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‘Implementation of the European Neighbourhood Policy in 2007’

Progress Report Jordan

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1. BACKGROUND AND OVERALL ASSESSMENT

Jordan and the European Community first established contractual relations in 1977 through a Cooperation agreement. The Euro-Mediterranean Partnership inaugurated at the 1995 Barcelona conference established a policy with ambitious and long-term objectives. The Association Agreement with Jordan, which entered into force in May 2002, sets out in more detail the specific areas in which the objectives of the Euro-Mediterranean Partnership can be developed bilaterally. On this basis, the EU-Jordan Action Plan was adopted in January 2005, for a period of three to five years. A first progress report was adopted in December 2006. The ENP Action Plan supports the national reform process, articulated in Jordan's ten-year national agenda and the initiative "*We are all Jordan*".

Initial institutional cooperation through the EU-Jordan Association Council, the EU-Jordan Association committee and ten sub-committees, nine of which have already met, has enabled both sides to make progress with the implementation of the Association Agreement and start the implementation of the Action Plan. During the reporting period the second round of sub-committee meetings, that had started before last progress report, was completed and a third round of meetings was started.

This document reports on progress made on the implementation of the EU – Jordan Action Plan between 1 November 2006 and 31 December 2007, although developments outside this period are also considered when deemed relevant. It is not a general review of the political and economic situation in Jordan.

Jordan is an active and constructive partner in the ENP and in the different sub-committee meetings where implementation of Action Plan measures is discussed. Jordan has shown a strong commitment to a wide range of social and economic reforms and to a lesser extent to political reform. No progress can be observed for example on the reform of the elections law, and no international electoral observation was accepted in the November 2007 parliamentary elections.

Progress was made with the adoption of the law on municipalities, the anti-money laundering law and the law establishing an anti-corruption commission. It is important to ensure effective implementation in 2008. Good progress was achieved towards the abolition of the death penalty and to increase women's participation in public life. Measures were taken to enhance children's rights and workers rights.

Good progress was also made in public finance management, improvement of the business environment and financial sector reforms. More efforts are needed however to ensure medium-term macro-economic stability. Moreover, an encompassing poverty reduction strategy is still lacking and the gap between rich and poor has been growing.

In a number of areas the timetable for reform is uncertain, and the processes of policy development, adoption of upgraded legislation and development of institutional capacities to implement new legislation, remain hesitant. This applies to a number of areas linked to economic integration and trade facilitation. For example, it is not yet clear when upgraded legislation in areas such as customs, standardisation, and food safety might be adopted and there is little progress on reform of the public audit system.

2. ENHANCED POLITICAL DIALOGUE AND REFORM

Democracy and the rule of law

Objectives in this area include: strengthening democracy, strengthening the rule of law including good governance and transparency, enhancing the independence and impartiality of the judiciary, upgrading its quality and strengthening its administrative capacity.

Municipal elections were held in July 2007 on the basis of a new Municipalities Law which provides a 20 percent quota for women in municipal council seats. It also introduces the direct election of mayors and councils, except in Amman where the mayor and half the council are still appointed. Political parties, notably the Islamic Action Front, civil society organisations and the National Centre for Human Rights denounced irregularities on the day of the ballot.

The **parliamentary elections** in November 2007 were held under the temporary elections law. Therefore no progress can be reported on the reform of the elections law. Under Temporary Elections Law, the number and boundaries of the electoral districts as well as the allocation of seats per constituency are unilaterally decided by the Government. This resulted in the uneven allocation of seats in relation to population among electoral districts, resulting in an over-representation of rural areas to the detriment of the cities. There is no independent electoral body; the elections are organised and supervised by the Ministry of Interior, which also deals with the complaints. Jordan did not accept international electoral observation and monitoring by local NGOs was restricted.

New legislation with regard to **political parties** was adopted in March 2007 to end the current proliferation of tiny political parties and independent candidates, by introducing requirements for the establishment of a political party such as a higher number of members and presence in several governorates. However, the electoral system known as “single non-transferable vote” tends to result in votes being cast for individual candidates and is widely acknowledged to be disadvantageous towards the development of political parties.

Following the visit of the king of Jordan to the European Parliament in Strasbourg in December 2007, the European and the Jordanian parliament are expected to increase their cooperation throughout 2008.

Legislation aimed at fighting **corruption**, such as the law on financial disclosure and the law on the establishment of the anti-corruption commission, was adopted in December 2006. The Anti-Corruption Commission is not yet operational and at this point lacks the resources to become functional.

Further, limited progress was made on **public sector reform**. Some ministries, such as the Ministry of Environment, proceed with successful unilateral internal reforms, yet there is no clear effort ongoing across the public sector as a whole.

