

European Neighbourhood and Partnership Instrument

Jordan

National Indicative Programme 2011-2013

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1. INTRODUCTION

1.1. Political developments

Municipal elections were held in July 2007 on the basis of a new Municipalities Law. No reform of the elections law for the **parliamentary elections** was undertaken, and the November 2007 parliamentary elections were held under the temporary elections law. There have been several government reshuffles over the past few years. Despite these changes, the National Agenda of November 2005 and the Kulluna al Urdun initiative remain Jordan's reform agenda and are the basis for its National Social and Economic Development Programmes. The most recent of these Programmes covers the period 2009-2011.

The **regional** situation continues to have a profound impact on the security and stability of the country. The influx of a large number of Iraqi refugees¹, the Gaza crisis of December 2008 and the lack of tangible progress in the Middle East Peace Process have put a considerable strain on Jordan's resources, its national unity, and the population's sense of identity.

One of the main goals of Jordan's political reform process is therefore to increase and institutionalise public participation in decision-making and to maximise grass-roots participation. A development in the direction of increased public participation has taken place with the launch in 2009 of a decentralisation project at the governorate level. To maximise grass-roots participation NGO's need to be further empowered. Their influence is now limited as a result of their often weak capacity and restrictions on the freedom of association. The adoption of a new Societies Law regulating the activities of NGO's was generally seen as a step towards more, not less, government control.

Practical measures have been taken to improve transparency, accountability and justice for all. Progress has been made in the fight against **corruption** and against **torture and ill-treatment**, in protecting **women** from violence and in improving the capacity and efficiency of the **judiciary**.

1.2. Economic and social developments

Growth in GDP remained between 5.6% and 8.6% in the period 2004-2008 but slowed markedly to 3.5% in the first quarter of 2009. The effects of the international financial and economic crisis have been relatively slow in making themselves felt but are now beginning to be apparent in a clear slowdown of the real estate sector, a contraction of exports of garments, pharmaceuticals and mining products, a sharp fall in inward investment and a reduction in expatriate remittances.

The deficits in trade and the balance of payments are likely to be substantially reduced in 2009, as a result of the reduced cost of importing crude oil and petroleum products and the decline in demand for other imported products. However, significant structural changes in the economy are still necessary to

¹ In 2009 52 000 refugees are registered with the UNHCR. The FAFO study put the number of Iraqi residents in Jordan at 450,000-500,000 as of May 2007.

overcome the macroeconomic vulnerability which the persistently high level of these deficits represents. The trade deficit is mostly due to a weak private sector that lacks the capacity to compete on European markets and the absence of a competitive business environment.

It is estimated that the budget deficit for 2009 will rise to around 12,5 % of GDP. This is on account of both falling revenue and rising government expenditure, as a percentage of GDP, the latter due mainly to an increase in capital expenditure.

Despite relatively strong economic growth in 2004-2008, the trickle-down effect has been limited: **poverty** levels and **unemployment** have not been reduced and the gap between rich and poor is growing. So far, unemployment has not risen dramatically as a result of the economic downturn but the situation is likely to worsen. An employment strategy is expected to be adopted before the end of 2009. The official poverty rate is 14.5 % and in November 2008 the Government of Jordan endorsed the Strategy for Poverty Alleviation. A draft Social Security Law is before Parliament and could be adopted before the end of 2009.

Several of Jordan's sectoral policies, such as the transport, energy, e-commerce and water management strategies, have undergone, or are currently undergoing, a review.

Jordan's energy position is characterised by almost no indigenous energy resources, high dependency on imported energy (96 %), high cost (energy imports account for 21 % of GDP in 2007), and high growth of primary energy demand. Jordan aims to have a 7 % share of renewables in the primary energy mix by 2015 and 10 % by 2020.

Jordan faces significant challenges in promoting environmental protection. Key areas include water resources management and water quality, waste management, air quality, nature protection, desertification and industrial pollution. Jordan is one of the four most **water-scarce** countries in the world. Water-use trends affect not only the quantity but also the quality of water and the soil. These environmental issues are bound to become even more compelling as a result of climate change.

1.3. Developments in EU-Jordan relations

This link between EU policies and Jordan's reform agenda is ensured by the ENP Action Plan, adopted in 2005, and the EU-Jordan dialogue on the implementation of Action Plan measures. A successor document is likely to be negotiated in 2010. Jordan is an active and constructive partner in the ENP and in the different subcommittee meetings where implementation of Action Plan measures is discussed. Overall, uneven progress has been made on Action Plan measures regarding democracy and rule of law and social policies, but steady progress has been made in the economic field.

In November 2008 Jordan expressed its interest in an advanced status with the EU. The Commission and the EU Member States have taken a positive stance towards Jordan's request for an advanced status.

In the regional context, the Euro-Mediterranean Partnership, also known as the Barcelona process, was re-launched at the Paris Summit in July 2008 as the Union for the Mediterranean (UfM). Jordan is one of the 16 partners across the Southern Mediterranean and the Middle East which together with the EU 27 Member States form this partnership. The UfM gives a new impulse by upgrading *inter alia* the

political level of the EU's relationship with its Mediterranean partners, providing more co-ownership to these multilateral relations and making these relations more concrete and visible through additional regional and sub-regional projects. Jordan works very actively towards integrating it further into the region in transport, energy and trade. Jordan participated actively in the development of the *Euro-Mediterranean Trade Roadmap till 2010 and beyond*, to be adopted at the 2009 EuroMed Trade Ministerial. The Roadmap encourages the interested Mediterranean partners to enter into negotiations with the EU with a view to turning the existing Euro-Mediterranean Association Agreements into deep and comprehensive Free Trade Agreements.

1.4. Lessons learned

As far as the implementation of the financial assistance is concerned, the disbursement level is high, budget support has been applied successfully and donor coordination has increased.

Budget support corresponds to 50% of the total allocation. Both budget support and twinning have been applied successfully to the satisfaction of the Government of Jordan. A combination of both could contribute to resolving a problem identified in the 2007 evaluation of the European Commission's (EC) support to Jordan, namely the difficulty of transferring the experience accumulated through programmes and projects to governmental institutions which manage sector budget support programmes.

As regards implementation, increasing use should be made of national systems. There is a need to move from partial decentralisation to substantial decentralisation, provided that the EU financial management requirements in this field are satisfied.

Donor presence is relatively stable, as is the division of labour among donors. USAID is the main donor in Jordan: in 2008 it allocated over \$561 million. Donor coordination has been strengthened, with increased involvement of the Ministry of Planning, which seems keen to drive this process forward and improve the information management of aid flows. Donors cooperate willingly to information sharing efforts and coordination.

2. THE INDICATIVE PROGRAMME FOR 2011-2013

2.1. Main priorities and goals

The EU aims to contribute to developing and consolidating the long term stability of Jordan through the **promotion of internal reform** on the political, economic and social fronts. The main documents that formed the basis for the Country Strategy Paper (CSP) remain valid today. These are Jordan's reform agenda, the National Agenda complemented by Kulluna al Urdun, and the EU-Jordan Action Plan. There is therefore no need to review the strategic objectives of the CSP.

