

Single Support Framework

Jordan 2014-2017

Draft May 2014

Introduction

Jordan's political, social and economic reform process answers to King Abdullah's initiative to enhance democratic practices in the country and to popular calls for change expressed through widespread demonstrations since early 2011 demanding a more democratic and representative system, that respects human rights and, the rule of law, reduces inequalities and combats corruption. The amended Jordanian Constitution entered into force in October 2011 and includes provisions creating new bodies (such as the Independent Electoral Commission (IEC) and the Constitutional Court), reinforcing existing democratic institutions and separation of powers. In addition, the amendments widen civic freedoms some of which still require additional measures to be translated into laws and regulations for actual sustainable implementation.

These developments are in line with the ambitions for political, social and economic changes underpinning the "Advanced Status" partnership between Jordan and the EU under the second ENP Action Plan¹. Of particular relevance were the institutional changes entailing greater accountability of the government and a limitation of its ability to enact provisional (temporary) laws; enhanced separation of powers including granting of constitutional status to the Judicial Council; the prohibition of torture; more restrictive rules on the dissolution of the Parliament; changes to the legislative framework for elections notably with the establishment of an independent electoral commission and steps to develop political parties.

Parliamentary elections were held in January 2013. For the first time, a fully-fledged EU Electoral Observation Mission (EU EOM) was deployed across the country, jointly with other international and domestic observers, to assess the whole electoral process. According to the EU EOM final report, the elections (governed by the electoral law, as amended in 2012) were technically well administered and were carried out in a transparent manner. However, the report also referred to some shortcomings of the electoral law undermining the protection of universally accepted principles, such as the equality of votes and universal suffrage. Following the King's commitment, steps have been taken towards the establishment of a "parliamentary government", including the appointment of the Prime Minister after consultations with the Parliament.

Since the early 2000's, Jordan has made substantial progress in terms of human development thanks to consistent levels of spending on education, health, pensions, social safety nets (more than 25% of the GDP). Its Human Development Index value for 2013 was 0.700, above the average of other countries in the lower middle-income group. Yet significant regional disparities persist as the benefits of growth have been concentrated mainly in the capital and a few large cities.

Jordan faces real economic and social challenges: its economy is one of the smallest in the Middle East, with limited natural resources and a strong dependence upon external aid,

¹ Second EU-Jordan European Neighbourhood Policy Action Plan, , underpinning the 'advanced status partnership.

tourism, expatriate worker remittances, and the services sector. The influx of Syrian refugees further exerts significant pressure on the country's already constrained public budgets and services, as the government of Jordan granted to Syrian refugees access to public services (health facilities, schools) and subsidies extended to Jordanian citizens (energy, water, bread and gas). The crisis also indirectly affects the country in areas such as tourism, investment climate, and the labour and employment market (crowding out of Jordanian workers by Syrians willing to accept lower salaries).

The present crisis comes at a difficult time for Jordan. While the country is pressed with popular demands for social equity and increased standards of life, it is also struggling with a combination of slow global economic recovery and regional unrest. The economy has been on a path of gradual progressive recovery, with performance in main sectors (mining, construction, tourism) varying year on year. The Arab transition since 2011 has had a major impact on public finances; spending commitments and subsidies rose substantially as a result of increased public unrest and proved to be beyond the capacity to finance within a constrained budget. When coupled with the increased energy bill arising from unstable natural gas imports from Egypt and the additional cost due to the hosting of an increasing number of Syrian refugees, increased budget deficits and public debt threatened stability. Jordan is thus faced with financial challenges that include a mounting debt, high fiscal and external deficits, strained public finances, declining external receipts and expected foreign aid, and a widening trade deficit. However, these trends have started to moderate as a result of commitments taken under the USD 2 billion IMF Stand-By Arrangement agreed in 2012. Foreign reserves level improved considerably and growth picked up to some extent in 2013. However, some commitments also decreased the government's margin of flexibility. The agreement includes structural reforms and fiscal consolidation measures, including lifting of subsidies, raising electricity tariffs and diversifying energy sources which the government started to pursue in November 2012. This has resulted in popular protests throughout the country as fuel prices, gas prices and energy prices went up, yet difficult reforms were nonetheless adopted by the government.

Jordan's development strategy is based on the National Agenda 2006-2015, which remains the framework for further progress in poverty reduction, sustainable growth, social inclusion and democratic governance, although the economic and in particular energy crisis is affecting the government's capacity to plan and prioritise over the longer term. Jordan depends on its international partners to achieve its development goals in particular EU, US, Japan, Germany, WB and the Gulf countries as well as new players such as EBRD and EIB. In tune with popular expectations towards further steps to consolidate democratic practices, the international donor community is supportive of the Jordanian efforts to keep the pace of domestic reforms on the political, economic and social fronts. It is also conscious of the high risk associated to the overspill of neighbouring crisis that may affect the course of reforms in the country and the achievement of Millennium Development Goals (MDGs).

1. EU response

1.1. Strategic objectives of the EU's relationship with the partner country

EU-Jordan relations are governed by the Association Agreement (which entered into force in 2002). In tune with the EU's new ENP strategy², the Partnership for Democracy and Shared

² A new response to a changing Neighbourhood, COM (2011) 303, 25 May 2011

Prosperity³ and the objective of the EU's development policy⁴ the partnership aims to encourage political, economic and social reform towards good governance, consolidation of democracy and sustainable and inclusive growth as a prerequisite to deepening bilateral relations and integration.

The core elements of the 2010 ENP Action Plan include strides towards political and institutional modernisation, including relevant legislation to anchor democratic processes and practices in Jordan that answer citizens' expectations towards transparency, accountability and justice, civic participation and respect for human rights. This will also involve intensified cooperation in the security field in a regional perspective.

