoing to put into place a National Export Strategy and a Services Sector Strategy. In October 2010, Jordan approved a bylaw exempting from income tax companies' income generated by the export of originating goods, except for phosphate potash, cement and fertilisers. The bylaw also exempts from income tax income generated by exporting information and technology services.

The Cabinet approved in July 2010 a temporary law amending the **customs** law, which includes new provisions on the enforcement of intellectual property rights and on simplified procedures in line with the Kyoto Convention. The new law abolishes the requirement to certify import invoices in Jordanian consular missions and provides for simplified conditions to accede to the customs broker profession. The automation of the customs administration is proceeding: more than 75 % of all export/import transactions are dealt with through the Automated Single Window which, at the end of the reporting period, applied in nine major customs centres. The implementation of an inter-agency cooperation between the Jordan Customs (JC), the ministry of agriculture, the Jordan Institution for Standards and Metrology Organisation and the Jordanian Food and Drugs Administration remained difficult. The number of companies participating in the 'Golden List' programme, facilitating trade for reliable traders, increased in the reporting period to reach 27 companies. These measures should improve trade efficiency and reduce customs' red tape. As such, they were included as part of the results to be achieved by the ongoing EU Trade and Transport Facilitation budget support programme, started in 2009. Regarding the strengthening of cooperation to combat irregularities and fraud in customs, Jordan participated in the 'SIROCCO' joint customs operation carried out in June 2010. SIROCCO is a joint customs operation, coordinated by the European Commission (Anti-Fraud Office -OLAF) and carried out by the customs administration of the EU and 11 partner countries from the southern rim of the Mediterranean<sup>1</sup>.

Concerning **free movement of goods and technical regulations**, preparations to negotiate an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) continued. Amendments to the law on standards and metrology as well as a draft accreditation law have been presented to the newly elected parliament. Their adoption is already pending for years and is indispensable to move the process forward. The 3rd revision of the draft technical regulation on product safety is ready for consultation with the EU. Jordan transposed several European standards and prepared draft regulations in some priority sectors (e.g. electrical products, toys and gas appliances) for approximation with the relevant EU directives. A draft consumer protection law is under preparation. A twinning project is due to start in 2011 in order to implement the Road Map for the conclusion of the ACAA, adopted in 2009.

Regarding **sanitary and phyto-sanitary** (SPS) issues, Jordan continued the preparation of a new food law that aims at approximation with EU standards. In February 2010, Jordan connected to the external window of the EU's rapid alert system for food and feed (RASFF). In the same month, the European Commission carried out a mission to Jordan on animal health surveillance regarding horses. The mission did not report major shortcomings.

Regarding the **right of establishment**, there are still no plans to adopt a regulation enabling 100 % foreign ownership in transport services, insurance agent services, travel agencies and tour operators.

The draft amendments to the **company law** have been finalised and are expected to be sent shortly to the parliament. The proposed amendments include lowering the minimum capital requirement to 1 JOD (EUR 0.97) for a Limited Liability Company. To strengthen the legislative framework, the government developed a draft 'Bankruptcy and Re-organisation Law', which is currently being reviewed by public and private sector stakeholders.

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<sup>1</sup> SIROCCO focused on deep sea containers loaded in China or the United Arab Emirates and arriving in countries of the Union for the Mediterranean. Around 40 million cigarettes, 1243 kg of hand-rolled tobacco, 7038 litres of alcohol and 8 million other counterfeits were seized during the operation.



In 2010 improvements in the areas of starting business and obtaining a construction permit helped to **improve the business environment**. Nevertheless, Jordan's competitiveness decreased in 2010, which is reflected by the loss of four positions in the World Bank 'Doing Business' study.

No progress reported in the areas of **accounting and auditing**.

Concerning **services**, Jordan and the EU held preparatory discussions for the bilateral negotiations on the liberalisation of trade in services and the right of establishment.

In the field of **financial services**, the Jordanian banking system remains sound and has proven resilient to the global financial crisis. Several measures were taken by CBJ to further enhance effective banking supervision in compliance with the Basel II principles. These included guidelines for risk management (February 2010); introduction of an automated data collection system to improve off-site monitoring of banks (June 2010); enhanced cross-border bank regulation through regular supervision and on-site inspections of international branches and subsidiaries of Jordanian banks, and improvements to its early warning system. In addition, the authorities passed the law establishing a private credit bureau in June 2010, which should promote bank and non-bank private credit flows.