The four strategic objectives of the CSP were based upon Jordan's National Agenda and on the 6 priorities for action of the ENP Action Plan. The Action Plan priorities are 1) enhanced political dialogue and reform; 2) economic and social reform and development; 3) trade related issues, market and regulatory reform; 4) cooperation in justice and home affairs; 5) transport, energy, information society and environment; 6) people-to-people contacts, including education.

The four strategic objectives of the CSP 2007-2013 remain the structure on which to build the new programming. These objectives are:

- (1) supporting Jordan's political and security reform in the areas of democracy, human rights, good governance, justice and the fight against extremism;
- (2) trade and investment development;
- (3) sustainability of the development process;
- (4) institution building, financial stability and support to regulatory approximation.

The bilateral assistance will focus on these priorities, while ensuring consistency with EU policies and financial instruments, other donors' actions and Jordan's own reform agenda. Within those strategic objectives, the EU can focus on areas where new Jordanian strategies have been, or are being, developed such as energy and decentralisation; areas where the EU has developed strong policies, such as climate change; and areas where the EU and Jordan have intensified their cooperation through the conclusion of agreements, such as civil aviation and research.

2.2. Indicative budget

The total bilateral ENPI budget allocation for Jordan for the period 2011-2013 has been proposed at **€223 million** over three years. This is an average of €74.33 million a year, which represents an increase of 12.2% over the period 2007-2010. This increase is in line with Jordan's commitment to advancing the implementation of the Action Plan, its desire to enhance its relations with the EU and its proven capacity to absorb ENPI funds effectively.

The specific rationale for allocating funding among the four main priorities is explained under each priority area.

2.3. PRIORITY AREA ONE: SUPPORTING JORDAN'S REFORM IN THE AREAS OF DEMOCRACY, HUMAN RIGHTS MEDIA AND JUSTICE

Strategic context/justification

Political reform is a key priority of the EU-Jordan Action Plan. The National Agenda and Kulluna al Urdun consider that 'support to the judiciary, fundamental freedoms, human rights and the democratic process' are important political reform actions to be undertaken in the period 2006-2015. Jordan has made significant progress in certain areas — as indicated in the introduction — but is not yet living up to its own ambitions.

2.3.1. Sub-priority 1: Democratisation, Civil Society and Media

i) Description/rationale

In line with the 2008 and 2010 projects, this programme could have several components. The common goal of the different components would be to help to achieve one of Jordan's declared priorities: the promotion of public participation in decision-making. To achieve this, citizens and Non State Actors (NSAs) need to be better informed and more empowered. This is true especially for women and youth. The low level of participation of women and young people to public life remains a concern.

Both the quality and the freedom of the media need to be enhanced to enable the media to make a full contribution to a transparent and democratic society and to increase the public's appreciation of the media's role. Citizens' awareness of their rights under international human rights instruments could be enhanced. Most of the major international human rights instruments are enforceable in court and supersede national legislation. However, international instruments need to be translated into domestic laws, relevant professionals trained and public information campaigns organised. Public participation in decision-making can also be enhanced through activities that increase political awareness, strengthen the electoral framework and stimulate voter registration. Greater freedom of association and further capacity building of NSAs is needed so they can act as an effective drive for good governance and accountability and take part in policy dialogue with the Government.

ii) Specific objectives

- Strengthen and institutionalise policy dialogue between Government and NSAs.

- Enhance citizens', and in particular women's, awareness of their political and civil rights.
- Greater freedom of the media.
- Enhanced quality of the media.
- Greater freedom of association.
- *iii) Expected results*
- Channels and procedures for systematic consultation of civil society on draft legislation are created and used.
- Increased knowledge of international human rights instruments.
- Increased political awareness and participation, including by women.
- Journalists increasingly able to publish without fear of retribution.
- General public has increased confidence in the quality of the media.

iv) Indicators of achievement

- Procedures for consultation of civil society on draft legislation are published.
- Number of consultations of civil society on draft legislation increase by 50 %.
- Increase in voter registration, in particular by women and young people.
- Increase in number of court cases where international human rights instruments are invoked.
- A fall in the perception of self-censorship from 94 % in 2008.
- Increase in website hits of national newspapers.

v) Indicative budget

The indicative budget is €10 million.

2.3.2. Sub-priority 2: Justice, Home Affairs and Security

i) Description/rationale

Though the Jordanian constitution provides for the independence of the judiciary, further capacity building is needed so that the judiciary will be increasingly able to play its role as an independent pillar of a democratic society. Under the NIP 2007-2010 the EU has been providing support to the implementation of the Judicial Upgrading Strategy (JUST) to enhance the capacity and efficiency of the judiciary. These reforms are ongoing, with good intermediate results that warrant continued EU support. So far the reforms have led *inter alia* to increased administrative capacity, better training of judges,

evaluation of judges and the creation of mediation departments. The EU has also started supporting the upgrading of the criminal justice legal and regulatory framework, penitentiary reform, and the strengthening of the juvenile justice and child protection system.

Since a comprehensive and solid sector strategy is available, sector budget support could be envisaged.

ii) Specific objectives

- Improved access to justice.
- Improved efficiency, transparency and accountability of the judiciary.
- Closer approximation of the criminal justice system to international standards.
- Closer approximation of the juvenile justice system to international standards
- Improved living conditions in Detention Centres.

iii) Expected results

- The independent administration of justice is enhanced.
- The effective administration of justice is enhanced.
- Updated legal and regulatory frameworks for criminal justice drafted.
- Updated legal and regulatory frameworks for juvenile justice drafted.
- Improved penitentiary management system.

iv) Indicators of achievement

- Improved results on surveys measuring the public perception of the judiciary.
- Percentage decrease in the number of pending cases.
- Draft legal framework for criminal justice submitted to cabinet.
- Draft legal framework for juvenile justice submitted to cabinet.
- Application of international standards and best practices in prison management.

v) Indicative budget

The indicative budget is €35 million.

2.4. PRIORITY AREA TWO: TRADE, ENTERPRISE AND INVESTMENT DEVELOPMENT

Strategic context/justification

Over the past years, to help Jordan improve its trade balance and increase investment flows into the country, the EU has heavily supported the development of the Jordanian private sector, the reduction of trade-related costs and the creation of a competitive business environment. Moreover the EIB has provided support to small and medium-sized enterprises (a total of €140 million worth of credit lines to local banks has been channelled to SMEs) and to transport (a financing support of €63 million for the Amman Ring Road).

The current economic climate may have a negative effect on export opportunities and it is therefore particularly important for Jordan to continue to strengthen the private sector, reduce trade-related costs, improve Jordan's competitiveness, implement a coherent investment strategy, including in research, development and innovation, and diversify its exports. Jordan and the EU continue to move towards increasingly free trade but the EU should stimulate Jordan's access not only to the EU market but also to the regional market.

i) Description/rationale

The high costs related to customs and transportation inside the country have a significant impact on the cost of goods and therefore on Jordan's competitiveness. In 2009 Jordan adopted a new Transport Strategy for 2009-2011. It focuses on regulatory improvements and the implementation of master plans for all modes of transport and includes a chapter on trade facilitation. Jordan is also developing an improved Trade Strategy focusing on better coordination, regulatory and legislative improvements, simplification of customs procedures and improved market access.