On the social and economic front, they include strides towards structural reform of the national economy, boosting domestic business activity, market opening and regulatory convergence leading to closer economic integration regionally and with the EU ultimately. They also entail steps towards equitable and sustainable development benefitting the whole population of Jordan and aimed at reducing the poverty gap, geographical disparities, unemployment, in particular among youth, and gender inequality. During the implementation of the various sectors of economic cooperation, attention should be given to the aspects related to the conservation of the environment, climate change and mitigation and ecological balance.

The pressure on the Jordanian leadership is strong for lasting reforms that will deliver greater social justice and economic prosperity to the people. Expectations towards the new legislature, in place since 10 February 2013, to adopt the ambitious legislative programme required to consolidate these principles are high.

The deepening and broadening of EU-Jordan relations relies upon intensified political and policy dialogue accompanied by efficient financial and technical cooperation to accompany Jordan in reaching its development goals. The core sectors of intervention have been identified in consideration of these priorities as well as of those outlined by the government of Jordan regarding cooperation with the EU in the period 2014-2017. The choice takes account of the complementarity between sectors; of their potential relevance to regional integration; of lessons learnt from past cooperation and of the EU added value in relation to the presence of existing and new development actors such as EIB or EBRD or the Gulf countries.

Jordan's longer term economic integration strategy of closer social and economic association with the EU internal market will further benefit from access to EU programmes in various fields, like the DCFTA negotiations, small and medium-sized enterprises (SMEs), the Euro-Med Charter for enterprise, the EU-Jordan macro-economic dialogue, which since 2012 has been complemented by a joint dialogue on economic reforms and the EU Macro-Financial Assistance for 2014. Moreover, since December 2012, Jordan has been engaged in a dialogue on migration, mobility and security with the EU. A Joint Declaration establishing a Mobility Partnership between Jordan, the EU and its participating Member States will be signed in 2014. Jordan will be therefore supported further in the actions and initiatives identified to implement the commitments under the Partnership.

³ "A partnership for democracy and shared prosperity with the Southern Mediterranean" COM (2011) 200, 8th March 2011

⁴ COM (2011) 637 Increasing the impact of EU Development Policy: an Agenda for Change

Monitoring progress will require the availability of robust and relevant indicators. For this, it is important to continue improving the national statistical system, to promote the use of EU and international standards on statistics, in order to ensure the availability and comparability of the data needed to draw up and analyse sectorial policies.

1.2. Choice of sectors of intervention

1.2.1 Reinforcing the rule of law for enhanced accountability and equity in public service delivery

Jordan ranks 100th on the UNDP 2013 Human Development Index, which is above the average in the Arab World⁵ but it is facing critical challenges in the short and medium term to answer popular demands for social equity and increased standards of life.

The combination of global economic slowdown and regional unrest led to diminished growth in Jordan, to which the government responded by expanding spending, raising public debt levels (77 % of GDP at the end of 2012). As a result, coupled with exogenous shocks, Jordan is faced with a number of financial challenges that include its mounting debt, high fiscal and external deficits, strained public finances due to the increased import energy bill, declining external receipts and expected foreign aid, and a widening trade deficit.

The massive inflow of refugees from Syria is causing further pressure on the trade balance, the local economy, in particular on its basic services (education, health) and scarce resources (water), increasing social tension. The government issued successive appeals for support in this context, to which the donor community and in particular the EU have responded with humanitarian and other assistance.

Jordan made substantial progress in poverty reduction and the related MDG is considered achieved and even exceeded. However, income inequality and the widening poverty gap remains a concern (GINI index increased between 2008 and 2010). Poverty incidence is higher in governorates with lower population density, but the larger numbers are concentrated in larger urban governorates, with Amman, Irbid and Zarqa concentrating 62.1% of the poor. However, the latest poverty assessment dates back to 2010 and the consequences of the recent economic downturn cannot be precisely measured, particularly for the significant share of vulnerable population currently living just above the poverty line.

Continued, sustainable development in line with people's expectations requires sustained efforts to target national resources towards making institutions and systems more **effective in securing the rule of law, stronger accountability and equity** across the board.

The EU response will aim at contributing to the **consolidation of political reform** in Jordan, to embed at all levels of the national apparatus, but also among the population of Jordan the principles that underpin democratic systems and practices and ensure respect and promotion of human rights and fundamental freedoms. Essential aspects of this objective concern the **reinforcement or creation of relevant institutions** to promote and safeguard these principles, enhanced accountability of the public sector at large, the promotion of rule of law through continued progress towards justice reform including **judicial independence and effective separation of powers**, as well as continued efforts to **fight corruption**. Improving the outreach and representation of the Parliament as well as its oversight and control over the executive, strengthening political parties, the participation of women in political life, independent media and deepening the involvement of civil society in the policy process are all aspects that are critical to ensure public adherence to the on-going reform process and they lie

⁵ http://www.undp.org/content/undp/en/home/librarypage/hdr/human_developmentreport2011.html

at the heart of the EU-Jordan partnership. They will constitute the key priority of available institutional capacity building instruments (see also section 5.)

The EU response will further be focused on better streamlining the efficiency of **public finance planning and spending**, to promote accountability, transparency, sustainability of the systems in place that ensure equitable public service delivery and social protection. The IMF Stand by Arrangement (SBA) of USD 2 billion signed in August 2012 and the EU Macro financial Assistance signed in March 2014 link to conditions pertaining to more efficient public spending and social equalization. EU support will take into consideration **Jordan's Economic and Fiscal Reform Plan** which is bound to the IMF SBA and aims to bring fiscal and energy policies to a sustainable path and to maintain macro-economic stability. An updated public finance management reform strategy for years 2014-2017 is under preparation, including the continued modernisation of internal control and both internal and external audits. Given the social implications of such reform, change needs to be gradual and accompanied by measures to improve the coverage the **national social protection and safety nets** systems.

Public sector reform is essential under this heading, to restructure public institutions and departments in a bid to upgrade public services performance and efficiency. Improved service delivery at the local level will also address the deterioration of **municipalities' finances** and embarking towards an effective administrative **decentralisation process**.