Jordan Enterprise Development Corporation (JEDCO) worked with the European Investment Bank on establishing the first two venture capital funds in Jordan, a capital for growth fund and an early stage fund. The EU strongly supports JEDCO in its efforts to help SMEs in the services sectors to export, internationalise and access bank credits. This support is provided through two EU-funded programmes: "Services Modernisation" and the "Enterprise and Export Development, both agreed in 2008-2009.

### ***Other key areas***

In 2010, the Income and Sales **Tax** Department (ISTD) adopted, under its Strategic Plan 2010–2014, all the secondary legislation needed for the implementation of the income tax law and the general tax law, which entered into force in January 2010. Moreover, Jordan developed and tested the audit tracking system, which aims to enable the ISTD to have more accurate information on arrears. It also developed and tested a risk-based audit selection system.

In the field of **competition**, no progress was made.

Little progress can be reported in the field of **intellectual property rights** (IPR). In May 2010, the ministry of trade and industry amended the trademarks fees schedule. The ministry conducted — along with international organisations such as World Intellectual Property Organisation and International Development Law Organisation — several workshops to raise awareness of intellectual property rights in various sectors in Jordan. National research institutes and universities are adopting new IPR policies and new administrative instructions for the offices managing their IPRs. A technology transfer network was established, with a centralised Intellectual Property Commercialisation Office at El Hassan Science City. In 2010, the network registered 16 patents. According to an independent study, Jordan has steadily improved on software piracy since 2006. The piracy rate was 57% in 2010.

The ministry of public sector development drafted a revision of the bylaw on **public procurement**. The draft is under review by a SIGMA expert mission and by the World Bank. Jordan continued to negotiate the accession to the World Trade Organisation's (WTO) Agreement on Government Procurement. It also continued to implement the e-procurement

programme, with an overall objective to increase the efficiency and transparency of the procurement process and to improve services at lower costs.

The Department of **Statistics** continued to implement the National Statistical Strategy 2008–2012, to introduce international standards and best practices. The Department has progressively reached a sound level of statistical capacity, thanks to improvement of IT infrastructure and human resources. The Department is building a national statistical system in collaboration with other stakeholders. Three pilot stakeholders' databases have been identified: the ministry of labour, the Social Security Corporation and the Department of Civil Status Bureau.

With regard to **public internal financial control**, the ministry of finance continued to prepare a reform strategy for the period 2010–13. Effective reform will require improved coordination with the Jordanian Audit Bureau, including definition of respective roles in the internal control system and public external audit. This is one of the areas of work that the EU is funding through its “Public Financial Management” budget support programme, signed at the end of 2010. This programme, a continuation of the first one launched in 2007, among other measures, is also supporting the implementation of the mentioned ISTD audit-tracking system.

On **enterprise policy**, Jordan participated in industrial policy activities, including the implementation of the Euro-Mediterranean Charter for Enterprise at a country level. The cabinet approved the Industrial Policy strategy in September 2010. It aims to create an industry-friendly environment, to protect sensitive and vulnerable industries in both private and public sectors and to encourage foreign and local investment partnership initiatives. It also proposes to develop special economic zones in two regions. The same public-private partnership approach is being followed in the ongoing development of a comprehensive Jordan Export Promotion Strategy.

## **5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY**

Cooperation with Jordan on **border management** progressed further. Thanks to earlier EU assistance, border management has become more efficient, especially in relation to document examination, profiling and counter-trafficking measures.

Despite severe strains on its economy and infrastructure, Jordan continues to host a large number of migrants and refugees from neighbouring countries.

With regard to the fight against **organised crime**, the National Committee for the Prevention of Human Trafficking officially launched its National Strategy and Action Plan for 2010–2012 to **combat human trafficking** in March 2010. The ministry of labour drafted a plan and guidelines for opening a long-term shelter for those affected by human trafficking and plans to establish a trafficking unit under joint jurisdiction with the Public Security Directorate.

With regard to **counter-terrorism**, Jordan benefited from exchanging information and best practices in the regional EUROMED Police programme. In addition, the investigation and analysis capacity of the Public Security Directorate was improved up to EU and international standards (ISO 17025), following a twinning programme in March 2010.

