

National Indicative Programme 2011-2013 for Jordan Concept Note

The Country Strategy Paper (CSP) drafted under the European Neighbourhood Partnership Instrument (ENPI) outlines the strategic framework for EU co-operation with Jordan in the period 2007-2013.¹ The CSP defines a limited number of priorities on the basis of on the one hand the EU's strategic interest and consistency with EU policies and on the other hand Jordan's reform agenda, i.e. the National Agenda and the Kulluna al Urdun initiative.

This link between EU policies and Jordan's reform agenda is ensured by the ENP Action Plan (AP), adopted in 2005, and the EU-Jordan dialogue on the implementation of AP measures. In November 2008 Jordan submitted a paper on upgrading EU-Jordan relations.

On the basis of the priorities identified in the CSP, the National Indicative Programme (NIP) presents the EC response in terms of financial assistance and details the specific operations planned and their expected results. Under the CSP 2007-2013, a first NIP for 2007-2010 was adopted and is being implemented.

A new NIP for 2011 - 2013 needs to be drafted. This concept note is designed as part of the consultation process which involves stakeholders such as EU Member States, partner countries administrations, local partners, International Financial Institutions, other donors and Civil Society Organisations. Its aim is to stimulate a discussion on the priorities which should be supported by the ENPI bilateral envelope for Jordan in the period 2011-2013.

1. EU objectives and strategy for 2011-2013

EU objectives with Jordan are linked to the general objective of achieving political, economic and social stability in the Middle East.

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

1. political reform and good governance;
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 securing consistency with EU policies and financial instruments, other donors' actions and Jordan's own reform agenda.

¹ http://ec.europa.eu/world/enp/documents_en.htm

2. Main Challenges and obstacles

Jordan remains committed to both economic and political reform, but faces challenges in realising these reforms. To ensure progress in and sustainability of the reform process, the ownership and inclusiveness of the reform process and the effective delivery of tangible benefits to the Jordanian population need to be enhanced.

Jordan has a small national market and limited natural resources. It suffers from a structural **trade deficit** with total imports almost twice as high as exports. Over the past few years, Jordanian real GDP grew steadily at an annual rate of 6% and investments surged. Despite this relatively strong economic growth, the trickle down effect has been limited: **poverty** levels and **unemployment** have not been reduced and the gap between rich and poor is growing. Though the majority of university students are **women**, the percentage of economically active women out of the total working population is very low and stagnates around 14,5%. Furthermore, education curricula are not well adjusted to the demands of the labour market. Jordan is highly dependent on imports to satisfy its **energy** needs and is one of the most four **water-scarce** countries in the world. Water-use trends affect not only the quantity but also the quality of water and the soil. These environment issues are bound to become even more compelling as a result of climate change.

Jordan's main assets are its human resources, its services sector, its central geographical location and a stable political environment that is potentially attractive for investors and tourists.

Jordan's challenges in the economic and social fields are the realisation of economic productivity and social policies that create welfare. Economic growth and social policies should reduce poverty, distribute wealth, create jobs, lead to enhanced participation of women and young people in the economic life and not deplete Jordan's natural resources.

Jordan's vision and challenges for social and economic development go hand-in-hand with its vision for **political** development, which aims at expanding **participation in decision-making and implementation**. To increase such participation in decision-making and implementation and to create and distribute welfare effects of economic growth, both a local administrative system and the capacity of the local population to take part in decision-making need to be developed. The government has adopted a poverty reduction strategy and is developing a decentralization programme that will mature at the national level in 2011.

Within Jordan's public sector, the capacity to develop and implement strategies needs to be further enhanced.

3. How can the European Commission influence these?

The EC should contribute to developing and consolidating the long term political, economic and social stability of Jordan through the **promotion of internal reform** on the political, economic and social fronts. The EC has been following this path over the past years and should continue to do so. The EC can take its support one step further and

focus on areas where new Jordanian strategies have been or are being developed such as energy and local development; areas where the EC 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 research, civil aviation and energy.

The EC can thus build upon the areas where it has acquired a **strong presence and a comparative advantage** towards other donors. Support that has been provided to private sector development, could in the future focus on innovation and quality standards, support that has been provided to trade facilitation and transport, could focus on the development and implementation of reforms in specific transport sectors, etc.

The EC is not only involved on the bilateral level but also on the regional level, the ENP builds on the achievements of the EuroMediterranean Partnership. The EC should aim to anchor national developments in the regional context and **create links between EC activities on the national level and EC activities on the regional level**. Support to e.g. the energy, transport and information society sectors should try to make the link between the national and the regional initiatives and networks, support to trade development should take into account that Jordan's trade future lies primarily in trade within the region, etc.

The EC should also support areas in which shared values make the use of European expertise very instrumental, such as social security, justice and human rights. The same is true for areas where the EC has acquired considerable expertise through its work within the EU, such as regional development and cohesion.

Through its use of specific aid methods the EC has made a significant contribution to capacity building in institutions and to public finance management. The use of budget support has in itself been a learning process for sectoral ministries and the ministry of finance. The use of budget support means that ministries need to define benchmarks and indicators and do medium term planning. The results of this learning process will lead to better definition of budget support programmes in the future. The use of twinning has proven to be a very effective tool for transfer of know-how and should continue to be used intensively in the future.