The **overhaul of the subsidy system** at large (safety nets, food subsidies, but also irrigated agriculture, animal feed) is paramount given its cost and the relative ineffectiveness of its targeting system in helping the poor – although social assistance spending is high compared to countries in the region (2.8% GDP in 2009).

1.2.2. Employment and private sector development

Jordan's economic participation rates remain among the lowest globally, with only 35-40 % of the population above the age of 15 economically active. Unemployment stood around 13% per cent in recent years and has been increasing to 14% in 2013. Jordan is one of ten economies worldwide with the lowest employment-to-population ratios and has one of the lowest female participation rates in the world, with merely 14% of women participating in the labour force, in comparison to 65% of men. Employment opportunities are lower in the governorates outside the capital, which contributes to fuelling social unrest. 65% of jobs created between 2007 and 2010 were located in Amman and its neighbour city Zarqa.

Recent economic growth has failed to generate sufficient quality jobs for young Jordanians, which in turn has been the cause of further 'brain-drain'. Young people between 15-24 years of age constitute 22% of the total population and 50% of the unemployed, many of them high school and university students. Unemployment rate among university graduates stands at 20.7 % and diploma holders at 14.3 % in September 2013.

Each year sees more than 60,000 new entrants to the labour market. According to IMF projections, absorbing the unemployed and new entrants to the labour force would imply some 0.8 million full-time positions over the period 2010–20, requiring an annual real GDP growth of 9.3% (6 points higher than current projections over the period 2010–17).

Regarding job opportunities, the State is by far the largest employer (30% of those employed work in the public sector) with an estimated 60% of public spending towards civil service expenses. Given the lack of potential for economic stimulation through public spending, further compounded by the stringent commitments made under the new IMF programme, the

government expects the private sector to take the lead in stimulating growth and creating more jobs. Most jobs created as a result of national efforts to attract foreign investment have been filled by foreigners, who today constitute almost half of private sector employees, moreover often subject to below standard labour practices.

The private sector is composed mostly of micro- and small and medium enterprises and struggles to unleash its potential due to limited access to credit and a business environment not conducive to start-ups and expansion. Moreover SMES are concentrated in a few geographic centres (mainly in Amman) and on a limited number of economic activities and have not realised their potential in high value added manufacturing and services. In addition the size of businesses remains very small both in terms of employees and of revenue: 99% of enterprises have less than 50 employees, the majority of which have less than 5 workers (92%); micro enterprises represent 90% of the private sector 'fabric'. Key reform in this sector should thus aim at an enabling environment for business and investment, creating the conditions for growth.

Another key reason for Jordan's persistent structural unemployment lies with the failure of the public education system, including Technical Vocational Education Training (TVET) policies, to prevent an increasing mismatch between skills and requirements of the labour market and the skills of Jordanians. The Educational and TVET policies should become more inclusive and integrated in the overall employment strategy taking into account also the impact of vulnerable people. The main richness and potential for the country's growth is its young population (around two thirds of the population is under 29 years old), with a high level of education compared to the regional average. The investments in education raising the enrolment and completion rates have heightened Jordanians' expectations for better jobs and higher wages, but the labour market fails to generate these and instead, keeps offering low skill jobs that are filled mainly by non-Jordanians (as notably in the agriculture, construction and services sectors).

The **EU response** would thus focus on economic and social objectives through supporting the National Employment Strategy 2011-2020 in its various components, the on going ETVET strategy and the National Strategy for Entrepreneurship and Micro, Small and Medium enterprise development for 2013-2017.

The EU support to education and VET will be complemented by the Erasmus + programme which Jordan can use to modernise its higher education system (in particular its link with the world of work) and to finance mobility of students and staff in the region and to Europe.

- Building on the key blocks of its past support, **EU co-operation will continue** in the area of **strengthening economic competitiveness and private sector development** by exploiting the results of the pilot "EuroMed innovative Entrepreneurs for Change" project and taking into account the results of the implementation of the "Small Business Act" for Europe in the Mediterranean basin Middle-east and North Africa. This will include improving the operating environment, creating conditions for businesses to expand, innovate, access affordable finance and support services, varied and geographically distributed, and to access local and export markets. It will also entail support to local economic development with particular focus on lagging-behind governorates and a special emphasis on vulnerable groups. It will also seek to promote the development of new sectors of activity and markets relevant to promoting a green and low-carbon economy, notably green energy and creative industries whilst also upgrading the competitiveness and sustainability of more traditional sectors.

Regarding human resources development, the EU focus will be on the structural issues of Jordan's **education and technical and vocational training systems** enhance the quality of education in view of the challenges of the shift towards a fully democratic, sustainable and

knowledge society. Increased co-ordination between different education and training levels, actors and entities – including the private sector - is necessary to forge flexible *bridges* in a life long learning perspective and ensure the required skills are available to fit the needs of the labour market and of an inclusive society. The 2013 evaluation of the implementation of the Euro-Mediterranean Charter / Small Business Act has generated additional recommendations e.g. training needs analysis should be introduced.

Enhancing the respect of international **labour standards** remains of particular relevance as regards foreign workers and in view of the large presence of migrants and refugees in Jordan. Establishing initiatives facilitating the matching of labour skills and offers, and enhancing the employability of the students and of job-seekers, will be instrumental also to facilitate mobility and migration towards destination countries in the region, in the EU or beyond. All these actions will support the EU-Jordan Dialogue on migration, mobility and security and the Mobility Partnership signed in 2014..

Furthermore strengthening trade ties is an important element of the second EU-Jordan ENP Action Plan and enhancing trade is an instrument to stimulate sustainable economic growth, improve competitiveness and support economic recovery. Concerning a 'Deep and Comprehensive Free Trade Area' (DCFTA) between the EU and Jordan, the preparatory process is well advanced and formal negotiations can be launched as soon as both sides are ready. A DCFTA will require further work on regulatory reforms and practices, as well as subsequent implementation of their results. Work on standards, conformity assessment and accreditation might also contribute towards the conclusion of an Agreement on Conformity Assessment and Acceptance of industrial products (ACAA).