The current EU 'Transport and Trade Facilitation Programme' provides mostly budget support for the implementation of these strategies. The last disbursement is scheduled to be made in 2011. Under these strategies a number of policy studies and regulatory improvements will be finalised by 2011 (e.g. regulatory framework for air transport, definition of measures to upgrade the low efficiency of the trucking sector, etc.). These will lead to a better definition of investment priorities and needs for developing capacities and infrastructure for the different transport modes and trade facilitation structures. Other measures to facilitate the access of Jordanian products to regional and European markets should also be considered, such as continued alignment to EU quality standards and SPS requirements, preparations for the conclusion of Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAAs), possibly preparation for negotiations on further regulatory convergence with the EU, the continued implementation of the Euro-Mediterranean Charter for Enterprise, the need to ensure complementariness between the National Transport Strategy and the Transport Action Plan for the Mediterranean and support to regional trade initiatives.

The implementation of Jordan's trade and transport strategies is a long-term effort that warrants continued EU support. Provided that the eligibility criteria continue to be satisfied, this could take the form of budget support in combination with technical assistance for specific agencies that could continue to receive targeted EU support, such as the Executive Privatisation Commission, Jordan Enterprise, Jordan Institution for Standards and Metrology and the Jordan Investment Board.

ii) Specific objectives

- Increased capacity in trade facilitation.
- Increased capacity in cross-border transport.
- Easier access by industrial products from Jordan into the EU internal market and vice-versa.
- Enhanced efficiency of the transport sector.
- Increased air traffic between Jordan and the EU, at lower cost.

iii) Expected results

- Increased coordination between customs services and other border management services.
- Increased cooperation between Jordan and its neighbours for cross-border transport.
- Jordan is able to conclude a bilateral ACAA for the priority sectors of its choice.
- Management of transport infrastructure improved.
- Creation of a common aviation area based on common standards and opening-up of market access.

iv) Indicators of achievement

- Coordination arrangements between customs and other border management services are published.
- Structures for cross-border transport and trade facilitation with Jordan's neighbours are put in place.
- Horizontal legislation is aligned and related infrastructure is upgraded to enable the conclusion of an ACAA covering Jordan's priority sectors.
- A strategy for the connection between road and rail transport is adopted.
- Inland port and multimodal freight terminals are established.
- The legal and regulatory framework for the comprehensive aviation agreement is adopted.

v) Indicative budget

The indicative budget for this priority is €40 million.

2.5. PRIORITY AREA THREE: SUSTAINABILITY OF THE GROWTH PROCESS

Strategic context/justification

The trickle-down effect of Jordan's economic growth has been limited. The challenge is to achieve economic growth and social policies that reduce poverty, distribute wealth, create jobs and lead to enhanced participation of women and young people in economic life. As Jordan has limited natural resources, it is particularly important to ensure that economic growth does not deplete Jordan's natural resources, all the more so with the possible effects of climate change.

One of the sub-priorities in the NIP 2007-2010 was support to the water sector. However, given the overwhelming presence of other donors, the Millennium Challenge Corporation in particular, there is no need for a large EU programme in this sector. The support to improved management of the water sector can be continued on a smaller scale under priority area four (Support to Implementation of the Action Plan programme). Furthermore, the EIB has provided over €77 million to finance water and wastewater projects, including the restructuring and rehabilitation of the water supply network in Greater Amman and the modernisation of the water supply and wastewater treatment facilities in the north of the country.

2.5.1. Sub-priority 1: Human resources development

i) Description/rationale

Lacking natural resources, Jordan is highly dependent for its development on its human resources. The ongoing reform processes in education and vocational training need continued support to reduce unemployment, increase women's participation in the labour market and close the gap between school curricula and the demands of the labour market. The EU has provided significant support (2006-2010) to the Education Reform For the Knowledge Economy I (Erfke I), thus also supporting access to education by Iraqi refugees. In coordination with other donors active in this field, e.g. USAID, certain components of Erfke II (2009-2013) could be financed. Since a comprehensive and solid sector strategy is available, sector budget support could be envisaged. Jordan also agreed to the Framework of Action at the EuroMed Ministerial Conference on Employment and Labour (Marrakech, November 2008). A programme under this priority could also contribute to the realisation of the policy objectives of this Framework: more and better jobs. The EC is currently financing a study of an improved scheme of social protection in Jordan, the results of which can provide opportunities for support. An improved scheme of social protection can in particular enhance women's participation in the labour market.

ii) Specific objectives

- Better organised education system.
- Better qualified teachers.
- Adequate education for students with special needs.
- Improved employability and participation in the labour market, in particular of women.

iii) Expected results

- Improved planning for the education system.
- Provision of continuing teacher training.

- Special education programmes established and implemented.
- Measures taken to enhance women’s participation in labour market.

iv) Indicators of achievement

- Local school development processes are established to implement the national education reform.
- Curricula for teacher training are developed.
- Curricula and teaching materials for disabled students and gifted students are developed.
- Increase in percentage of women participating in labour market.

v) Indicative budget

The indicative budget is €23 million.

2.5.2. Sub-priority 2: Development of renewable or alternative energy sources

i) Description/rationale

Reducing dependency on imports of traditional sources of energy, namely oil and natural gas, is a key priority for Jordan. The wider exploitation of renewable energy (RE) sources, along with improved energy efficiency, is part of Jordan’s strategy to meet the increasing energy demand, enhance its security of energy supply, develop new activities for local industries and services and promote economic and social development. The promotion of RE is also a key objective of the EU and a Mediterranean Solar Plan is envisaged in the context of the Union for the Mediterranean.

Jordan is poor in indigenous energy resources and therefore largely (97%) dependent on imports, which constitutes a considerable economic burden. RE sources have barely been tapped for the generation of electricity. According to the National Energy Strategy, RE sources must represent at least 10% of the primary energy mix in 2020. It currently stands at 0.5%.

The main obstacles in Jordan include the shortage of capital funding, insufficient awareness of potential opportunities to save energy and insufficient research to develop Jordan’s self-generation capacity using RE sources. A Renewable Energy Strategy has been adopted and the draft Renewable Energy Law, which also sets out the main features of the Jordan Renewable Energy and Energy Efficiency Fund (JREEF), could help overcome these obstacles. The draft law could still be adopted in 2009. Since a comprehensive and solid sector strategy is available, sector budget support should be envisaged.

ii) Specific objectives

- Increased capacity to generate energy using renewable energy sources.
- Improved energy efficiency.

iii) Expected results

- Enhanced capacity for wind energy and Concentrating Solar Power technologies and benefits.
- Greater awareness of the benefits of renewable energy sources.
- Increased awareness of energy consumption rationalisation.

iv) Indicators of achievement

- Renewable energy pilot projects launched.
- Professional training programmes in renewable energies developed.
- Public awareness programmes on renewable energies realised.
- Energy Consumption Efficiency Programmes implemented in different sectors (government, industry, domestic, transportation, water pumping, etc.).

v) Indicative budget

The indicative budget is €35 million.