Following the completion of the 2004-2006 Jordanian JUST Strategy for justice reform, the Ministry of **Justice** prepared a new strategy which builds on the progress to date aiming at increasing the capacity and the efficiency of the judicial system. Significant efforts have been made in the strengthening of the Judicial Institute that is responsible for the training of judges. However, none of the core issues hindering the independence of the judiciary – such as its total financial and administrative dependence on the Ministry of Justice - have been addressed in spite of numerous requests by the King.

Human rights and fundamental freedoms

Objectives in this area include: strengthening the freedom of the media and freedom of expression, strengthening freedom of association and the development of Civil Society, ensuring respect of human rights and fundamental freedoms, promoting equal treatment of women, and promoting fundamental social rights and core labour standards.

With the adoption of an amended **press and publications** law in April 2007, it is now prohibited to arrest anybody for the expression of his opinion in oral, written or any other way, but heavy fines may still be imposed. Citizens, including journalists, may still be jailed for expressing their opinions if they are deemed to violate other laws, notably the penal code, which contains several provisions effectively restricting freedom of expression.

The law on the **right of access to information**, of June 2007, guarantees citizens the right of access to any document. In case of refusal of access, the information seeker may lodge a complaint.

The review of the law on non-governmental organisations (NGOs) presents a more mixed picture. The Ministry of Political Development involved NGO's in the drafting of a new law. However, the draft that was supported by the NGOs was never submitted to Parliament. By contrast, in October 2007 the government submitted to Parliament a different draft law on NGO's, prepared by the ministry of social development with little involvement of NGOs. This draft law was so heavily criticised that the government withdrew it from Parliament in January 2008.

No changes have been introduced with regard to current restrictions on **freedom of assembly**.

Jordan has ratified most of the major international human rights instruments and in 2006 and 2007 published them in the Official Gazette, which means that they are enforceable in court and supersede national legislation. A law providing a sound legal framework for the National Centre for Human Rights came into force. This centre, that has been operational since 2002, has gained widespread credibility as it has not refrained from being critical of the government in its reports and statements.

Jordan has significantly reduced the number of crimes that carry **capital punishment**. It voted against the UNGA draft resolution calling for a moratorium on the use of the death penalty, but maintained the *de facto* moratorium on executions that is in place since May 2006.

A new draft law on **juvenile justice** was prepared in 2007, with the participation of local experts and under the auspices of the Ministry of Social Development. The new law intends to provide for an entirely separate juvenile justice system, competent to deal with all children in conflict with the law.

A study released by the Ministry of Labour brought to light an alarming reality of **child labour** in Jordan's industrial, agricultural and tourism sectors. Initiatives are now being undertaken, focussing on raising awareness and providing education and training to the children. A new family protection programme defines specific measures to protect children from parental abuse.

Changes were made so that Jordanian women now can obtain their passport without the authorization of their husbands and legal age of marriage for women was increased to 18. However, women can still not transmit their nationality to their children. In 2007 Jordan published the UN Convention on Elimination of All Forms of Discrimination against **Women** (CEDAW) in its Official Gazette, but did not lift all its reservations.

The CEDAW Committee considered the government's 3rd and 4th reports and noted that the country had registered success in challenging stereotypes and increasing women's participation in public life.

The participation of women in political life has improved as the new municipality law provided for a quota of 20 % of municipal council seats for women. This is a very important first step towards bringing about genuine merit-based participation of women in political life. At this point only one woman was elected mayor and most of the women seating in municipal

councils won by quota nomination whereas only 20 won by direct competition. At the national level, six seats are allocated to women in the Lower House of Parliament. Seven women were elected in the parliamentary elections, with one woman winning her seat outside the quota. Regarding the executive power, the new Prime Minister has appointed four women in his cabinet. The first woman was appointed Chief of Court in May 2007 (Court of 1st instance in west Amman). However, women still account for only 16 % of the labour force. The first ever Jordanian High Level Gender Forum took place in January 2007 under the patronage of HM the Queen, with a view to exploring ways to enhance women's participation in social and economic life. In 2007 Jordan's National Centre for Human Resources Development in cooperation with the Jordanian National Commission for Women published a study entitled "Factors affecting women's participation in the private sector". This study proposes a set of recommendations that seek to enhance women's participation in the workforce. There is still room for progress in this area, as well as in tackling highly sensitive issues such as domestic violence and honour crimes.

Regarding fundamental **social rights and core labour standards**, the National Labour Committee reported that the government had responded seriously to allegations of abusive conditions and workers rights violations but that abuses still occurred. Jordan is working on a new labour law together with social partners. Jordan has not yet ratified the ILO Convention on freedom of association and protection of the right to organise. This convention is part of the 1998 Declaration of Fundamental principles and Rights at work which is one of the priorities of the ENP Action Plan.