1.2.3. Renewable energy and energy efficiency

Jordan is reliant on imports for 97% of its domestic energy needs and 86% of its food, which renders it vulnerable to rising energy costs and commodity price fluctuations. The energy bill weighs heavily on the national budget (up to 30%). External aspects may continue to constrain the economy if tensions in the region continue and energy, in particular oil prices remain high. Egypt is the main gas supplier and cost of interrupting the cheap gas supply has been considerable for Jordan, who had to turn to alternative, more expensive oil imports. The December 2012 agreement on resuming gas supplies was not honoured due to Egypt's own increased domestic needs. A strict policy on energy consumption – including subsidies for household consumption – needs to be maintained, partially offset by targeted social assistance programmes.

The cost of energy and its toll on public expenditures as well as on industry, enterprises and households is calling for strong measures to improve energy efficiency, including relevant investments and innovation (infrastructures, public buildings, appliances) but also wide-ranging actions to enhance sustainable consumption and production patterns and induce behavioural changes. Energy efficiency is thus also a cross cutting issues for the other focal sectors of the EU response. Enforcement of new construction codes or energy efficiency auditing for instance may provide incentives for new market for environmental goods and services and green business development, potential for exports, developments in the green transport or eco-tourism sectors.

The diversification of energy sources thus remains a critical priority for Jordan and a mid-term energy strategy is expected to address this EU response will be continued support to the Jordanian **renewable energies and energy efficiency** strategy implementation, mainly in the fields of solar and wind power and possibly other sources such as geo-thermal and waste to

energy. taking into account the findings of the 2012 study on sustainable business development in the Mediterranean partner countries⁶. The contribution will use available opportunities to blend EU support with that of other actors in this field and where possible seek to encourage Jordan's linking up with regional initiatives such as the Mediterranean Solar Plan as well as EU funded regional initiatives promoting the transition towards sustainable consumption and production patterns.

One of the specific objectives of this sector of intervention is to achieve the goals of 10% renewable energy and 20% of energy savings by 2020.

2. Indicative financial overview

The indicative allocation for the period 2014-2020 will be EUR 567,000,000– EUR 693,000,000. The indicative bilateral allocation for the period 2014-2017 will be between EUR 312,000,000 and EUR 382,000,000.

The indicative breakdown by sector is the following:

(1) Reinforcing the rule of law for enhanced accountability and equity in public service delivery	<i>Indicatively 25% of total</i>
(2) Employment and private sector development	<i>Indicatively 30% of total</i>
(3) Renewable energies and energy efficiency	<i>Indicatively 30% of total</i>
<i>Other measures: 5% civil society 10% Support to the ENP Action Plan measures</i>	<i>Indicatively 15% of total</i>

In addition to programmed bilateral allocations, Neighbourhood countries may benefit from supplementary allocations provided under the multi-country umbrella programmes referred to in the Neighbourhood-wide programming documents. Such supplementary allocations will be granted on the basis of progress towards deep and sustainable democracy and implementation of agreed reform objectives contributing to the attainment of that goal.

Jordan is also eligible for support under a number of other EU instruments, such as the Instrument Contributing to Peace and Stability, Humanitarian Aid, the Partnership Instrument, the European Instrument for Democracy and Human Rights, the Instrument for Nuclear Safety Co-operation, Macro-Financial Assistance, Development Co-operation Instrument thematic programmes and external actions under EU internal programmes for e.g research and innovation, energy, transport, education, youth, culture and media (in particular Erasmus + and Creative Europe). Where possible, Member State political action and assistance will also be co-ordinated with EU action, as a way of achieving political leverage and as part of a

⁶http://ec.europa.eu/enterprise/policies/international/files/2012_survey_on_sustainable_enterprise_final_19_04_2012_fr.pdf

coherent foreign policy approach. Jordan may also be targeted for specific diplomatic action under the Common Foreign and Security Policy, depending on the political circumstances.

3. EU support per sector

The **global objective** of the EU cooperation is to promote Jordan's development objectives towards reducing poverty, raising social equity and living standards for the whole population.

3.1. Reinforcing the rule of law for enhanced accountability and equity in public service delivery

3.1.1 The following overall and specific **objectives** will be pursued:

Overall objective: Promoting the application of rule of law to enhance accountability and equity in public service delivery.

Specific objectives:

- To support Jordan's reform process towards consolidation of deep democracy, the application of the rule of law and human rights protection and enforcement;
- To promote inclusiveness of national policy and decision making processes (notably to reinforce civil society participation) leading to a stronger democratic political culture;
- To support continuing reform of public financial management to achieve long-term fiscal sustainability;
- To support public sector reform and improving public service delivery;
- To support policies for inclusive and environmentally sustainable growth and in particular to improve social and environmental protection including building resilience to climate change to reduce inequalities and poverty and to promote green and low-carbon development.

3.1.2. For each of the specific objectives the main expected **results** are:

- Enhanced judicial independence, reduced levels of corruption, increased public confidence in the democratic institutions and increased protection and enforcement of human rights and fundamental freedoms;
- Improved debt management, public funds planning and allocation, accountability and modernization of control of public funds for further alignment to international best practices, and modernisation of legislations and tax policies
- Improved quality, efficiency and accountability in public services delivery at all levels;
- More efficient and better targeted social protection systems ensuring sustainable access to vulnerable populations and supporting sustainable local development measures.
- Increased access to improved basic services (water and waste management) and improved capacity of both public institutions and civil society to support good environmental governance,

The main indicators for measuring the aforementioned results are contained in the sector intervention framework in Annex.

3.1.3. **Donor coordination and policy dialogue:**

Donor coordination is set under the auspices of the Ministry of Planning and International Cooperation (MOPIC); closer harmonisation of donors' approaches is being sought, with a view to streamlining policy dialogue and making it more effective in addressing policy implementation challenges. Policy dialogue in these areas is smooth. Another risk may be the limited capacity of Parliament to enact needed legislation accepted and perceived by the public as legitimate. government stability is paramount to the implementation of wide ranging reforms.