2.5.3. Sub-priority 3: Local development

i) Description/rationale

In October 2008 Jordan developed a Vision for Decentralisation explicitly stating that decentralisation should be seen as a way of actively promoting: poverty alleviation and local development; a more even distribution of income; and more effective environmental protection. The implementation of Jordan's decentralisation programme started in Madaba in 2009 and is expected to mature at the national level in 2011. Under the EU-supported Poverty Alleviation through Local Development programme (PALD, 2004-2009), a comprehensive Strategy for Poverty Reduction through Local Development was developed and subsequently adopted in November 2008. Supporting the role and capacity of governorates, municipalities and local non-state actors (NSA's) in the definition and implementation of Local Development Plans would help bring forward the Government's poverty alleviation strategy and its decentralisation programme.

The 2009 programme entitled Building Development Capacities of Jordanian Municipalities (€ million) and the 2010 proposed programme Fostering Local Economic Development in Jordan (€ million) build upon the PALD. They aim to foster local economic development through better cooperation between municipalities and NSA's (private sector and community organisations in particular). They link up with a larger follow-up programme under this NIP sub-priority. This programme could use budget support for the Vision for Decentralisation and the Strategy for Poverty Alleviation through Local Development. The programme would be complementary to the Regional and Local Development Program of the World Bank (WB) and the Agence Française de Développement (AFD). One of the purpose of the WB/AFD programme is to provide performance-based grants for municipal infrastructure and services.

ii) Specific objectives

- Increased public participation in decision-making at the local level.
- Increased contribution by women in Local Development Plans.
- Contribute to the implementation of the Vision for Decentralisation.
- Contribute to the implementation of the Strategy for Poverty Reduction through Local Development.
- Foster local economic development.

iii) Expected results

- Improved quality and increased ownership of the Local Development Plans.
- Establishment of measures to ensure participation of women in consultation processes.
- Improvements in municipal management.
- Better organisation of human resources, financial planning and delivery of services by municipalities.
- Enhanced capacity of the local NSA's and Local Development Units in the municipalities.
- Reinforced cooperation between local authorities and local non-state actors to stimulate economic development.

iv) Indicators of achievement

- Establishment in municipalities of participatory and consultation processes for the formulation of Local Development Plans.
- Municipalities plan and implement reorganisation programmes of their services especially targeting human resources management, financial planning and quality of service delivery.
- Municipalities meet the standards to qualify for performance-based grants under the Regional and Local Development Programme.
- Local authorities implement joint productive projects with local non-state actors.

v) Indicative budget

The indicative budget is €35 million

2.6. PRIORITY AREA FOUR: SUPPORT TO THE IMPLEMENTATION OF THE ACTION PLAN (SAPP)

Strategic context/justification

The capacity of Jordanian institutions is a key factor for the satisfactory implementation of the reform agenda. Two types of support were foreseen under the NIP 2007-2010: 1) support to public sector and

public finance management reforms and 2) flexible support for institution building and dissemination of the European *acquis* to support the implementation of the EU-Jordan Action Plan (SAPP).

Both the EU and the World Bank had intended to support the implementation of Jordan's Public Sector Reform Strategy. However, the erratic progress of this reform prompted the EU and the World Bank to redirect their assistance towards other sectors.

Significant progress has been made with public finance management reform and ongoing budget support to this reform will continue throughout the lifetime of this NIP. A follow-up programme should therefore rather be foreseen in a NIP beyond 2013.

The SAPP has proven to be a very efficient tool to provide support for a broad range of projects identified as priorities in the course of the policy dialogue.

i) Description/rationale

Since 2003 successive programmes (SAAP I, SAAP II, SAPP) have been established to support a broad range of projects that have been identified as priorities during the policy dialogue in the context of the Association Agreement and the ENP Action Plan. These programmes aim to put at the disposal of the Government of Jordan, an 'operational fund' to be used in a demand-driven, flexible and simple manner. The SAPP has complemented EU support provided through budget support programmes and the assistance mobilised through Technical Assistance Information Exchange (TAIEX) missions.

The SAPP has proven to be a very efficient tool and has functioned to the great satisfaction of both Jordan and the EU. It has contributed to institution building and regulatory approximation. Twinning projects have been implemented between Jordanian public bodies and counterparts from EU Member States in fields such as industrial standards, food safety, public audit, customs, trade policy, penitentiary reform and development of the Anti-Corruption Commission. Projects supporting the Ministries of Environment and Justice have also been implemented.

In the light of the satisfactory result and high demand, the envelope for a follow-up to this programme has been substantially increased. The areas for future intervention will also be determined in the course of the policy dialogue, but could include management of the water sector, EU technical regulations and harmonised standards, surveillance and control of communicable diseases, research and development and capacity building in areas of home affairs and security, such as the fight against drugs, migration and border management, counter-terrorism, law enforcement and anti-corruption.

ii) Specific objectives

- Strengthened capacity of the different Jordanian institutions to create and enforce a legislative environment supportive of socio-economic development.
- Modernisation and further approximation of the Jordanian legislative and regulatory framework.
- Improved EU-Jordan policy dialogue.

iii) Expected results

- Increased efficiency and effectiveness of the public administration in implementing the EU-Jordan AA and ENP Action Plan.
- Increased capacity for Jordan to formulate and implement strategies, policies and regulatory framework.
- Knowledge of the EU-Jordan Association Agreement and the ENP Action Plan is disseminated throughout line ministries, thus facilitating EU-Jordan dialogue and negotiations.

iv) Indicators of achievement

- Progress towards implementation of Action Plan measures in sectors supported by SAPP.
- Progress towards National Agenda targets in sectors supported by SAPP.
- Quality of input by line ministries in sub-committee meetings, formulation of assistance programmes and policy dialogues.

v) Indicative budget

The indicative budget for the SAPP is €45 million.

3. IMPLEMENTATION

The EU's primary interlocutor in the Jordanian Government on matters of financial assistance is the Ministry of Planning and International Cooperation (MoPIC). The 2011-2013 NIP was drawn up following extensive dialogue with the MoPIC, line ministries and government agencies to ensure that it is fully in line with Jordan's priorities.

Jordan generally has good absorption capacity for ENPI funds and there have been very few problems with disbursements. Jordan has received, and successfully managed, sector budget support (SBS). Jordan continues to satisfy the eligibility criteria for budget support and more than 70% of NIP 2011-2013 funds is expected to be allocated in the form of SBS. The design of SBS programmes should be coherent with priorities of the ENP Action Plans and their implementation should be linked with the continuous EU-Jordan policy dialogue.

Where relevant, stakeholders (including Civil Society Organisations) will be consulted on the design of the measures to be implemented under this programme and might be involved in the monitoring process. As appropriate, civil society organisations should be supported in their role of promoting reform and increasing public accountability in the sectors supported by the NIP.

The EU's major sectoral programmes are complemented by a number of project-based initiatives in areas that do not lend themselves to, or do not require, budget support operations, such as support for political reform. Jordan has also made good use of the Twinning and Technical Assistance Information Exchange (TAIEX) instruments and is encouraged to continue doing so. As appropriate and at the

request of the Jordanian authorities, support will be provided for co-financing the costs of Jordan's participation in select Community programmes which are open to its participation².

Support for infrastructure rehabilitation and development should, as a general rule, be designed in close cooperation with EIB, the EBRD and other International Finance Institutions. When such support is considered, care should be taken to ensure coherence and avoid overlaps with the operations supported by the Neighbourhood Investment Facility (NIF) for which Jordan is eligible. Whenever interest rate subsidies are considered, their relevance will be assessed on a case-by-case basis, and care should be taken to avoid significant market distortions.