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

Jordan has worked actively to bring peace and stability to the region. Jordan sincerely adheres to the principles of the Road Map and has been very supportive of the Quartet's efforts to implement it. The King actively promotes the Arab Peace Initiative that has also been hailed by the EU. Jordan attended and supported the Annapolis Conference in November 2007. Jordan has sent a large number of humanitarian assistance convoys to the West Bank and Gaza.

In 2007 Jordan was invited to align itself with EU declarations in the field of Common Foreign and Security Policy on a case-by-case basis but has not yet taken any decision on this.

With regard to non-proliferation of weapons of mass destruction, Jordan accepted – at the EU SG/HR CFSP's request – to host a regional seminar on the Biological and Toxin Weapons Convention, which however did not take place for reasons not related to Jordan. In the specific field of anti-terrorism, cooperation and information exchange between Jordan and the EU Member States is smooth.

In November 2007, Jordan hosted the 8th Meeting of the States Parties (8MSP) to the Mine Ban Convention.

Jordan is hosting a large number of Iraqi refugees, estimated at around 450 000. This situation puts considerable pressure on its resources and infrastructure. In August 2007 the Jordanian government decided to allow all Iraqi children, with or without residence permits, to enrol in Jordanian schools. Jordan has been playing an active role in the ministerial meetings of Iraq's neighbours and chairs the technical working group on refugees.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning of the market economy

Jordan continued its strong economic performance of recent years. Nevertheless, the government made limited progress towards ensuring medium-term **macroeconomic stability**. External shocks remained the main sources of vulnerability. In the absence of significant fiscal consolidation and structural reforms, the economic situation is likely to deteriorate in the short term.

Growth decelerated slightly to 5.8 % from 6.3 % in 2006. **Inflationary pressures** on the back of soaring international fuel and food prices were contained during 2007 thanks to a strict monetary policy, but are expected to intensify in 2008. Contrary to previous years, no progress was made to reduce the large **budget deficit** and address its dependency on external grants. The elimination of oil subsidies was postponed till 2008. The authorities made progress with reducing Jordan's debt-to-GDP level but the debt stock continued to increase.

The implementation of **financial management reform** continued in 2007. Focusing on budgetary procedures, the authorities advanced toward the introduction of a medium-term expenditure framework. Steps were taken to improve the medium-term fiscal framework, to effectively implement the single treasury account, to improve budget classification, and to prepare for results-oriented budgeting. The authorities made no progress in 2007 with tax reform.

Progress on **structural reforms**, such as the privatisation programme and measures to improve the investment climate, slowed down in 2007. Jordan experienced problems with the implementation of the new regulatory framework. The EC supported reforms by a sector reform programme, aiming at facilitating private sector development.

Jordan still lacks a strategy and continuity in the policies for investment promotion and facilitation, export and enterprise developments. There is lack of clear coordination of these policies despite the creation of the Jordan Authority for Enterprise Development (JAED), which was expected to ensure better coordination of private sector development policies and closer involvement of the private sector in the design and implementation of those policies. The effective implementation of the newly designed institutional framework, which includes JAED, continues to be delayed.

The new investment law, incorporating all relevant existing legislations in one comprehensive code with a view to simplifying the regulatory framework and streamlining investment incentives, has been withdrawn from parliament following the amendments proposed. It is now being revised together with the tax law.

Jordan is pursuing **sustainable development** through its National Agenda, adopted in November 2005, which links environmental sustainability and reforms in sectors such as water, agriculture, tourism, health, energy, industry and transport.

Employment and social policy

The implementation of the 2006 employment and **poverty reduction strategy** suffered from a general lack of consistency and coordination, which led to the delay of the EC assistance programme on poverty alleviation through local development. Household expenditure and income surveys showed a rising distortion in the distribution of wealth, hence the subsequent shrinking of the middle class income group. The new cabinet that was sworn in , in November

2007, committed to work on socio-economic development and on establishing a social safety net.

Unemployment and, in particular, **youth unemployment**, remains a major concern. In November 2007, 13 % of the active population was unemployed (10.1 % for men as against 26 % for women). The authorities estimate that 50 000 new jobs must be created annually to maintain the current employment rate. The mismatch between the output of the education system and the needs of the labour market requires a reorientation of education and employment policies. A Jordanian Company for Training and Recruitment was established in July, 2007, as a public/private joint venture bringing together the Ministry of Labour, the Jordan armed forces and the Jordan contractors association, which has the task of training Jordanians to work in the construction sector.

The government is working on a new labour law which is expected to include migrant workers and give them the right to strike, of collective bargaining and the freedom of association. In March 2007, it signed a bilateral agreement with Egypt regulating migrant labour issues. However, the overall issue of societal discrimination against migrant workers persists.