3.1.4. The government's **financial** and **policy commitments** are:

The focal areas selected are in line with Jordan's strategic framework for development (National Agenda, Executive Development Plan) and relevant, up to date national strategies. government commitments relevant to priority 1 are consistent with those undertaken under the IMF SBA and the EU MFA.

3.1.5. A Public Environment Expenditure Review and, when needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out.

3.1.6. The overall **risk assessment** of the sector intervention:

The main risk is that of political stability being jeopardised by the overspill of developments in the region, which may affect the leadership's ability – and that of relevant ministries, institutions - to implement reform. The economic challenges may be further aggravated by the regional context in particular the refugee inflows from Syria. Domestic tensions may be further aggravated by increased competition for basic resources and services and by the prevalence of unemployment among youths in particular. The capacity at ministries level, if unaddressed, is another risk to policy implementation.

3.2 Employment and private sector development policies

3.2.1 The following overall and specific objectives will be pursued:

Overall objective: Promoting employment and private sector development

Specific objectives:

- Promoting an enabling environment for business development, including business support services, investment and innovation both in new and more traditional sectors;
- Spur entrepreneurship, and encourage SMEs to grow;
- Promote the participation of social partners, the productive (private) sector and sector-based associations in shaping a demand-driven VET system
- Promote the increase of participation of Jordan's population in the labour market with special attention to women and youth;
- Promoting human resources development policies for better matching with the labour market requirements and enhanced mobility;
- Promote improved respect of international labour standards and workers protection;
- Promote green and low-carbon business development (cleaner production, eco-innovations or business involved in REEE or natural resource management) and access to finance for green/low carbon business models;
- Increase trade opportunities and market access, in particular for MSMEs i.a. through support to the preparation for and implementation of the future DCFTA;

- Promote the development of national capacities to manage migration flows and to provide support and advice to migrants in the framework of the mobility partnership.

3.2.2. For each of the specific objectives the main expected **results** are:

- Improved, simplified legislative and regulatory framework for operation of business in particular of MSMEs (application of "Think Small First" principle, regulatory impact assessment and other guidelines of the Small Business Act for Europe);
- Participation of social partners in employment training policies and coordination mechanisms increased;
- School to work transition programmes scaled up;
- More efficient systems in education and technical and vocational education and training allowing better matching of skills and job opportunities from a life long learning perspective; development of an entrepreneurial culture at all levels;
- Improved structured dialogue between business associations/private sector organisations and relevant ministries (i.e. through public consultation or private-public fora/platforms) and enhanced and effective coordination among the ministries themselves with a view to creating synergies among various government policies aiming at promoting private sector development on one hand and generating quality jobs for the target population on the other ;
- Improved and sustained access to finance and access to better business support services for Jordanian MSMEs;
- Enhanced social protection coverage, protection of migrants workers including revised foreign labour policy and management; enhanced links between employment and social protection policies and instruments; increased numbers of job opportunities created for Jordanian youths (in particular women) notably in governorates;
- Increased opportunities in green and low-carbon markets and more competitive business and increased offer of and access to green jobs;
- Increased opportunities for innovative enterprises;
- Increased competitiveness of Jordanian private sector to access regional and international markets;
- Increased participation of social partners and private sector in the governance of Vocational Training system;
- Effective and targeted active labour market programmes with a focus on improving labour market participation of women and youth.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework in Annex.

3.2.3. **Donor coordination and policy dialogue:**

Sub sector coordination on employment, vocational training, SME support exists but is part of the push towards more streamlined assistance under MOPIC's auspices. Donor coordination and joint approaches on policy dialogue are moreover of particular relevance under priority 2 in view of the potential for blending of instruments.

In the context of promoting green and low carbon markets and business, coordination should be ensured with EU-funded regional initiatives promoting the transition towards sustainable consumption and production patterns, in line with Jordan's regional commitments.

3.2.4. The government's **financial** and **policy commitments** are:

The focal areas selected are in line with Jordan's strategic framework for development (National Agenda, Executive Development Plan) and relevant, up to date national strategies. Employment under the ETVET strategy and development of SMEs continues to be a national priority with the development of the National Entrepreneurship, Micro, Small and Medium Enterprises Strategy 2013-2017. The Jordan Enterprises Development Corporation (JEDCO) is the key government agency in this sector. Policy dialogue in these areas is smooth.

3.2.5. When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out.

3.2.6. The overall **risk assessment** of the sector intervention:

Aside from the risk is that of political instability mentioned before, the economic difficulties that may hamper policy implementation and speedy results expected by the population, and the aggravation of social tension linked to lack of employment and perspectives for a large part of the youths in particular may affect the credibility of national efforts towards these goals. Institutional capacity needs reinforcement to tackle the important challenges ahead.

3.3. Renewable energies and energy efficiency

3.3.1 Overall objective:

To contribute to the development and implementation of effective policies to help Jordan reach its renewable energy and energy efficiency (REEE) targets for 2020 while supporting their progress on the climate change agenda.

Specific objectives:

- To complement the relevant institutional, legislative and fiscal reforms, creating the enabling environment to mobilise public and private actors (SMEs in particular), in order to achieve the goals of 10% renewable energy and 20% of energy savings by 2020;
- Contributing to full scale implementation of activities to enhance sustainable production and consumption patterns and induce behavioural changes, including water and resource demand management, adoption of best available technologies, research & development and to work on promoting investments towards green and low carbon economy.

3.3.2. For each of the specific objectives the main **expected results** are:

- Enhanced legal, regulatory and institutional frameworks, and regular updated strategic planning, for the implementation of RE and EE investments and applications, including the set up of needed fiscal and financial incentives, as well as required infrastructure conducive to the private sector involvement in the and low carbon green economy;
- Jordanian public is more aware of REEE issues and required changes; R&D capacity increased to demonstrate the feasibility, audit, benefits and sustainability of new technical solutions;
- REEE policy implementation creates incentives for private sector development and increased involvement.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework in Annex.