The EU is not only involved on the bilateral level but also on the regional level and the ENP builds on the achievements of the Euro Mediterranean Partnership. With the NIP 2011-2013 the EU aims to anchor national developments in the regional context and create links between EU activities on the national level and EU activities on the regional level. Resources for enhanced sector cooperation between relevant EU agencies and programmes and interested public bodies and authorities in Jordan will be provided as appropriate under the ENPI Inter-Regional Programme 2011-13.

Climate change is a key challenge affecting the global community across a wide range of policy areas. In the implementation of this indicative programme, considerations with regard to climate change causes (mitigation) and effects (adaptation) will be integrated into relevant areas of intervention. Moreover, gender will be mainstreamed as a cross-cutting issue in all assistance matters.

4. RISKS AND ASSUMPTIONS

The NIP 2011-2013 is subject to essentially the same risks as the NIP 2007-2010, in particular those linked to regional political and economic developments. Jordan's internal stability clearly hinges on progress in the Middle East peace process and stability in Iraq. Any deterioration in the perception of Jordan as a politically and socially 'stable' country could have a negative economic and political impact. It would affect the investment climate and lead to a slowing of foreign investment, undermining macroeconomic stability. It could also change the priorities of the Government, focusing more on security than reform.

Progress in implementing reforms depends to a large extent on the existence of a national dialogue and on the degree of consensus on the reforms. Strong divergences of opinion on the reforms and the difficulty in maintaining a dialogue between all sections of Jordanian society on the process of modernisation would represent a major obstacle to the effective implementation of the various strategies set out in the National Agenda and Kulluna al Urdun. The selection of priorities is in line with Jordan's reform agenda and aims to facilitate its implementation. This also presupposes that the Jordanian Government continues to provide its own support for this ambitious initiative. It is very important that: there are no substantial changes to the framework for the country's modernisation process; policies are oriented towards its implementation; and effective benefits can be demonstrated to the Jordanian people.

² This support must not exceed 10% of the programme budget, should be digressive, phased out overtime and, as a general rule, cannot cover more than 50% of the costs of the participation.

The budgetary situation is also a real source of concern. The current economic crisis could deteriorate to such an extent that the Government's ability to support continued implementation of the reform strategy would be undermined.

5. ALIGNMENT, HARMONISATION AND CONSULTATION

Donors' coordination mechanisms were established years before the 2005 Paris Declaration on Aid Effectiveness. Following an initiative launched by the EU and the Member States, donor coordination was substantially improved with the creation in 2000 of the Donor and Lenders Consultation Group (DLCG), for which UNDP provides the secretariat. The EU is very active in the DLCG and was Chair in 2008. The EU also chairs several of the working groups.

The EU has also established an internal Development Cooperation Group (EUDCG), which meets regularly at the EU Delegation to improve common strategies, coherence, information exchange and the visibility of EU and Member State programmes. Over the past years Commission staff and experts have systematically briefed EU Member States at all stages of the project cycle. These two fora ensure good coordination among donors, thus avoiding duplication of activities and programming.

Within the Jordanian Government, the Ministry of Planning and International Cooperation (MoPIC) is responsible for coordinating and implementing assistance and promotes coherence amongst donors and between Jordanian line ministries. In 2008, the MoPIC established government-donor coordination working groups in different thematic areas, including good governance. The working groups meet on a yearly basis.

The EU has supported MoPIC in the development of a new donor coordination mechanism called the *Jordan Aid Information Management System* (JAIMS). This database is intended to provide information on ongoing financial assistance, projects, and programmes. JAIMS supports the goals of the 2008 Accra Agenda for Action and the International Aid Transparency Initiative, which promotes transparency and accessibility of information to increase the accountability, predictability, and effectiveness of aid and reduce transaction costs.

An initial programming mission for the drafting of the current NIP took place in Amman in February 2009. Consultations took place with 12 Jordanian ministries and agencies³, USAID and the Member States. Member States were offered the possibility of joint programming.

During that mission a large number of local and international civil society organisations were invited to a roundtable discussion on the EU's assistance strategy, including possible avenues for future cooperation. Around 20 representatives participated in a lively discussion.

The Commission subsequently drafted a concept note outlining the envisaged priorities for EU assistance in the period 2001-2013. This concept note was discussed with MoPIC during a second programming mission in March 2009. In April 2009 the concept note was published on the EC

³ MoPIC, Jordan Enterprise, Jordan Investment Board, Ministry of Justice, Ministry of Municipal Affairs, Ministry of Finance, Ministry of Education, Executive Privatisation Commission, National Energy Research Centre, Ministry of Political Development, Ministry of Environment and Ministry of Labour.

Delegation's website and all stakeholders, including the EIB and civil society organisations, were invited to comment. Five CSOs (local, regional and international) provided contributions that were taken into consideration in preparing this indicative programme.

6. BUDGET OF THE PROGRAMME

Priorities	Total NIP	%
<i>1. Supporting Jordan's reform in the areas of democracy, human rights, media and justice</i>		
Democratisation, Civil Society and Media	10	<i>20.1 %</i>
Justice, Home Affairs and Security	35	
<i>2. Trade, enterprise and investment development</i>		
Trade, enterprise and investment development	40	<i>17.9 %</i>
<i>3. Sustainability of the growth process</i>		
Human Resources development and employment	23	<i>41.7 %</i>
Development of renewable or alternative energy sources	35	
Local development	35	
<i>4. Support to the implementation of the Action Plan</i>		
Support to the implementation of the Action Plan Programme (SAPP)	45	<i>20.1 %</i>

LIST OF ABBREVIATIONS AND ACRONYMS

AA	Association Agreement
ACAA	Agreements for Conformity, Acceptance and Recognition
AP	Action Plan (EU-Jordan ENP Action Plan)
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DLCG	Donor/Lender Consultation Group
EC	European Commission
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood Partnership Instrument
ERfKE	Education Reform for Knowledge Economy
EU	European Union
FTA	Free Trade Agreement
GDP	Gross Domestic Product
JUST	Judicial Upgrade Strategy
MoPIC	Ministry of Planning and International Cooperation
NGO	Non Governmental Organisation
NIP	National Indicative Programme
NSA	Non State Actor
SAAP	Support to the implementation of the Association Agreement Programme
SAPP	Support to the implementation of the Action Plan Programme
SME	Small and medium-sized enterprises

SPS	Sanitary and phytosanitary measures
TAIEX	Technical Assistance Information Exchange Unit
TVET	Technical and vocational education and training system
UN	United Nations
UNDP	United Nations Development Programme
USAID	US Agency for International Development

ANNEXES:

- Annex 1: Jordan Map
- Annex 2: Jordan at a glance — macroeconomic indicators
- Annex 3: Millennium Development Goals Jordan
- Annex 4: Donor coordination matrix
- Annex 5: Mid-term review checklist
- Annex 6: Country environment profile
- Annex 7: Budget support

ANNEX 1: MAP



ANNEX 2: JORDAN AT A GLANCE

Table III.8.1:

Jordan - Main economic indicators	2005	2006	2007	2008 prel.	2009 proj.
Real sector					
Real GDP growth (% change)	7.2	6.4	6.0	5.5	3.5
Inflation (consumer price, year average)	3.5	6.3	5.4	14.0	3.7
GDP per-capita (EUR)	1873	2035	1915	2573	2682
GDP per-capita (USD)	2317	2533	2796	3295	3507
GDP (Jordanian dinar, billion)	8.9	10.0	11.7	14.2	15.6
GDP (EUR, billion)	10.2	11.4	11.3	15.7	16.9
GDP (USD, billion)	12.6	14.1	16.5	20.1	21.8
Social indicators					
Unemployment (off. registered, average, %)	14.8	13.9	13.5	12.6	13.5
Domestic population growth (%)	2.3	2.3	2.3	2.3	2.3
Human development index	0.763	0.769			
Population (in million)	5.5	5.7	5.9	6.1	6.3
Fiscal sector					
General government revenues, excl. grants (% GDP)	28.2	31.2	34.9	34.9	33.6
General government expenditures (% GDP)	38.3	38.4	41.1	40.4	38.8
General government balance, incl. grants (% GDP)	-5.0	-4.4	-6.2	-5.5	-8.7
General government balance, excl. grants (% GDP)	-10.0	-7.4	-9.2	-9.3	-11.4
Net public debt (% GDP)	84.2	73.5	73.0	62.0	62.7
External and Monetary sector					
Broad money (% change)	17.0	14.1	10.0	9.3	12.7
Current account balance, incl. official transfers (% GDP)	-17.9	-11.3	-16.7	-23.9	-12.3
Trade balance (% GDP)	-42.0	-37.6	-38.0	-44.7	-37.5
FDI (net, % GDP)	12.0	22.1	11.5	11.8	8.5
Remittances (% GDP)	17.0	15.3	15.5	14.7	14.0
Import cover of reserves (months)	4.7	5.6	5.0	3.6	3.4
External vulnerability					
External public debt (% GDP)	56.6	51.9	47.0	24.0	25.0
Gross reserves (USD, billion)	4.7	6.2	7.9	8.6	7.7
Financial sector					
Exchange rate (JOD per USD, period average)	0.71	0.71	0.71	0.71	0.71
Exchange rate (JOD per EUR, period average)	0.88	0.89	0.97	1.03	0.91
Real effective exchange rate (% change, + is apprec.)	7.0	-1.3	-4.1		

Sources: Ministry of Finance Jordan, IMF, World Bank, EIU, Commission.

ANNEX 3 — MILLENNIUM DEVELOPMENT GOALS JORDAN

Millennium Development Goals				
	1990	1995	2000	2007
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (%)	63	62	62	61
Employment to population ratio, ages 15-24, total (%)	53	51	47	45
GDP per person employed (annual % growth)	0	2	3	3
Income share held by lowest 20 %	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	23.2
Poverty gap at \$ 1.25 a day (PPP) (%)	..	..	..	..
Poverty headcount ratio at \$ 1.25 a day (PPP) (% of population)	..	..	..	..
Prevalence of undernourishment (% of population)	17	15	..	14
Vulnerable employment, total (% of total employment)	..	..	..	..
Goal 2: Achieve universal primary education				
Literacy rate, youth female (% of females aged 15-24)	79	..	84	87
Literacy rate, youth male (% of males aged 15-24)	88	..	90	91
Persistence to last grade of primary, total (% of cohort)	..	..	..	..
Primary completion rate, total (% of relevant age group)	79	..	83	86
Total enrolment, primary (% net)	..	..	85	89
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliaments (%)	13	12	14	18
Ratio of female to male enrolments in tertiary education	..	..	96	106
Ratio of female to male primary enrolment	89	..	92	95
Ratio of female to male secondary enrolment	83	..	93	95
Share of women employed in the non-agricultural sector (% of total non-agricultural employment)	34.6	37.0	36.3	..

Goal 4: Reduce child mortality				
Immunisation, measles (% of children aged 12-23 months)	73	74	73	82
Mortality rate, infant (per 1 000 live births)	63	60	55	47
Mortality rate, under-5 (per 1 000)	93	88	83	68
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1 000 women aged 15-19)	..	65	60	52
Births attended by skilled health staff (% of total)	50	..	..	65
Contraceptive prevalence (% of women aged 15-49)	57	..	..	60
Maternal mortality ratio (modeled estimate, per 100 000 live births)	430	..	..	400
Pregnant women receiving prenatal care (%)	..	..	..	81
Unmet need for contraception (% of married women aged 15-49)	..	..	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	..
Condom use, population aged 15-24, female (% of females aged 15-24)	..	..	..	..
Condom use, population aged 15-24, male (% of males aged 15-24)	..	..	..	..
Incidence of tuberculosis (per 100 000 people)	125	128	136	139
Prevalence of HIV, female (% aged 15-24)	..	..	..	0.7
Prevalence of HIV, male (% aged 15-24)	..	..	..	0
Prevalence of HIV, total (% of population aged 15-49)	0.3	0.7	0.9	0.8
Tuberculosis cases detected under DOTS (%)	..	14	30	63
Goal 7: Ensure environmental sustainability				
CO2 emissions (kg per PPP \$ of GDP)	0.9	0.7	0.6	0.5
CO2 emissions (metric tons per capita)	4.3	4.1	4.1	4.5
Forest area (% of land area)	31	31	31	30
Improved sanitation facilities (% of population with access)	51	54	57	60






Improved water source (% of population with access)	76	79	82	86
Marine protected areas, (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	11.0
Goal 8: Develop a global partnership for development				
Aid per capita (current US\$)	11	12	10	16
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	..	..	..	..
Internet users (per 100 people)	0.1	0.8	6.7	21.8
Mobile cellular subscriptions (per 100 people)	0	2	12	51
Telephone lines (per 100 people)	10	12	16	20
Other				
Fertility rate, total (births per woman)	3.2	2.9	2.7	2.5
GNI per capita, Atlas method (current US\$)	4.085	5.060	5.267	7.995
GNI, Atlas method (current US\$) (billions)	21.485. 0	28.713. 4	31.986. 5	52.850. 4
Gross capital formation (% of GDP)	23.4	22.3	22.3	22.4
Life expectancy at birth, total (years)	65	66	67	69
Literacy rate, adult total (% of people aged 15 and above)	76	..	82	84
Population, total (millions)	5.259.1	5.675.0	6.073.3	6.610.3
Trade (% of GDP)	38.2	42.0	49.2	56.9

Source: World Development Indicators database

ANNEX 4: DONOR COORDINATION MATRIX FOR JORDAN⁴

Ongoing Funding (... - 2009)	European Union										IFIs			Other donors			
	EC	Belgium	Denmark	France	Germany	Greece	Netherlands	Slovenia	Sweden	United Kingdom	EIB	EBRD	WB	Norway	United States	Japan	Others*
Access to Information and Media															★		
Agriculture															★		
Anti-Corruption							★										
Business/ Private Sector/ Trade															★		
Civil Society	★																
Communication and Information																	
Culture and Recreation															★		
Decentralisation and Local Governance				★													
Education	★																
Energy	★																
Environment															★		
Governance	★																
Health															★		
Human Rights																	
Justice																	
Local Development	★																
Military and Demining														★			
Multi-Sector															★		
Parliamentary Development/ Electoral systems and processes															★		
Public Administration Reform																	
Public Financial Reform																	
Refugees																	
Tourism and Antiquities	★																
Transport																	
Water Supply and Sanitation															★		
Youth															★		
Other (not related to Action Plan)																	★

*) Other donors include Canada and Switzerland

	= indicates in which sectors the EU is active as a donor
	= indicates in which sectors EU Member States are active as a donor
	= indicates in which sectors International Finance Institutions are active as a donor
	= indicates in which sectors non-EU donors are active as a donor
	= indicates (on the basis of available accumulative data in September 2009) who is the main donor in the given sector

⁴ This matrix is based on the contributions of the following donors: Belgium, Denmark, France, Germany, Greece, the Netherlands, Slovenia, Sweden, the UK, Canada, Japan, the USA, the EIB and the World Bank, who kindly provided the Commission with a description of their main programmes in the summer of 2009 so that an optimal division of labour could be ensured. The matrix forms the basis for the coordination of assistance activities of the various donors active in Jordan and will be continuously updated.