Some progress was registered in the field of **social dialogue** with the decision in October 2007 to establish an economic and social council. The council is yet to hold its first session. An ad hoc inter-ministerial committee was also established to investigate and respond to non-labour law violations, such as physical and sexual abuse and human trafficking. Finally, work is ongoing as regards the creation of a tripartite consultative committee on labour affairs. The government and the International Labour Organisation agreed on a decent work country programme, focusing on development of an employment strategy, the strengthening of labour administration and social dialogue as well as the development of the necessary legal and administrative mechanisms for migration management.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

Jordan's overall **trade** performance during 2007 was quite positive, with total exports expected to increase by over 10 %, compared to 2006. The rate of growth of Jordan's exports to the EU is lower than the average rate of growth in exports to all markets.

The continuing concentration of Jordan's exports in a limited range of products confirms the need for Jordan to develop and implement a national export promotion strategy focused on SMEs to allow Jordanian companies to take better advantage of opportunities which may exist in regional, international and EU markets.

Tariff dismantling continued apace in accordance with the EU-Jordan Association Agreement. Notwithstanding some delays in finalising the dismantling schedule for goods listed in Annex IV of the Agreement, most outstanding issues in this regard have now been resolved.

Regionally, in 2007, Jordan signed a free trade agreement with the European Free Trade Association (EFTA – Norway, Switzerland, Iceland and Liechtenstein). Moreover, to expand its network of bilateral FTAs, Jordan conducted negotiations with Turkey, Canada and Kazakhstan. However, it has proved difficult to make progress in the negotiations with Turkey.

Jordan continued its involvement in development of a dispute settlement mechanism with the aim of creating effective arrangements to be applied to trade between the EU and Mediterranean partners. Staff training of the international trade related personnel of the

Jordanian Ministry of Industry and Trade is being implemented through an EC twinning project.

Concerning the implementation of the Agadir Agreement, the procedures for the notification of the implementation of the Pan–Euromed system of cumulation of origin in the framework of the agreement, have been concluded.

Some progress was achieved in the area of **customs** but continued attention is needed in this area. A draft proposal to revise the customs law still needs to be adopted by the Parliament. The draft intends to further align Jordanian legislation and procedures with relevant EU and international standards such as the Revised Kyoto Convention and the WCO Framework of Standards to secure and facilitate global trade. An inter-institutional border management task force focused on development of a single window for goods traffic under customs' responsibility, but relevant co-ordination issues are not fully resolved. In spite of the introduction and expansion of a “Golden List” system, granting simplified procedures for trusted traders, some important trade facilitation measures, such as the possibility to control consignments on traders' premises, are not yet available.

Computerisation of the customs is ongoing; the majority of customs posts are now operated on the basis of the ASYCUDA++ system which has limited functionalities as regards facilitating traders' customs declarations. Moreover, there are still a number of border posts which are functioning on the basis of manual procedures. Migration to ASYCUDA World is underway and should be pursued. Contrary to the obligation stemming from the Association Agreement, the Jordanian customs have not yet decided to implement the EU Combined Nomenclature (CN).

Concerning **free movement of goods and technical regulations**, Jordan made good progress in preparations to negotiate on Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). In 2006 Jordan prepared a draft law on standards and metrology and a draft accreditation law but the adoption of these laws have been delayed. The former is still being discussed at the Prime Minister's office and the latter has been approved by the cabinet and waits for the Parliament's endorsement. The adoption of these two draft laws should intervene quickly in order to allow the creation of the related horizontal quality infrastructure which is the basis for progress in the preparation of the ACAA. As a result of a fast-track procedure, good progress was made towards the adoption of harmonised standards for the priority sectors. Market surveillance inspectors were trained on the selected directives and practical training has taken place in the local market. Cooperation with other government agencies was established in order to cover the whole market, avoid overlapping and exchange information on dangerous products. Furthermore, the Jordanian Institute for Standards and Metrology signed a Memorandum of Understanding with market surveillance authorities in several areas including health. A number of awareness events took place on issues such as national quality mark, CE mark, conformity assessment bodies, standardisation, market inspection, accreditation law and legal metrology. However, private sector awareness of the importance of technical standards and development of quality infrastructure in access to export markets remains insufficient. As of January 2008 Jordan is an affiliate member of the European standards bodies CEN.

Jordan continued to work on the implementation of its decision to harmonise its **sanitary and phyto-sanitary** legislation with the EU standards in the longer term, inter alia in the context of two twinning projects. In January 2007, the European Commission's Food and Veterinary Office (FVO) evaluated, in the context of its first ever plant health mission to Jordan, the health system in the potato sector. FVO made recommendations to address deficiencies.

