Executive summary

Jordan’s economy has benefitted from key reforms since the 1990s, helping to attain macroeconomic stability and improve human development indicators. The GDP per capita (PPP) reached USD 5 900 in 2011, positioning Jordan as an upper middle income country. However, structural reforms are still needed, as the country remains highly dependent on foreign aid and remittances. The current regional unrest, in particular the deteriorating situation in Syria and the remaining instability in Iraq, and the slow recovery of the global economy strongly affect economic activities.

Jordan has performed relatively well in attracting foreign direct investment. FDI inflows grew from an average of 0.2% of GDP in the early 1990s to 10% of GDP during 2000-11. The regional instability and the economic slowdown in the Gulf States have nevertheless considerably affected investment inflows. Prospects remain uncertain.

The legal investment regime is rather complex, with a corpus of laws and regulations not all easily accessible, some being temporary and overlapping. The investment incentives regime is intricate with different overlapping schemes, zones and preferential areas, and raises questions about effectiveness. While domestic and foreign investors can benefit from a wide range of incentives established by laws and regulations, the 2009 Income Tax Law has eliminated income tax exemptions for investment outside the preferential economic zones. The investment promotion agency, Jordan Investment Board (JIB), was created in 1995. It has established a one-stop shop to facilitate company registration but does not have yet full authority to issue approvals. JIB recognises it has to overcome obstacles such as shortage in human resources and lack of coherent strategic vision.

Jordan maintains a number of restrictions on foreign investment. They apply in sectors such as telecommunications, transport, but also wholesale trade and retail, and construction, which are rather unusual among OECD countries and adherents to the OECD Declaration on International Investment. This report describes the exceptions under the OECD National Treatment instrument. Jordan’s overall scoring under the OECD FDI Regulatory Restrictiveness Index is significantly higher than the average for adhering countries.
The authorities recognise that the investment framework needs to be clarified, unified and improved, and have announced the revision of the investment law and the restructuration of the investment institutional framework.

Jordan’s policy framework for investment suffers from obstacles such as inefficient bureaucracy, complex administrative procedures and inconsistent enforcement of regulations. Jordan is not well positioned in international business climate rankings. Land ownership for foreigners is subject to approval and registration of property is a lengthy process. Jordan has undertaken regulatory reforms to protect intellectual property rights, but further efforts are needed to ensure better legal enforcement and institutional co-ordination. In order to improve contract enforcement, the government is envisaging reforms, including establishing dedicated commercial courts, restructuring the judicial apparatus and enhancing human resources.

The country is an active signatory of bilateral investment treaties with 53 agreements signed. The analysis of selected BITs, including the model BIT, reveals that the treaty practice is rather traditional. Jordan is a member of the International Centre for the Settlement of Investment Disputes and the vast majority of signed BITs provides for access to international arbitration. The 2001 Arbitration Law and the 2006 Mediation Law reflect Jordan’s willingness to promote alternative dispute resolution mechanisms.

Jordan’s trade policy is geared towards integration into the world economy. Jordan acceded to the World Trade Organisation in 2000 and ratified a free trade agreement with the United States in 2001 and an association agreement with the European Union in 2002. It also established export platforms providing incentives for foreign investment.

Anti-corruption policies are pursued by Jordan which ratified the United Nations Convention against Corruption in 2005. The Anti-Corruption Commission Law was enacted in 2006 and amended in 2012. Hence, Jordan has made progress in setting up a legal and institutional framework. However, it still needs to develop rules and regulations to properly implement legislative provisions and strengthen accountability of the Judiciary.

Competition policies lack implementation. Jordan is the first Arab country to have adopted a Competition Law in 2004. Nevertheless, the institutions in charge suffer from lack of adequate resources, and weaknesses in the legislation enforcement are reported.