3.3.3. **Donor coordination and policy dialogue:**

A donor-government working group on energy is chaired by the Ministry of Planning and International Co-operation (MoPIC); as in other sectors, donor coordination under MOPIC auspices needs to be reinforced and policy dialogue streamlined. This is of particular importance given the potential for blending of aid modalities under this priority 3, and the interest of new actors in contributing such as EBRD. Currently, EU Donors lead the support to RE & EE, along harmonised approaches and priorities; policy dialogue in these areas is smooth.

In this context, coordination should be ensured with EU-funded regional initiatives promoting the transition towards sustainable consumption and production patterns, in line with Jordan's regional commitments

3.3.4. The government's **financial and policy commitments** are:

A sound strategic framework is in place whose main elements are the Updated Energy Master Strategy of 2007-2020, and the Executive Development Plan 2011-2013 of the MEMR. An indicator based National Energy Efficiency Plan (NEEAP) is currently under development. Aside from the need to ensure consistency between the various strategic documents, institutional capacity needs reinforcement to ensure the ambitions of the sector are met. The cost of energy is part of the issues under consideration through the IMF SBA.

3.3.5. When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out.

3.3.6. The overall **risk assessment** of the sector intervention:

Aside from the risk of political instability affecting reform implementation, the continued economic challenging situation may act as a booster for swift change notably in relation to energy efficiency, as it may affect the capacity to make the necessary investments the policy relies upon. The debate – at institutional level – on energy diversification and in particular on renewables versus nuclear, oil shale is still open. A continued strong stance on energy consumption and prices need to continue to be paralleled with sustainable social assistance programmes to avoid risks of further social tensions.

4. Measures in favour of civil society

Civil society involvement and participation will be mainstreamed into the policy dialogue, monitoring and service delivery linked to the three Sectors identified above. In particular, dialogue on the progress of political, social and economic reform will be continued and stepped up to ensure the participation of a broad range of actors, including Civil Society Organisations (CSOs) from across the country, as well as trade unions, consumer associations, chambers of commerce and industry, religious and professional associations and the Economic and Social Council amongst others.

To this end specific support will be provided through Grant Schemes combined with Technical Assistance and coaching, to enable CSOs to strengthen their input and to enhance their advocacy and monitoring capacities. Support will be given to assist CSOs and Community-Based Organisations (CBOs) to consolidate and to form national platforms, meeting international criteria of representativeness and legitimacy, and to participate in national and regional networks. Support will be provided for CSO's increased capacity and mobilisation on common agendas and in playing their roles in promoting public sector accountability and becoming a partner in public decision and policy-making.

Moreover, there is a need to support the emergence and development of new civic movements such as youth platforms whose goals and approaches differ from classic civil society actors.

5. Provision for institution building, technical assistance and twinning

SAPP (Support to the Action Plan Programme)

The SAPP programme will continue to work as a complement to the interventions in the three core areas of cooperation and will be used, inter alia, to reinforce the capacity of institutions of key relevance to meet the commitments undertaken in the context of the EU Association Agreement and ENP Action Plan, and as appropriate, to foster harmonisation of the domestic legislative and regulatory framework with relevant EU and/or international standards.

As in the past the main modality used will be the **twinning** arrangement, which has consistently proven its added value when used in close adherence to counterparts demand, ensuring a good level of ownership by the beneficiary institutions and a lasting positive impact in terms of relations-building between the EU and Jordan. Needs will be discussed in the framework on the ENP dialogue structures in particular the subcommittees. The future SAPP programme will be designed to closely support, and in some instances prepare, the programmes under the key priorities of this SSF. Close attention will be dedicated to the reinforcement of institutional capacities of beneficiary or involved counterpart institutions across the scope of cooperation; it will also aim to ensure that the required capacity is available at the coordinating ministry level, where the responsibility for decentralised interventions lies.

Support may be provided for co-financing the costs of Jordan participation in selected EU programmes and agencies which are open to ENP partner countries participation.

Furthermore, this complementary provision for capacity development and institution building activities may also support the implementation of priority commitments deriving from EU agreements and the dialogue on mobility that are not already covered under the three sectors of concentration.

Attachment 1. Template for Sector of intervention framework

The results, indicators and means of verification specific in the present annex might change to take into account the evolution intervening during the identification and formulation phase.

(Where not already specified) Baselines will be included in the Action documents or in the Financing Agreements at the latest.

Sector 1: Reinforcing the rule of law for enhanced accountability and equity in public service delivery

Specific objective 1/1:

- To support Jordan's reform process towards consolidation of deep democracy, the application of the rule of law and human rights protection and enforcement;
- To promote inclusiveness of national policy and decision making processes (notably to reinforce civil society participation) leading to a stronger democratic political culture

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>a) Enhanced judicial independence, modernisation and development of legislation and regulations in line with the Constitutional amendments of 2011 and development of capacities and competencies in the area of legislative drafting..</p> <p>b) Reduced levels of corruption, increased public confidence in the democratisation process and increased protection and enforcement of human rights and fundamental freedoms;</p>	<p>a) Implementation status of modernisation of the judicial system</p> <p>Milestone 1) Judicial independence Law has been approved by the Parliament.</p> <p>Milestone 2) Implementation of EU Judiciary Sector Reform Contract signed in December 2013 is on track.</p> <p>Milestone 3) Legal Affairs Directorate at Ministry of Justice has been reinforced; staff trained and tools provided according to MoJ strategy 2014-2017.</p> <p>b1) Enhanced ratings in international corruption indexes (0.45 in 2013); WB Control of Corruption (0.1 in 2012).</p> <p>b2) Status of process to improve democratisation:</p> <p>Milestone 1: blocking and censure of news websites are repealed;</p> <p>Milestone 2) Revision of Article 308 of Penal Code (which enables</p>	<p>-Official Gazette</p> <p>-Budget Law</p> <p>-Manual on legal drafting</p> <p>-Annual legislative plan of MoJ.</p> <p>- SRC tranche disbursement dossiers.</p> <p>-Annual progress report on the implementation of national anti-corruption strategy 2013-2017.</p> <p>-Drafting of a National action plan for Human Rights by 2014-2015</p> <p>-Civil society reports on participation to the decision making process; Progress report on the EU support to Parliament and CSOs; analysis of established mechanisms of consultation between Parliament/government/CSOs</p> <p>- Adoption of the revised Elections law and Political Parties law</p>