Jordan participated in workshops under the European Commission's "Better training for safer food" programme.

Jordan continued to improve the **business environment**. It enhanced the operations within its one-stop shop at the Company Registry, which decreased the time to start a business and the number of business start-up procedures. However, the administrative capacity of the Chamber of Controller of the Companies Control Department proved insufficient and the reforms have not led to any increase of foreign investment so far.

As regards the **right of establishment**, there still exists an equity gap between national and EU investors as foreign investors still have to hold a share of national companies (50 000 JED capital) to enter the Jordanian market.

Jordan is still working on draft revised legislation on **company law**. The revised laws aim at facilitating registration of companies, alleviating the obligations on investors and introducing principles of transparency and disclosure. Once implemented, the new legislation will contribute to achieve convergence with key principles of international and EU rules. However, further efforts are still needed to eliminate the remaining obstacles to establishment (such as, for example, pre-approval of the Ministry of Tourism for a hotel) and operation of companies. A draft code of corporate governance, to be included in the company law framework legislation, has also been prepared. The final code should be available by mid 2008.

Concerning **services**, Jordan participated in the regional talks on the framework protocol for liberalisation of services and of the right of establishment during 2007. However, it has not joined the first group of countries moving into the bilateral negotiations planned for 2008, considering that at this stage it has not defined its interests in the negotiations with sufficient clarity. With EC support, Jordan is in the process of preparing a plan for modernisation of the service sector which should contribute to a better identification of Jordan's specific interests and potential as a services exporter. Jordan has made progress in structural reforms, notably **financial sector** reforms. The Basel II principles for effective banking supervision are applied from January 2008. Several banking supervision regulations and instructions were adopted during 2007 for managing, marketing portfolios and investment funds in foreign currencies as well on internal control systems and licensed banks' branching inside the country. The Central Bank cooperated bilaterally with financial authorities from neighbouring countries in order to ensure banking supervision of cross border establishments and performance of their respective prudential obligations.

Other key areas

A delay occurred in the approval of the draft legislation to simplify personal and corporate income **tax** and to streamline and rationalise the fiscal incentives framework for businesses which was submitted to Parliament.

A modification to the **competition** law is being prepared to transform the competition directorate in the Ministry of industry and trade into an independent competition commission. Training and awareness campaigns addressed to all stakeholders concerned were pursued during 2007. Some issues remain to be resolved as regards the functioning of specific sectoral regulatory authorities (transport, telecoms, energy, etc.) in competition matters. For example, a memorandum of understanding between the competition directorate and the telecoms regulatory commission was prepared to clarify their specific competences in competition matters related to the telecoms sector. Judicial proceedings in **competition** cases are still unfamiliar in Jordan, but in 2007 a small number of cases were referred to the courts. No progress in the field of state aid is to be reported.

As regards **intellectual property rights**, Jordan is still working on the amendment of its patent and trademarks laws. The European Patent Office has contributed to training on patent case laws for specialists of the pharmaceutical industry. No progress can be noted as regards accession to the remaining international conventions and agreements. As regards enforcement, Jordanian customs benefit from an EC-funding twinning project which should contribute to tackle the still important and visible use of IPR infringing products in the country. The strengthening of overall administrative capacity, deterrent judicial sanctions as well as the establishment of a coordination body would enable a better-targeted approach towards piracy and ensure effective implementation of the law.

Different training activities in the framework of the MEDSTAT II programme are in progress to help the Department of Statistics increase the quality and harmonisation of data in the production of **statistics**. Jordan participated to an extensive mirror statistics exercise which led to an increase in the consistency and the comparability of Jordanian and EU's trade statistics. In addition, Jordan, the Palestinian Authority, Israel and Egypt decided to form a common working group in order to tackle problems related to the production of trade statistics (mirror exercises etc.). In the context of the same programme, the Jordanian Department of Statistics has also received IT equipment, which has already been installed by the MEDSTAT contractor.

The new **public procurement** law is still under review. The draft legislation foresees more transparency and provides for remedies and disputes settlement. This legislation represents a good step forward to modernise and approximate it with the requirements of the Action Plan. It should be accompanied, once adopted, by a reinforcement of the administrative capacity to handle tender procedures. Jordan is well advanced as regards e-procurement and has undertaken a number of related training activities. Jordan is in the final phase of negotiation for its accession to the WTO General Procurement Agreement.