Jordan continued to implement the National Strategy on the fight against **drugs**, focusing on law enforcement, prevention, harm-reduction and rehabilitation measures. The Anti-Narcotics

Department of the Public Security Directorate continued to take measures to increase public awareness about drugs in cooperation with other government agencies, universities and civil society groups. Jordan joined the Mediterranean Network for cooperation on drugs and addictions (MedNet) in May 2010 and hosted a regional seminar in September 2010 to prepare the ground for a school survey and the establishment of a drug treatment reporting system. Jordan pursued its interest in joining the Council of Europe's Pompidou Group.

With regard to the fight against **money laundering** and the financing of terrorism, the government approved two temporary laws amending the 2007 Anti-money Laundering law and the Terrorism Funding law, in May and September 2010 respectively. It also tasked the Anti-Money Laundering Unit, located in the Central Bank, with following up on crimes related to the financing of terrorism and with adopting a cash declaration system at the borders. However, the work of lawyers and accountants is not subject to the reporting provisions of the 2007 law. Due diligence, 'Know Your Customer' (KYC) and 'Know Your Business' (KYB) practices continued to be implemented within financial institutions in line with statutory obligations, alongside customised training for judges, prosecutors and lawyers on the applicable legal framework. Jordan signed a Memorandum of Understanding with the UK Serious Organised Crime Agency on information and intelligence exchange in December 2010.

Jordan participated actively in Euro-Med regional programmes on **police and justice** (EUROMED Justice II, EUROMED Police II and EUROMED Migration III). The Jordanian Gendarmerie joined the Association of the European and Mediterranean Police Forces and Gendarmeries with Military Status in October 2010.

No progress can be registered regarding the accession of Jordan to some important international Conventions such as the 1980 Hague Convention on the Civil Aspects of International Child Abduction; the 1996 Convention on Parental Responsibility and the Protection of Children; the 1965 Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters; the 1970 Hague Convention on Taking of Evidence Abroad in Civil or Commercial Matters. The dialogue on international child protection and family law issues in the context of Jordan's participation in the Judicial Conference on Cross-Frontier Family Issues, the 'Malta Process', has continued in 2010.

## **6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT**

In 2010, the ministry of **transport** continued to implement the National Transport Strategy 2009–2011. Jordan adopted three temporary laws in the course of 2010; the Law on Railroads establishing the Jordan Railway Corporation, the Law on Passenger Public Transportation and the Law on Land Transport Regulatory Commission. The latter establishes an independent Commission mandated to regulate public transportation, land freight and railway transport. To promote renewal of the road haulage fleet, as of April 2010 only trucks that are less than five years old can be imported and registered in Jordan.

The ministry is being restructured. Four main departments (Railway Transport, Planning and Studies, Transport Monitoring, and Human Resources) and one unit for Accident Investigation were created and are operational. In the rail sector, Jordan prepared the railway network project inter-connecting the railway network of the Gulf Cooperation Council countries with the Middle East ports.

In December 2010, Jordan and the EU signed a comprehensive air services agreement. The agreement will open these markets and integrate Jordan into a Common Aviation Area with the EU. As a result of the agreement, Jordan will harmonise its legislation with European standards and implement EU aviation rules in areas such as aviation safety, security, environment, consumer protection, air traffic management, competition issues and social aspects. The agreement will enable all EU airlines to operate direct flights to Jordan from anywhere in the EU and give reciprocal rights to Jordanian carriers. Cross-investments between Jordan and Europe will be encouraged, allowing EU carriers to set up a subsidiary in Jordan and vice-versa. The agreement will remove all restrictions on prices, routes and quotas of flights between Jordan and the EU.

In the maritime sector, in 2010 the main challenge remained the improvement of port efficiency and the integration of maritime transport into the multi-modal logistics chains. In April 2010 a memorandum of cooperation has been signed, establishing a 'Motorways of the Sea' between the ports of Aqaba and Trieste.

The EU and Jordan stepped up **energy** cooperation. Jordan is highly dependent on (costly) energy imports and therefore aims increasingly at energy efficiency, the use of renewables and other domestic energy sources including oil shale, gas and uranium. Jordan signed oil shale related agreements with an Estonian Company in May, with a view to electricity generation and oil production. In February 2010, Jordan agreed with a French company to mine domestic uranium. Jordan explored further options for gas imports from the Caspian and the Middle East. In 2010, Jordan, Lebanon, Syria and Turkey decided to establish a free trade area and expressed the wish to enhance regional energy cooperation. Jordan wishes to become a regional energy hub.