ANNEX 5: COUNTRY ENVIRONMENT PROFILE

1. State of the environment

The key environmental issues in Jordan relate to: water resource management and water quality, waste management, air quality, nature protection, desertification and industrial pollution.

As regards **water quality and resource management**, Jordan is one of the most water-scarce countries in the world, which makes availability and management of water resources a key environmental issue for the country. Jordan's Sustainable Development Strategy, 'Agenda 21, Towards Sustainable Development' (1995) estimated that if trends and policies did not change, non-renewable ground water resources would be exhausted in 50 years. Water scarcity is expected to become an even greater concern over the next two decades as a result of population increase and climate change, which may well make precipitation more uncertain and variable. Deforestation, soil erosion and desertification would substantially increase, with serious consequences for biodiversity and other natural assets and resources. In all, 98% of the population has access to an improved water source and about 75% of the urban population and around 55% of the total population are connected to a wastewater treatment system. Water quality is affected by untreated municipal wastewater discharge, industrial effluents, solid waste disposal and agricultural run-off.

Air quality is a concern in Jordan in major industrial and heavy traffic areas such as Zarqa, Aqaba and Amman. The main sources are domestic, commercial and industrial activities, power plants and road transportation.

The increase in population, industrial activities and new consumption patterns and life styles have resulted in the generation of larger volumes of solid and hazardous waste. **Waste management** constitutes a challenge with regard to prevention, collection, treatment, recovery and final disposal. The collection, transportation, and disposal of solid waste are the responsibility of the municipalities, using landfills as the main disposal method. A hazardous waste disposal site is available in Swaqa (south of Amman) but the infrastructure is not yet ready. Medical waste treatment has become a key priority. Plans have been elaborated to upgrade and develop current practices in this regard.

As regards **nature protection**, Jordan has a broad range of vegetation types, representing different elements of flora and fauna. While the rest of the country is arid, much of the country's diversity results from the formation of the Great Rift Valley, where a rich eco-system is present. Furthermore, Jordan has some highly specialised habitats, the most noteworthy being the Dead Sea. The biological diversity of the Gulf of Aqaba is unique and the area is a global priority for conservation. Jordan's rich biodiversity is threatened and many species are now classified as threatened, endangered, or even extinct on the regional and global levels.

With regard to **land use**, approximately 85% of Jordan is desert, around 13% of land area is agricultural land and 20% of crop land is irrigated. Forests account for 1% of Jordan. Desertification and land degradation is a challenge. Deforestation is an issue, even if forest fires have decreased in number and in terms of damaged area.

Concerning **industrial pollution**, the main industries in Jordan include phosphate mining, petroleum refining, cement and potash. Other growing industries include tourism, information technology and garments. The development of Special Economic Zones as well as Development Zones needs to take environmental assessments into account.

Important **trans-boundary environmental issues** include the shared use of the River Jordan among Jordan, Israel and the Palestinian Authority and the protection and use of the Red Sea as well as shared water resources with Syria and Israel of the Yarmouk river basin and the Disi aquifer shared with the Saudi Arabia.

As regards **global environmental issues** and climate change in particular, Jordan acceded to the Kyoto Protocol to the UN Framework Convention on Climate Change (UNFCCC) in 2003 and therefore needs to implement the relevant provisions and, where appropriate, concrete policies and measures to reduce greenhouse gas emissions, in particular in the energy and heavy industry sectors.

2. Environment policy

Jordan adopted its *National Environmental Strategy* in 1991 and the corresponding *Action Plan* in 1994. The plan outlines five strategic initiatives for long-term progress in the environmental sphere: (1) a comprehensive legal framework for environmental management; (2) strengthening of existing environmental institutions and agencies, particularly the Department of the Environment and the Royal Society for the Conservation of Nature; (3) an expanded role for Jordan's protected areas; (4) promotion of public awareness of, and participation in, environmental protection programmes; (5) giving sectoral priority to water conservation and slowing down Jordan's rapid population growth.

In 1999, the '*Jordan Agenda 21 of the UN: Towards Sustainable Development*' was adopted. This document identifies the sustainable use of environmental resources such as water, soil and vegetation as one of Jordan's most urgent challenges. An Agenda 21 Committee composed of government, NGO and private sector representatives has been set up to carry out periodic reviews of progress towards the Agenda goals and assess the continued relevance of the objectives.

The *National Agenda*, which indicates general national policy priorities for the period 2006-2015, mentions a number of key issues in the field of the environment, including the strengthening of the regulatory and institutional framework, waste management, air quality, natural resources, land use and water-related infrastructure. The basis for the Ministry of Environment's activities is the *Environmental Strategic Plan (2007-2010)*. The implementation of this Plan is regularly monitored.

Jordan adopted a number of sector-specific plans and programmes and an *Environmental Strategies Review Report* was prepared in 2006. The report includes a comparative analysis of all previous environmental strategies and a content analysis of sectoral development strategies in Jordan. A *State of the Environment Report* has been finalised, and the National Environmental Action Plan is in preparation.

The *Water Demand Management Policy* was adopted in 2008 and a new *Water strategy* for 2009-2022 was adopted in 2009. They aim to introduce best practices in water and wastewater management and implement water resource development projects.

In 2003 Jordan adopted a *National Biodiversity Strategy and Action Plan* and a *National Strategy and an Action Plan to Combat Desertification* have also been adopted. The *Solid Waste Policy Strategy* is in the process of being adopted. The *National Environmental Awareness and Communication Strategy* was developed in 2000.

In the field of climate change, Jordan has submitted a second national communication, and prepared a greenhouse gas inventory, an assessment of climate impacts and adaptation measures. Jordan continues to prepare Clean Development Mechanism projects, and one project is registered at the UN level.

3. Environmental legislation and implementation

The overall legislative framework for environmental protection is the *Law for the Protection of the Environment* of 2006, which is being upgraded.

As regards legislation on **horizontal issues**, there is an *Environmental Impact Assessment Regulation*, but legislation on strategic environmental assessment still needs to be prepared. The Environmental Inspection and Monitoring Law was adopted in August 2009.