On **enterprise policy**, Jordan continued the implementation of the Euro-Mediterranean Charter for Enterprise. In this context, a meeting involving all stakeholders, public and private, was organised with the European Commission in 2007. Jordan has agreed to participate, together with the other Mediterranean partner countries, in a pilot project aiming at assessing the progress achieved in the ten sectors covered by the Charter. This project is coordinated by the European Commission in cooperation with the OECD, the European Training Foundation and the European Investment Bank. The Charter implementation should prompt better coordination in the field of private sector development although the lack of an effective SME policy co-ordinator remains an important deficiency. Currently the Jordan Investment Board, the Jordan Industrial Estate Corporation and Jordan Enterprise function relatively well, but without a common strategy or co-ordination. The legislation passed three years ago that envisaged the setting up of JAED as a policy coordinator, competitiveness observatory, think-tank, and performance monitor has not been implemented.

The Jordanian Audit Bureau is working on a law on the modernisation of public external **audit**, which, once adopted, would upgrade this body to the level of a supreme and independent audit institution.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

Jordan cooperated well and exchanged information with EU Member States in **migration** matters. Internally, Jordan continued to host large numbers of Iraqi refugees, *see section 2*, and worked with UNHCR to resettle refugees under an EU Aeneas project.

Jordan has not yet ratified the United Nations Convention against **Trans-national Organised Crime**. The signature and ratification of its Protocols on smuggling migrants, trafficking in persons and illicit manufacturing and trafficking of firearms is also pending. Information exchange and cooperation with EU Member States in the fight against **terrorism** progresses well. During 2007, Jordan participated in a large anti-**drug** trafficking initiative coordinated by UNODC and supported by the EU.

Jordan participates in the regional MEDA programme on **police and justice**. In the framework of this programme Jordanian police officers have attended training workshops and seminars organised by the European Police College. Furthermore, under the national cooperation programme, the EC finances a long-term technical assistance project for the benefit of Ministry of Justice and the Jordanian Judicial Institute.

No developments can be reported on **penitentiary reform**.

With regard to the fight against **money laundering**, financial and economic crime, the Parliament endorsed new money laundering legislation in May 2007 in line with international financial standards and the relevant provisions of the 1988 United Nations Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The law covers a wide range of related offences, including drugs, human trafficking, terrorism, arms smuggling, the organization of prostitution and customs fraud and evasion, stipulating the establishment of a national anti-money laundering committee to be chaired by the governor of the central bank of Jordan. This committee will be in charge of drawing up policies to combat money laundering as well as facilitating the exchange of information and liaison with international agencies. In order to ensure sound and transparent banking regulations, the governor of the central bank issued a number of directives to prevent money-laundering activities requiring all banks and financial firms to inspect client accounts and to duly inform it of suspicious transactions. It also issued a manual of instructions to this effect. Further efforts are needed to ensure the effective implementation and oversight of the new legislation.

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

Jordan continued to develop a national **transport** policy but still needs to complete its strategy regarding priority investment projects. Liberalisation of road haulage has further progressed. However, a regulatory body for the land freight sector still needs to be established. The public transport system is in the process of being modernised.

As regards the railway sector, the railways master plan (which includes a comprehensive plan for a railway network) still needs to be finalised.

A new civil aviation law defining the air transport liberalisation strategy was adopted in May 2007. This law also provides for the establishment of a separate aviation regulator (the Civil Aviation Regulatory Commission), and the creation of autonomous corporatised airports and air navigation services entities. Secondary legislation still needs to be implemented. In parallel, and after the signature in February 2008 of a horizontal agreement on air services, the Jordanian authorities and the European Commission are on the verge of launching negotiations of a comprehensive aviation agreement that should ensure Jordan's participation in the Common Aviation Area.

In the maritime sector, alignment with the international conventions in particular in the area of maritime safety is a priority. The Jordan Maritime Authority is taking measures to encourage the Jordanian flag to upgrade (classification) and to enhance the role of the private sector.

Good progress has been achieved in reforming the port sector in Aqaba (PPP operations, tugboat services master plan and mobile cranes container terminal).

Jordan and the EU considerably enhanced **energy** cooperation including through the signature, in October 2007, of a Joint Declaration on the priorities for energy cooperation between the European Commission and Jordan. At regional level, Euro-Mediterranean energy ministers enhanced energy cooperation through the endorsement of a priority action plan for 2008-2013. This plan includes, inter alia, a list of priority interconnection and infrastructure projects of common interest. Jordan participated in the EU-Africa-Middle East ministerial energy conference, which identified the joint interest to promote clean energy technologies and to develop a green energy market.

In December 2007 the Kingdom adopted an energy master plan for the period until 2020. Jordan decided to explore the possibilities to use indigenous oil shale and to put greater emphasis on the use of renewable energy sources. It expressed the wish to develop peaceful uses of nuclear energy. In this context, it is key that a high level of safety and security of nuclear installations is ensured and that the research, development and use of nuclear energy for peaceful purposes are carried out in a manner consistent with the objectives of the Non-Proliferation Treaty. Jordan expressed the desire to cooperate with the EU and the Member States on nuclear issues. Jordan is conducting an exploitation programme for its uranium resources. Laws on nuclear energy as well as on safety and protection from nuclear radiation are in preparation. The nuclear law will provide a basis for the establishment of a nuclear regulator.