The draft energy sector law, which includes the establishment of a regulator, awaits adoption by parliament. After the commissioning, in the autumn of 2009, of the country's first independent power plant (IPP), a second IPP is under construction. Jordan decided to privatise an electricity generating company. In October 2010, the government moved towards the liberalisation of the oil sector by 2015. Jordan further developed its electricity network as well as international interconnections (e.g. plans for a further link with the West Bank).

In February 2010, Jordan adopted the law on renewable energy and energy efficiency. It includes the establishment of a fund to support projects. Jordan has prepared implementing legislation for this law. Several wind and solar power projects are in progress, some as part of the Mediterranean Solar Plan. The EU expects to provide strong support in this area and is already funding the construction of a wind and solar power pilot site, as signed in May 2010. Jordan also assesses possibilities to exploit geothermal energy and to use more bio-fuel. It continued also with the development of its first nuclear power plant. In November 2010, Jordan shortlisted three companies for constructing the plant. Jordan launched the construction of a 5 MW nuclear research reactor that will produce radioisotopes for the medical sector.

In the field of **climate change**, the inter-ministerial committee on climate change followed up on the implementation of the Second National communication to the UN Framework convention on Climate Change, submitted in 2009. Preparation of a National Adaptation Action Plan is under way with the identification of priority projects, in particular in the water sector.

Jordan continued to prepare Clean Development Mechanism Projects. One new project was registered at the UN level, bringing the overall number of registered projects to two.

Jordan is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement.

The ministry of **environment** continued to implement the strategic plan for 2007–2010, with a focus on awareness-raising and green economy opportunities. The legislative framework still requires further development, especially as regards implementing legislation. A revision of the Environment Framework Law started in December 2010 with EU support. New instructions on environmental audit were approved. Jordan continued with the preparation of new legislation on air quality, water and waste management and environmental liability. Work continued on the regulation of waste streams. The phasing out of plastic bags is ongoing.

On industrial pollution, Jordan took measures regarding inspection at industrial sites. Continued attention is required to implement existing strategies and plans and to further enhance monitoring and enforcement. Jordan took further steps to pursue the decentralisation of environmental responsibilities. Further strengthening of administrative capacity is still a major challenge, and coordination between authorities also requires attention.

The reform of the water sector policy and institutional set-up continued. In line with the 2009–2020 Jordan Water Strategy, adopted in 2009, the decentralisation of water supply and sanitation services continued, with the establishment of a new regional water utility in the Northern region. Jordan is also revising the relevant legislation. A tariffs revision was approved and water subsidies were decreased. A draft law enabling the establishment of a regulatory commission has been in discussion for some time and the commission was expected to be in place in 2011. However, its establishment is now postponed for at least three more years, according to recent information.

Jordan took some steps to integrate environmental considerations into other policy sectors, such as energy. Jordan took further steps to revise the permits system. The state-of-the-environment report, finalised in 2009, was published and Jordan continued to carry out some activities to inform and involve the public. A pilot strategic environmental impact assessment was launched.

Implementation of ratified international and regional conventions and protocols requires particular attention. Jordan still needs to clarify its next intended steps with regard to the ratification of the Gaborone amendment to the Convention on International Trade in Endangered Species (CITES).

Jordan continued to participate in the Horizon 2020 Initiative and in the EU Water Initiative. Cooperation and information exchange took place between the EU and Jordan, including on water, de-pollution and management of environmental information.

In the field of **civil protection**, Jordan was actively involved in the Euro-Mediterranean Programme for the Prevention, Preparedness and Response to natural and man-made Disasters, which reached mid-term implementation.

In the reporting period the ministry of **information and communications technology** (MoICT) identified the necessary steps to implement its six priorities for the promotion of Information and Communication Technology (ICT) in the years 2010–2012. The MoICT and the ministry of interior launched the Civil Status and Passports e-service which allows display of and access to the required civil records. This e-service is part of a group of e-services introduced by the Tax, Land and Surveys departments, the ministry of trade and industry and the ministry of foreign affairs. Furthermore, the ministry of justice in cooperation with the e-government program at MoICT launched in October 2010 the non-criminal record certificate issuance e-service. Internet usage reached 27.2 % of the population in June 2010.