Jordan adheres to the OECD Guidelines for Multinational Enterprises and establishes a National Contact Point (NCP). With a view to promoting the OECD Guidelines and their observance by companies, Jordan will establish its NCP within JIB. The NCP will have an advisory body, comprising representatives of commerce and industry chambers, the business community and civil society.
Policies for promoting responsible business conduct (RBC) are still scarce. The concept is relatively new, the level of awareness is low and there is no comprehensive national policy. The government, enterprises and NGOs are, however, progressively taking initiatives to incorporate RBC into their practices. The authorities developed a Corporate Governance Code based on the OECD Principles of Corporate Governance. They ratified human rights conventions, but further steps are needed to guarantee respect for human rights by enterprises. The legal and institutional framework for employment and labour relations has been reinforced, notably through the 2011-20 National Employment Strategy. Challenges remain in relation to freedom of association, forced labour and social dialogue. Environmental impact assessments are mandatory for companies with activities that bear on environment, though awareness on green business conduct is limited.

Jordan is facing environmental challenges. The energy mix has heavily focused on oil, thereby exposing the country to fluctuations in global oil prices and raising a burden on the environment and the public purse. Jordan is one of the world’s most water-poor countries, while confronted to population growth and refugees influx. There are significant opportunities in terms of mobilising private investment, including foreign, in support of green growth. The National Energy Strategy plans to increase by 2020 the share of renewable energy sources in the energy mix to 10% and to reduce the energy consumption by 20% through energy efficiency measures. A Law on Renewable Energies and Energy Efficiency was adopted in 2010 and incentives are provided. Despite promising initiatives, gaps remain to increase investment in green sectors, such as green building market and clean technology hubs. The phasing out of fossil fuel subsidies and a feed-in tariff could help stimulate investment in renewable energy. A closer monitoring of government programmes could also ensure better results.
Introduction and assessment

Jordan’s economic development and the role of FDI

With a GDP per capita (PPP) of USD 5,900 in 2011, Jordan is an upper middle-income country. Key economic reforms launched in the 1990s enabled Jordan to achieve important economic and social development objectives. Privatisation, budget and financial sector reforms, and international economic integration (accession to the WTO in 2000 and ratification of a free trade agreement with the United States in 2001 and an association agreement with the European Union in 2002) have helped Jordan to reach a level of macroeconomic stability. Moreover, human development indicators have improved over time and real GDP growth averaged 6% from 2000 to 2011.

However, structural economic reforms still need to address the persistently high unemployment rate (13%), especially among the young and graduates (more than 30%), the large share of population just above the poverty line, and fiscal and external vulnerability. Jordan remains dependent on foreign aid and remittances which counter-balance external pressures from rising oil and food imports. In addition, the current regional unrest and the adverse global economic environment risk diluting the economic developments achieved by Jordan over the last decade and pose a threat to social and economic stability in the country in the short to medium term. The impact of the global economic downturn and regional turmoil has already substantially stalled Jordan’s growth prospects, as the GDP growth rate dropped to 2.6% in 2011 compared to 5% in 2009. Political concessions and the recent review of the Constitution have not fully met the expectations of all categories of the population and reaching political, social and economic consensus in a period of pre-legislative elections remains challenging.

Foreign direct investment in Jordan

FDI in Jordan began flowing to the country significantly in the late 1990s following economic reforms that sought to open up the economy and promote increased participation by the private sector. FDI inflows grew from an average of 0.2% of GDP in the early 1990s to 5.4% between 1997 and 2000 and to 10% of GDP from 2000 to 2011. Compared to other oil-importing countries from the Middle East and North Africa (MENA) region, Jordan has performed relatively
well in attracting FDI, benefiting strongly from its links with Gulf countries. Jordan’s major investors include Saudi Arabia, Kuwait, the United States and the United Arab Emirates. Financial intermediation, extraction industries such as phosphate and potash, chemicals, post and telecommunication, electricity and real estate attract the most FDI. Moreover, preferential US market access given to Jordanian exports under the Qualifying Industrial Zones led to a significant increase of FDI in the garment industry.