Jordan pursued the assessment of oil import options (Aqaba port, Iraq, Saudi-Arabia) and remained an active partner in the further construction of the Arab gas pipeline, bringing currently Egyptian gas to the region. Once completed, it should also play a role in enhancing the EU's energy security. Jordan sustained participation in the EC-supported Euro-Mashraq gas centre in Damascus, which is facilitating the development of a Euro-Mashraq natural gas market. Jordan plans to reinforce the domestic electricity network Aqaba-Northern Jordan and to construct an electricity interconnection with Jericho. Jordan took measures to reduce electricity network losses.

Jordan continued to gradually phase out price distortions, in particular regarding oil products and electricity, and to work on the future establishment of a new energy regulator. It further continued to enhance the development of independent power producers. Jordan privatised the electricity generator GEGCO and completed the sale of two electricity distribution companies. It took measures to implement its energy efficiency strategy and to promote renewable energy sources inter alia through the National Research Centre. It finalised a study on the future role of renewable energy sources and drafted a law in this area.

Key **environment** issues concern threats related to climate change, water resource management and water quality, waste management, nature protection, desertification and industrial pollution. Jordan made further progress on climate change. A second national communication, a greenhouse gas inventory and a national adaptation policy are being prepared. Altogether six Clean Development Mechanism (CDM) projects have been prepared, but not yet registered at the UN level.

Jordan participates in the Euro-Mediterranean Horizon 2020 Initiative on environmental measures in the Mediterranean area, including the identification of key environment infrastructure issues in the fields of municipal waste, urban waste water and industrial pollution as well as appropriate financing sources and mechanisms. Six of the 44 so far

identified projects with an apparent chance to be bankable are Jordanian¹. All interested parties still need to agree on how to prioritise, prepare and finance pollution reduction projects in these sites. Jordan also participates in activities under the EU Water Initiative.

Jordan finalised a review report of its previous national environment strategies, and the Ministry of Environment adopted a strategic plan for 2007-2010. Overall, framework legislation and sectoral legislation are in place in most areas, but continue to require further development, in particular with regard to implementing legislation. Latest legislation includes a by-law on land use. New legislation on an environmental fund, as well as on monitoring and inspections is under preparation. This is also the case for municipal waste management policies as well as a master plan related to conservation policies within land use. Work is ongoing to implement existing strategies and plans, but continued attention is required.

The Ministry of Environment has now gone through a comprehensive reform, within which its administrative capacities have been significantly strengthened. Consequently, the Ministry can be considered as representing best practice in Jordan for strengthening public administration. Nevertheless, further strengthening of administrative capacity is still a major challenge, in particular within the governorates' environment directorates and the municipalities, while also ensuring the sustainability of the functions of the reformed Ministry. Co-ordination between involved authorities requires also attention. In the field of water, a royal committee to develop the water sector and establish a viable water management system was established in early 2008. Environment police was established. There are some activities to integrate environment considerations into other policy sectors such as transport and trade. Monitoring as well as enforcement continue to require special attention. There are plans to set up an integrated permitting system, possibly piloting first with one industry sector. A state-of-the environment report is under preparation. Jordan has taken first steps to promote the application of strategic environmental assessments.

Jordan has ratified relevant international and regional conventions and protocols. The European Commission and Jordan have enhanced cooperation and information exchange, including on environmental governance and water. Other topics, such as waste management, air pollution, integrated permitting, climate change and environment aspects of trade have been identified for possible closer cooperation.

Jordan has adopted a new national strategy for the development of the **information society** spanning the years 2007-2011. The strategy is based on four primary pillars: investment and regulation, research and development, labour and education, and connectivity. The strategy aims to increase the number of people who use the internet by up to 50 % from the current 11 %, to increase employment in the sector to reach 35 000 jobs from 16 000 jobs and to double the current € 2.2 billion revenues by the year 2011. The Telecommunications Regulatory Commission has taken a number of recent decisions aimed at increasing competition in the electronic communications sector. These include the introduction of carrier selection for fixed telephony and of dispute resolution procedures in 2007 as well as the creation of a universal service fund in 2008. A decision on the introduction of mobile virtual network operator services has been taken and three wireless WIMAX licences have been issued in 2007. As part of the revised e-government strategy for the years 2007-2009, an initiative that aims at streamlining bureaucracy and enhancing access to the internet in rural areas, the Ministry of Industry and Trade has launched in 2007 its first e-service application.