On the regulatory side, the Telecommunication Regulatory Commission (TRC) adopted its Strategic Plan 2010–2013. The main objectives of the plan are to ensure effective regulations and fair competition in the ICT and postal sectors, and the affordability and timely access to broadband internet services. TRC also initiated a market review process in order to define relevant markets susceptible to *ex-ante* regulation, to analyse those markets to determine whether any operator and/or service provider enjoys a position of ‘dominance’ in a relevant market, and to develop and introduce specific regulatory remedies to mitigate the effects of dominance. In March 2010, the first private provider launched the first phase of the third generation (3G) services, which covered many areas in west Amman, Irbid and Zarqa. The MoICT continued implementing the National Broadband Network programme, aiming at connecting schools, government departments, hospitals and health centres via high-capacity fibre optic cables. At the end of 2010 there were 178 stations covering the different governorates of Jordan.

As regards the **audiovisual** sector, the two regulatory bodies, responsible respectively for telecom (TRC) and audiovisual sectors (Audiovisual Commission), were planned to be merged, but no progress has been made towards guaranteeing the independence of new regulator.

In the area of **research**, the first meeting of the Joint Committee under the EU-Jordan 2009 Science and Technology Agreement took place in November 2010. Jordan intends to restructure its research centres by reducing the fragmentation of the centres of excellence and improving their quality. The High Council for Science and Technology (HCST) worked during 2010 on setting the national Research and Development (R&D) priorities in all scientific research fields.

The participation of Jordan in the seventh Framework Programme (FP7) could be improved. Up to March 2011, Jordan had - 216 applicants of which 35 were successful. There is a strong potential to increase Jordanian participation in the FP7 themes ‘Food-Agriculture-Biotechnologies’ and ‘Environment’. HCST established Jordan’s Information Point to provide advice and individual assistance about EU-funded R&D activities, to enhance Jordanian participation in FP7 and to improve cooperation and networking with European research teams.

## **7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH**

In the area of **education**, the second phase of the Education Reform for the Knowledge Economy commenced in March 2010, prioritising school-based development, improving teaching and learning methods, special education and revision of monitoring and evaluation systems. The ministry of education extended the timeframe of its five year strategic

development plan to 2014 while securing an increase in its overall budget. Renewed emphasis is given to improving educational infrastructure, the learning environment and human resource development. The ministry prepared proposals for reform of governance structures in higher education to improve efficiency, equity and quality of public expenditure.

In **vocational training**, sector reform advanced at a reduced pace due to understaffing and lack of coordination between stakeholders including the ministries of labour, education and higher education. The social partners remained committed to playing an active role in defining and implementing demand-driven training provision. The Centre for Accreditation and Quality Assurance was not formally established; continuing fragmentation of information sources on the labour market and human resources is hampering inclusive work on reform and development of continuing training and lifelong learning. To try to improve this situation, the EU and Jordan have signed a Financing Agreement in October 2010 for a budget support programme that will try to address the shortcomings mentioned above and provide a new momentum to the sector reform process.

Jordan participated actively in **Tempus**, benefiting from five projects under the 3rd call for proposals for Tempus IV for the academic year 2010–11. One Jordanian student was awarded an **Erasmus Mundus** Masters scholarship, while student and academic mobility was further enhanced with the expected award of 49 grants under Erasmus Mundus Action 2 for the academic year 2010–11. Jordanian universities are encouraged to submit high-quality applications under the **Jean Monnet** programme, as to date none has emerged.

Jordan continued to promote the benefits of **youth** exchanges, voluntary service and inter-cultural dialogue as part of regional cooperation. Jordanian young people and youth organisations participated in youth exchanges, voluntary service and cooperation activities in youth work and informal education under the Youth in Action programme. The ministry of youth and sport confirmed participation in the EUROMED Youth IV programme.

In the area of **culture**, Jordanian cultural organisations participated in four projects under the Call for Proposals of the 2010 ENP Special Action under the Culture Programme. Jordan also participated actively in the regional EUROMED Heritage IV programme. For the first time, three Jordanian cultural organisations applied to Phase III of the EUROMED Audiovisual programme.

Jordan pursued the implementation of its Strategic Plan 2008-2012 for **health** sector reform. Jordan sustained its participation in the ‘Episouth’ network on communicable diseases for the EU, Mediterranean and Balkan countries.