	<p>rapists to escape from legal prosecution if they marry their victims);</p> <p>Milestone 3) Mechanism of consultation for Civil Society in decision-making process with Parliament and government is established;</p> <p>b3) Implementation status of Human Rights plan</p> <p>Milestone 1: Human Rights Plan prepared</p> <p>Milestone 2: Human Rights Plan approved by the relevant stakeholders (e.g Parliament. Civil Society)</p>	
<p>Specific objective 1/2: To support continuing reform of public financial management to achieve long-term fiscal sustainability</p>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>a) Improved debt management, public funds planning and allocation, accountability and modernization of control of public funds for further alignment to international best practices and modernisation of legislations and tax policies</p>	<p>a1) Expenditure deviation from original budget. Baseline: from the PEFA of 2011: 6.3% deviation in primary expenditure in 2010;</p> <p>a2) Income and sales tax revenues. In 2013 income and sales tax revenues reached JD 3652.4 million;</p> <p>a3) Collection ratio for gross tax arrears. In 2013 tax arrears are 69%;</p> <p>a4) Number of accountability and control institutions improved and functioning (4 in 2014: Audit Bureau, Anti-Corruption Commission, Ombudsman, Anti-Money Laundering Unit);</p> <p>a5) Number of internal control and audit units created in ministries and number of staff in those professions. In 2013: The number of ministries, official departments, and own budget agencies which have internal control units were 91 out of 146. Of the those (91) there are 33 units with only one employee, 29 units do not</p>	<p>-Donors evaluations, PEFA report, EU assessment missions, General Budget Law, final accounts of government, Annual Audit Bureau Reports</p> <p>-Official gazette</p> <p>-Official reports (from various Ministries and institutions: Labour, Industry, Education, Higher Education and Scientific Research, Social Development, DOS, Chambers of Commerce and Industry, ETVET council, Social Security Corporation, training providers).</p> <p>-Labour Market Information System</p> <p>-Policies and interventions documents.</p>

	<p>show evidence of control, 32 units do not have an action plan, and 33 units have no documents to document their work.</p> <p>Baseline year is 2013 Target year is 2017</p>	
<p>Specific objective 1/3: To improve government efficiency and public service delivery in the public sector</p>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>a) Improved quality, efficiency and accountability in services delivered by municipalities.</p> <p>b) Improved systems for citizen's feedback and complaints on the public administration services, setting service standard and unified and simplified procedures for public institutions</p>	<p>1. Percentage of citizens (disaggregated by governorates, gender) reporting an improvement in municipal services, i.e. solid waste collection, waste-water treatment, street lighting and cleaning, maintenance of roads and cemeteries (baseline will be established through Survey).</p> <p>2. Implementation status of complaints system Milestone 1: System set up Milestone 2: System functioning;</p> <p>3. Number of complaints received Number of complaints treated</p> <p>4. Number of completed service guides for public institutions for improved service delivery.</p> <p>Baseline year is 2014 Target date is 2017</p>	<p>Citizen satisfaction surveys</p> <p>Official reports (Ministry of Public Sector Development)</p>
<p>Specific objective 1/4: To support policies for inclusive and sustainable growth and in particular to improve social protection to reduce inequalities and poverty.</p>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>a) More effective targeted social protection systems ensuring sustainable access to vulnerable populations.</p>	<p>Whether MoSD adopts a revised targeting methodology for targeting cash assistance provided through the National Aid Fund.</p>	<p>Household Income and Expenditure Surveys (Department of Statistics), National Aid Fund MIS report</p>

Sector of Intervention 2: Employment and private sector development policies

Specific objectives:

- a) Promoting an enabling environment for business development, including business support services, investment and innovation
- b) Improved access to finance and to better business support services for MSMEs;
- c) Promote the increase of participation of Jordanian population in the labour market with special attention to women and Youth.
- d) Create synergies among various government policies aiming at promoting private sector development and generating quality jobs for the target population;
- e) Promoting human resources development policies for better matching with the labour market requirements and enhanced mobility
- f) Promote better labour standards, workers protection and women participation in the labour market;
- g) Increased opportunities in green and low-carbon markets and more competitive business
- h) Increase trade opportunities and market access, in particular for SMEs, i.e. through support to the preparation for and implementation of the future DCFTA.

Expected Results	Indicators	Means of verification
<p>a) Improved, simplified legislative and regulatory framework for business operation in particular for MSMEs;</p> <p>b) Improved access to finance and to better business support services for MSMEs;</p> <p>c) School to work transition programmes scaled up;</p> <p>c) Participation of social partners in employment training policies and coordination mechanisms increased. Improved structured dialogue between private sector representative organisations and relevant ministries/departments of the Jordanian government; Enhanced and effective coordination among the ministries involved in business development-, education- and</p>	<p>a) Overall Doing Business Index (in 2014 0.579, rank 119)</p> <p>b) Number of MSMEs across country (in particular in Governorates) with access to financial services and access to diversified business support services; (Baseline 2014 to be established)</p> <p>c) no of beneficiaries of school to work transition programmes desagregated by gender (baseline 2014)</p> <p>c1) Implementation status of legislation on social partnership Milestone 1: legislation developed in 2015. Milestone 2: legislation passed in 2016/2017.</p> <p>c2) Whether Cross sectorial coordination mechanism or a governing body in place</p> <p>Target date: 2014.</p>	<p>-Doing Business Report (WB)</p> <p>-Small Business Act for Europe indicators</p> <p>-Enterprise level surveys</p> <p>-Official gazette</p> <p>-Official reports (from various Ministries and institutions: Labour, Industry, Education, Higher Education and Scientific Research, Social Development, DOS, Chambers of Commerce and Industry, ETVET council, Social Security Corporation, training providers).</p> <p>-Labour Market Information System</p> <p>-Policies and interventions documents.</p> <p>Country specific assessments.</p> <p>Minutes of meetings of the ETVET Council, Education Board and the Higher</p>