¹ wastewater or water reuse: Zarqa region, Al Qumra region, Wadi Darraba, Wadi Zarqa; landfill: Northern region; hazardous waste treatment plant

The MIT Portal is integrated with the e-government portal. Jordan continues to strengthen the audiovisual commission in order to enable it to regulate efficiently and independently in consultation with civil society.

The development of **research and technology** in Jordan and the strengthening of the links between research and private sector remain a high priority for the country and for its socio-economic growth. A scientific research fund has been established by the Ministry of Higher Education and Research with the objectives of financially supporting research projects, strengthening the relations between universities and private sector, supporting incubators and centres of excellence, and increasing knowledge of IPR and patents. Although the coordination role of the Higher Council for Science and Technology (HCST) needs to be further strengthened, the success rate of Jordanian researchers in the 6th and 7th research framework programmes is comparatively very high. The negotiation between the EC and Jordan for a science and technology Cooperation Agreement is under way.

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

Significant progress was made in the design of a sector programme for vocational **training** in line with the priorities of the national agenda including the restructuring of the institutional framework (creation of a vocational education training council), a medium term expenditure framework and establishing tri-partite (employers, employees and government) dialogue structures to help shift towards a more demand-driven system. A strong relationship exists between Jordanian authorities and EU counterparts in this area. Reform of education progressed with the formulation of the **Education** Reform for Knowledge Economy project (ERfKE) which aims to transform the system at early childhood, basic, and secondary levels to produce graduates with the skills needed for the future knowledge economy. While the national agenda provides many elements for comprehensive reform, more efforts are required to form a coherent national plan involving all stakeholders to move away from a supply driven system. More attention is required to involve civil society in future reform and to develop mechanisms to ensure its effective participation.

Reforms in the area of higher education received significant support from Tempus by improving the quality of teaching and learning, staff skills and knowledge in Jordanian educational institutions, as well as providing exposure to new ideas and concepts. Five Jordanian universities participated in the Erasmus Mundus External Cooperation Window leading to an increase in individual student mobility. National priorities were set for participation in Tempus IV, further underpinning higher education reform in the areas of curricular reform, governance and quality assurance in line with Bologna Process principles.

Jordan participated actively in the Euro-Med Youth III Programme through the Ministry of Political Development by providing support for the development of informal education, enhanced **youth** exchanges and intercultural dialogue. At the same time, Jordanian young people, youth workers and organisations can benefit from the opportunities offered by the Youth in Action programme.

Jordan continues to strengthen the **Audiovisual** Commission in order to enable it to regulate efficiently and independently in consultation with civil society.

No developments were noted in the area of **culture**.

Jordan continued its **health** sector reform which should lead to increased coverage, enhanced quality of health care and the development of health infrastructure. Jordan participated in the Euro-Mediterranean workshop on communicable diseases and health systems, which prepares for a Ministerial conference. It participated in the EU Network of competent authorities in

health information and knowledge as well as in the “EpiSouth” network for EU, Mediterranean and Balkan countries on communicable diseases. Jordan also participated at a TAIEX-seminar “Health in all policies” jointly organised by the European Commission, the WHO and the European Health Observatory.

8. FINANCIAL COOPERATION – 2007 KEY FACTS AND FIGURES

With the entry into force of the European Neighbourhood and Partnership Instrument (ENPI) the policy-driven character of EC assistance was reinforced and allocations generally increased. The introduction of new cooperation mechanisms such as twinning and TAIEX (Technical Assistance Information Exchange) also strengthened the EC’s ability to provide financial and technical support in key regulatory areas and reforms.

This has allowed enhancing coherence between financial cooperation instruments and the priorities of the Action Plan in the elaboration of the Country Strategy Paper 2007-2013 and the corresponding National Indicative Programme 2007-2010 covering the first period of cooperation. The National Indicative Programme for the period 2007-2010 provides Jordan with € 265 million. The priorities for the Community's financial cooperation with Jordan are: political reform and good governance; trade and investment development; institution building and financial stability.

In 2007, the European Commission made available to Jordan € 62 million through the first ENPI Annual Action Programme. Within this envelope € 15 million were devoted to supporting the development of the private sector with a view to increasing investments through a services modernisation programme. Further € 42.5 million were devoted to a budget support operation to support the public finance reform programme and in particular fiscal stability and a more efficient allocation of financial resources. Finally, a € 4.5 million were used for a de-mining programme at Jordan's northern border that will make Jordan completely mine-free by 2009.

Jordan is also eligible for cooperation activities, financed under the ENPI multi-country and regional programmes and the ENPI Cross Border Cooperation component. Finally, in 2007 € 26.7 million were provided under the Development Cooperation Instrument (DCI) to support Jordan's public education system following the increase in demand caused by the large influx of Iraqis in recent years.