4. Priorities

At least the average allocation for 2007-2010 will be made available for the National Indicative Programme 2011-2013, this is a minimum of €66,25 million per year.

On the basis of discussions held with representatives of the Jordanian ministries, civil society organisations and EU Member State experts, the EC has provisionally identified possible areas of intervention within the CSP priorities.

Political reform and good governance

In the period 2007-2010, 6% of the bilateral envelope was dedicated to this priority. In 2011-2013, there is room to increase this envelope to 10-15%.

Under this priority, support can be given to good governance themes (development of civil society, democratisation, promotion and protection of human rights) and to justice and security issues, as the EC did in 2007-2010.

The judicial upgrading reform process JUST II is ongoing and JUST III will be developed. The EC could continue to provide support to this reform process.

Trade and investment development

In the period 2007-2010, 29% of the bilateral envelope was dedicated to this priority. Given the very large amounts of assistance provided in that period and the fact that programmes will continue to run until 2012 or 2013, there is room to decrease this envelope to 20-25%.

The EC is providing support to **Transport and Trade facilitation** and could usefully continue to do so, paying special attention to making linkages between national and regional developments. The EC could stimulate Jordan's access to not only the EC market but also the regional market, a regional Transport Action Plan for the Mediterranean has been adopted the implementation of which will require work on the national level, etc.

Jordan has a clear trade strategy focusing on better co-ordination, regulatory and legislative improvements, simplification of customs procedures and improved market access. In addition to this, an expanded strategy is being developed by the Ministry of Industry and Trade and is expected mid 2009. Furthermore, Jordan may choose to enter into negotiations on a deep and comprehensive Free Trade Agreement with the EU. Building upon the 2005-2007 National Transport Strategy and Action Plan, the new Transport Strategy for 2008-2010 has just been adopted by the Government. The main axes are regulatory improvements, namely deregulation to increase competition, and the implementation of master plans for all modes of transport. It is also to be noted that a comprehensive air transport agreement with Jordan is being negotiated.

The implementation of these strategies and the finalisation – by 2011 - of policy studies to be undertaken under these strategies, provide opportunities for continued EC financing.

Over the past years, the EC has dedicated an important volume of its assistance to **private sector and export development**, to stimulate economic productivity and trade. To make further progress in this area, it is important to focus on issues such as the stimulation of research and **innovation**, the creation of a more competitive business environment, the enhancement of quality standards and the creation of links with Europe, e.g. through the Enterprise Europe Network.

Sustainability of the development process

In the period 2007-2010, 24% of the bilateral envelope was dedicated to this priority. Under this priority the EC could support Jordan in its efforts to create a welfare effect of the economic growth, and in the implementation of the (recent or expected) Jordanian

strategies and laws on energy, water management, poverty reduction, local development and social security. Therefore there is room to increase this envelope to 25-30%.

The EC is a prominent donor in areas of **human resources development** and has provided significant support to education, and employment. A draft law on Social Security has recently been submitted to the Parliament. To create sustainable economic growth, address the widening gap between rich and poor and mitigate the effects of the economic downturn, EC support to human resources development, while integrating elements of **social security**, should be continued.

The EC has been working on poverty reduction through local development for several years and should continue to build upon this expertise. **Local development** aims to lead to both increased public participation in decision-making and implementation and to a more even distribution of the benefits of economic growth. Supporting the role and capacity of local stakeholders in the definition and implementation of local development plans would help bring forward the government's poverty alleviation strategy and its decentralization programme, the implementation of which will start in Madaba in 2009. Better environmental governance, the development of renewable energy, enhanced management of the water sector and fighting degradation of the environment are high on both the EC and Jordan's agenda. The EC has considerable expertise in the renewable energies sector and is also active in this field on the regional level. EC support to the development of renewable energies can be stepped up significantly.

Institution building, financial stability and support to regulatory approximation

In the period 2007-2010, 40% of the bilateral envelope was dedicated to this priority. Support provided to the different components in this priority has led to good progress and all elements of this priority remain equally important in 2011-2013. The envelope for this priority should therefore be in the range of 35- 40%.

The Support for Implementation of the Action Plan Programme (SAPP) has proven to be a very efficient tool to provide support - through the Ministry of Planning and International Co-operation - for a broad range of projects identified as priorities in the context of the Association Agreement and ENP Action Plan. Twinning projects have been implemented between Jordanian public bodies and counterparts from EU member states in fields including industrial standards, food safety, public audit, customs, trade policy, penitentiary reform and development of the Anti-Corruption Commission. Projects have also been implemented supporting the Ministries of Environment and Justice. This programme provides the necessary flexibility for support to priorities identified in the policy dialogue that takes place in the subcommittees and has functioned to great satisfaction of both Jordan and the EC. It has contributed to both institution building and regulatory approximation. In light of the satisfactory result and the high demand, the envelope for a follow-up to this programme could be substantially increased. The areas for intervention will also in the future be determined in the course of the policy dialogue, but could include management of the water sector and EU technical regulations and harmonised standards.

In 2007-2010 the EC provided very high support for public finance management reform. However, further support to this sector should be envisaged in light of the continued precarious budgetary situation, the need to improve internal control mechanisms and need to build capacities in line ministries to develop and implement the medium term expenditure framework. Furthermore, public finance management reform has enabled the EC to provide its assistance via budget support, which could continue to be considered. Public management reform is also a driver for public administration reform.