<p>professional training-related policies;</p> <p>d) More efficient systems in education and technical and vocational education and training allowing closer matching of skills and job opportunities from a life long learning perspective; development of an entrepreneurial culture;</p> <p>e) Enhanced social protection of migrant workers including revised foreign labour policy and management; enhanced links between employment and social protection policies and instruments; increased numbers of job opportunities created for Jordanian youths (in particular women) notably in Governorates; we will not be working on increasing social protection coverage but rather on measures to help people to graduate from social protection; job creation will be part of the intervention on private sector development</p> <p>f) Increased opportunities in green and low-carbon markets and more competitive business</p>	<p>d1) Number of public consultations on private sector development, education, professional training-related policies;</p> <p>e0) Number of migrant workers' complaints addressed and number of police investigations into alleged abusive practices by employers.</p> <p>e1) Number people covered by the Social security ;</p> <p>e2) number of staff at public employment services. Baseline 2013: paid employees of public sector as a percentage of total employed 39% in 2013</p> <p>e3) Employment rate of women; Baseline 2013: 13.2%</p> <p>e4) Working poverty level Source: national statistics</p> <p>e5) Number of poor participants (i.e. those dependent on National Aid Fund) in active labour market programmes.</p> <p>f1) Number of Business Development Services (BDS) providers proposing green and Solar Winds Certified Professionals (SCP) training,</p> <p>f2) numbers of incubators,</p> <p>f3) number of businesses expressing interest in being supported to adopt economic practices and technologies in line with green economy and SCP principles,</p> <p>f4) No of people employed in green economy jobs.</p> <p>f5) No of students benefiting from related TVET.</p>	<p>Education Council.</p>
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<p>g) Increased competitiveness of Jordanian private sector to access regional and international markets.</p> <p>h) effective and targeted active labour market programmes with a focus on improving labour market participation of women and youth</p>	<p>g1) number of SMEs having quality assurance systems in place, g2) Number of SMEs exporting.</p> <p>h) Number of women and youth participants in active labour market programmes.</p>	
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Sector 3: Renewable energies and energy efficiency

Specific Objective 3/1: To complement the relevant institutional, legislative and fiscal reforms, creating the enabling environment to mobilise public and private actors (SMEs in particular), in order to achieve the goals of 10% renewable energy and 20% of energy savings by 2020

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>a) Enhanced legal, regulatory and institutional frameworks, and regular updated strategic planning, for the implementation of RE and EE investments and applications, including the set-up of needed fiscal and financial incentives, conducive to the private sector involvement in the green and low-carbon economy</p>	<p>a) Status of legal framework for RE and EE sector enhanced and developed to allow further investments in both themes</p> <p>a1) A complete set of legislations and regulatory frameworks (including incentives) are in place complementing the existing ones, and made available for use of relevant investors/developers, based on the law of 2012, and the bylaws of 2012-2013 ;</p> <p>a2) Level of investment in the RE & EE sectors applied at household, commercial, industrial, water and public transport sectors, a3) RE & EE business leading to more employment opportunities in line with the Employment reforms of Jordan, and CO2 emissions reductions</p>	<p>- Official Gazette - Official reports, MEMR, ERC (Regulator) and others</p>

Specific Objective 3/2: Contributing to full scale implementation of activities to induce behavioural changes, adoption of best available technologies, research & development, and to foster investments towards production and demonstration of “Green Economy” investments

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
a) Jordanian public is more aware of REEE issues and required changes; R&D capacity increased to demonstrate the feasibility, audit, benefits and sustainability of new technical solutions;	<p>a) RE and EE themes are better explained, accepted and implemented within Jordan:</p> <p>a1) Number of Information and public awareness campaigns conducted;</p> <p>a2) R&D centres represented by NERC, plus different University centres contribute to revised REEE development plans of Jordan, following the RE 7% target from the energy mix in 2015, and 10 % in 2020</p> <p>a3) NERC is helping JISM to ensure the implementation of the Jordanian standards for RE & EE technologies through exchange of experience and utilisation of testing facilities, starting in 2014</p>	<ul style="list-style-type: none"> - awareness campaigns in different media outlets; - R & D annual plans & reports - New standards - no. of new REEE projects
b) REEE policy implementation creates incentives for private sector development.	<p>b1) Number of new businesses are created in REEE sector starting in 2014 to reflect the RE targets of 7% in 2015, and 10% in 2020, as well as 20 % for EE in 2020;</p> <p>b2) level of investment in REEE sector,</p> <p>Baseline year :2014 Target: build 600-700 Megawatts of RE capacity within the existing Grid capacity in the frame of 2014-2020.</p>	<ul style="list-style-type: none"> - no. of new REEE projects and -% of RE projects in energy mix - % EE applications in Jordan - no. of new businesses and jobs.

Attachment 2. Template for Indicative timetable for commitments

	Indicative allocation	2014*	2015*	2016*	2017*
SECTOR OF INTERVENTION 1 – Reinforcing the rule of law for enhanced accountability and equity in public service delivery	M €	x		x	x
25% total	M €				
	M €				
SECTOR OF INTERVENTION – Employment and private sector development policies	M €	x	x		
30% total	M €				
	M €				
SECTOR OF INTERVENTION – Renewable energies and energy efficiency	M €		x		
30% total	M €				
	M €				
Other measures 15% total	M €				
Civil society support 5%				x	
Support to implementation of the Action Plan programme (SAPP) 10%			x		
Total Commitments	M €				