A *Regulation on Water Protection* exists for **water management**, and a new general Law on Water is in preparation, as part of the ongoing substantial reforms of the water sector as a whole. The most important legislation for **water quality** is a bylaw setting water quality objectives and standards for wastewater treatment plants and waste disposal sites. It also addresses water savings opportunities in the industrial, agricultural and construction sectors. To monitor privatised services in the sector the Water Services Audit Unit has been established with a view to becoming Jordan's water regulator.

In the field of **air quality**, an *Air Protection Regulation* was adopted, following the adoption of the Law for the Protection of the Environment. Additional air quality legislation has been developed.

Concerning **waste management**, *Regulations on solid waste management and on the management, transport and handling of harmful and hazardous substances* have been adopted, on the basis of the general Law for the Protection of the Environment. The legal framework was further developed in 2009.

There is a *Regulation on Protecting the Environment from Pollution in Emergency Situations* to tackle **industrial pollution**, and some steps have been taken to upgrade the integrated permitting system.

To respond to the challenge of **desertification**, a *Soil Protection Regulation* was adopted. In **nature protection**, *Regulations on Nature Protection and on Natural Reserves and National Parks* have been adopted, based on the Law for the Protection of the Environment. A *Regulation on the Marine Environment and Coastal Protection* has been adopted, and there is a special *Law on integrated coastal zone management in Aqaba*.

An Environment Fund is to be established to support environmental mainstreaming.

Generally speaking, framework and sectoral legislation is in place in many areas, but improvements are still needed. Jordan faces difficulties with implementation and enforcement due to limited administrative capacity and financial resources.

4. Administrative capacity

The Ministry of the Environment was established in 2003 and is currently undergoing comprehensive reform, which also includes the Ministry's branches in the Governorates.

Other Ministries, such as the Ministries of Water and Irrigation, Agriculture, Industry and Trade, Energy and Mineral Resources and Planning are also involved in environmental issues, together with bodies such as the Jordan Valley Authority and the Petra Regional Authority, as well as the Aqaba Special Economic Zone Authority.

NGOs have received delegated responsibilities to implement environmental actions. Thus, the RSCN (Royal Society for the Conservation of Nature) establishes and manages Natural Reserves, the JES (Jordan Environment Society) works on environmental awareness and the RSS (Royal Scientific Society) works on implementing environmental monitoring, especially of water bodies and water issues.

In order to enhance strategic planning and the implementation of environmental legislation, administrative capacities need to be further strengthened, particularly at regional and local levels, and coordination needs to be improved.

5. Participation in regional and international processes

Jordan has ratified the relevant **international and regional conventions** to which it is signatory.

On the regional level, Jordan participates in the **Council of Arab Ministers for the Environment** and the **Regional Convention for the Protection of the Red Sea**.

Jordan participates in environmental cooperation within the **Union for the Mediterranean**. In November 2006, along with the other Euro-Mediterranean partners, it committed to the **Horizon 2020 initiative** to tackle major sources of pollution including industrial emissions, municipal waste and urban wastewater. Successful achievement of the goal will require a combination of both regional and national actions with the support of all actors in the Mediterranean.

In December 2008 Jordan hosted the **Third Euro-Mediterranean Conference on Water**, which launched the process for the drawing up and adoption of a Mediterranean Water Strategy. This strategy will focus on integrated water resource management, water and climate change (including water scarcity), water financing and water demand management. Jordan also participates in the **Mediterranean component of the EU Water Initiative**, a regional component of the EU Water Initiative as announced at the 2002 World Summit on Sustainable Development. The initiative aims to promote better water governance and coordination between stakeholders.

On the **bilateral level**, cooperation agreements on environmental issues exist between Jordan and Syria, Israel, Tunisia, Morocco and Iraq, for example.

6. Key areas where action is required

Jordan faces significant challenges in the promotion of environmental protection. Key areas include water resource management and water quality, waste management, air quality, nature protection, desertification and industrial pollution.

With regard to climate change, Jordan needs to implement the relevant provisions of the Kyoto Protocol to the UN Framework Convention on Climate Change, and to prepare for the implementation of a new agreement to succeed the Protocol. Particular attention needs to be paid to mitigation and adaptation issues, and to ensuring the inclusion of relevant actions in all national plans and budgetary processes. There is significant scope for Jordan to use flexible mechanisms under this Protocol.

Institutional and administrative capacity requires strengthening, in particular as regards coordination, implementation and enforcement. Promotion of public awareness of environmental issues is important for the implementation of environmental policy.

The key environmental areas where action is required are identified in the environmental section of the EU-Jordan Action Plan. A set of priorities for action are defined with regard to environmental governance and issue-specific activities as well as international and regional cooperation on environmental issues. Progress towards implementing the Action Plan will also contribute to achieving the objectives of the Association Agreement.

ANNEX 6: BUDGET SUPPORT

Jordan meets the two general eligibility criteria for receiving Sector Budget Support (SBS): it has a relevant and credible programme to improve public financial management (PFM) and a stability-oriented macroeconomic framework. Jordan's compliance with the third criterion — that of a well-defined *sectoral reform policy and strategy* — will be assessed during the identification exercise for a specific sector policy support programme. In the past, the country received and successfully managed SBS in the education, transport and trade sectors for example.

Public finance management reform

The August 2009 report of the International Monetary Fund-World Bank *Advancing the Public Finance Management Reform Agenda (PFM)* acknowledges that the authorities have made **considerable progress in advancing PFM reforms**, actively supported by donors. The 2007 Public Expenditure and Financial Accountability assessment report confirmed Jordan's progress in PFM reform and in achieving greater transparency of fiscal policies. The PEFA informal review of February 2009 concluded that the PFM system in Jordan is functioning sufficiently well to ensure proper utilisation of donor funds, including sector budget support. Recent efforts for structural improvements in PFM have included the launching of the Government Financial Management System, the introduction of a Medium-Term Expenditure Framework and the further strengthening of the framework for public-private partnerships.

Donors, and the EU, Deutsche Gesellschaft für Technische Zusammenarbeit, and USAID in particular, have accompanied the reform process by providing financial and technical support. Building on past EC SBS for PFM reform, a new **EU Support to the Public Financial Management Reform Programme** is to be launched in 2010. This is intended to further reduce public indebtedness and fiscal vulnerabilities and to make the management of public funds more efficient over the medium term. Through this programme the EU will be able to monitor whether Jordan continues to satisfy the eligibility criteria for budget support.

Macroeconomic policy

An analysis of the macroeconomic framework and the macroeconomic forecasts provided by the IMF in the *May 2009 Article IV Consultation Staff Report* shows that macroeconomic policy in Jordan **is conducive to maintaining macroeconomic stability and is not expected to jeopardise sector objectives**. Jordan has made significant progress on the fiscal front in recent years. Thanks to the abolition of oil subsidies, improvements in tax collection and higher revenues from grants the budget has been able to withstand the pressures of the increased cost of food subsidies and the fiscal deficit has narrowed. However, there is a risk that the current economic crisis may worsen to such an extent that it undermines the Government's ability to support continued implementation of the reform strategy.

The Ministry of Planning continues to monitor the implementation of the *Executive Programme (2007-2009)*, the Government's economic and social strategy based on the 'We Are All Jordan' initiative and the recommendations of the National Agenda. It issues quarterly reports on progress achieved (at the national level, at the objectives and policies level, at the level of hubs, sectors, and implementing agencies, and at the level of benchmark indicators).