## 8. FINANCIAL COOPERATION — 2010 KEY FACTS AND FIGURES

### *Cooperation framework*

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with Jordan. The new National Indicative Programme (NIP) 2011–13 for Jordan was adopted in May 2010 and has a budget of EUR 223 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Jordan Action Plan and pursues four priorities: (1) supporting Jordan’s reform in the areas of democracy, human rights, media and justice; (2) trade, enterprise and investment development; (3) sustainability of growth; (4) support for implementation of the action plan.

## ***Implementation***

The implementation of the measures covered by the Annual Action Programmes (AAP) 2007, 2008 and 2009 is under way. Substantial results have already been achieved in the reform of the public finances management system. In the area of education, significant progress has been made in the education system reform through strong budget support from the EU to this sector in 2006 and 2007. Another programme will improve the provision of vocational education and training that is targeted to the needs of the population and the economy. In the trade and investment area, three large programmes, aimed at facilitating the investment climate and the competitiveness of the Jordanian economy, are now under way. The first EU-Jordan programme on capacity building in the area of renewable energies has just started. Other programmes that are currently being implemented include overall support for the implementation of the Action Plan and for justice reform and good governance.

In 2010, the EU continued to support Jordan's national reform efforts and committed assistance for a total amount of EUR 70 million under the bilateral envelope of the European Neighbourhood and Partnership Instrument (ENPI). Under the new NIP, the 2010 AAP covered three of the four priorities mentioned above. Within this envelope, EUR 10 million was allocated to the water sector, and another EUR 10 million to the improvement of democratic governance. The 2010 AAP also included a sector budget support operation of EUR 45 million on Public Financial Management reform, to continue the support provided under the 2007 programme. Additionally, support to the decentralisation process continued through a EUR 5 million programme aimed at promoting local economic development.

Twinning is an extensively used tool in EU cooperation with Jordan. Six new twinning projects have been identified in 2010, covering very diverse sectors, from agriculture to management of the police force. Recent projects support the work of the Anti-Corruption Commission, the Telecommunications Regulatory Commission and the agreement on Conformity Assessment and Acceptance of Industrial Products.

In addition to the bilateral allocation, Jordan also benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes. Jordan participated in the ENPI Cross-Border Cooperation (CBC) programme Mediterranean Sea Basin (EUR 173.6 million for the whole programme in the period 2007–13). The main priorities of the Programme are four-fold (i) promotion of socio-economic development and enhancement of territories, (ii) promotion of environmental sustainability at the basin level, (iii) promotion of better conditions and modalities for ensuring the mobility of persons, goods and capital and (iv) promotion of cultural dialogue and local governance.

Under the ENPI-financed Neighbourhood Investment Facility (NIF) contributions, one project in Jordan was approved in 2010<sup>2</sup>, committing EUR 2.2 million in grants, expected to leverage EUR 150 million in loans from European Finance Institutions in the energy sector.

Other EU Instruments supplement the ENPI assistance package. Jordan benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Cooperation Instrument (DCI) thematic programmes, including the Non-State Actors and Local Authorities in Development (NSA-LA). Furthermore, a programme under the Instrument for Nuclear Safety Cooperation (INSC) was started in Jordan in early 2010, financed under the 2008 AAP of this

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<sup>2</sup> Jordan Electricity Transmission.



instrument. The project has a budget of EUR 1 million and is dedicated to the development and the strengthening of the Nuclear Safety Authority of Jordan. A second project of EUR 1.2 million was approved under the 2010 AAP, in order to provide the necessary follow-up in this area. Under the Instrument for Stability, Jordan is engaged in a regional cooperation programme to create Centres of Excellence in CBRN risk mitigation (chemical, biological, radiological and nuclear incidents). This large project is expected to receive global support in the range of EUR 7 million from the EU. Over the period 2012–2013 significant funds will be channelled for capacity building in this area.

Jordan also received support from the European Commission's humanitarian aid budget line in the range of EUR 2 million per year for the Iraqi refugees in Jordan. Operations were implemented by international organisations, notably UNHCR, in the sectors of protection, health care, Non-Food Items and psychosocial support.

### ***Donor coordination***

In 2010, the EU Delegation in Jordan ensured the coordination of assistance activities, through close contacts and joint work with other donors and with the ministry of planning and international cooperation. The Delegation, together with the EU member states, has been instrumental in establishing the Donors and Lenders Consultation Group already in 2000, for which UNDP provides the Secretariat. The Delegation chaired several of the sector working groups which report to the main Group.