Since the mid-2000s, FDI has contributed to easing rising pressure on Jordan’s current account deficits. However, regional unrest and the economic slowdown in the Gulf States since the global economic crisis have considerably affected international investment flows to Jordan. FDI inflows were halved in 2011 as compared to 2008 – amounting USD 1.470 million in 2011. The consequences of further drops in FDI inflows can be of significant concern for Jordan’s economic activity and macroeconomic stability. The prospects for recovery are still not clear despite an initial strengthening of some export markets, such as Iraq, and an early indication of a recovery in FDI inflows in 2012. The domestic, regional and international situation, such as the deteriorating situation in Syria, the remaining instability in Iraq and the slow recovery of the global economy, will continue to affect near-term economic activity in Jordan and in the region. Jordan’s relative political stability might lead to an increase in its share in FDI flowing to the region.

The Central Bank of Jordan, in co-ordination with different government agencies such as the Department of Statistics, the Jordan investment Board (JIB) and the Jordan Securities Commission (JSC), is working on improving FDI statistics’ timeliness and reliability in order to assist informed policy making. The authorities have indicated their interest in engaging in a dialogue with the Investment Committee Working Group on International Investment Statistics (WGIIS) with a view to sharing experience, building capacities and aligning data further with the OECD BMD4 (Benchmark Definition of FDI).

Foreign investor participation in privatisation programmes

Privatisation has been a major driver in attracting foreign investors into Jordan. A programme for restructuring and privatising state-owned enterprises was launched in the mid-1990s. The 2000 Privatisation Law defined methods and procedures and established the Executive Privatization Commission (EPC). Since 2000, EPC has successfully completed more than 70 transactions yielding considerable proceeds and leading to sizeable investments. The completed transactions which include over nine major projects involved partial and total restructuring of the relevant sectors. They covered an array of vital sectors such as mining, civil aviation, telecommunications and electricity. Up to end 2008, total privatisation proceeds amounted to over USD 2.2 billion.
Given that the privatisation process is largely complete, it is expected that the number and size of future privatisation projects will diminish. The government tends to now favour public-private partnership (PPP) projects. It has prepared a draft PPP Law, which has not yet been adopted, and is reorienting the EPC mandate to focus on PPPs. It has announced in January 2013 the establishment of a Privatisation Evaluation Committee to examine privatisation activity since 1989.

**Jordan’s investment regime and the OECD National Treatment instrument**

The National Treatment instrument is a voluntary undertaking by countries adhering to the OECD Declaration on International Investment and Multinational Enterprises to accord to foreign-controlled enterprises on their territories treatment no less favourable than that accorded in like situations to domestic enterprises engaged in similar activities. Adhering countries commit themselves to make their list of exceptions to the National Treatment instrument available and to review it periodically with a view to improving the effectiveness of international economic co-operation among adhering countries.

Jordan’s legal investment regime is governed by a series of laws and regulations: the interim Investment Law No. 68 of 2003, which contains general provisions for treatment and protection of investment and describes procedures to benefit from incentives and obtain licences; the provisions on sectors, incentives and exemptions of the Investment Promotion Law No. 16 of 1995; Regulation No. 54 of 2000 which lists some sectors that are restricted to foreign investment; and the interim Law No. 67 of 2003 which deals with the organisation of the Jordan Investment Board.

Consequently, Jordan presents a rather complex legal investment regime, with a corpus of laws not all easily accessible, some being temporary and overlapping. The regime suffers from deficiencies in terms of legal coherence, transparency and predictability for investors and does not help governmental efforts to enhance investors’ confidence. The authorities are aware that the legal and institutional investment framework needs to be clarified, unified and improved. They have announced a revision of the legal regime for investment, clarifying investment incentives and reorganising the institutional framework. In the past years, several draft proposals were prepared but not adopted. According to the authorities, a new draft law could be enacted in early 2013 when a new Parliament will be convened after the January legislative elections.

The Jordanian authorities are encouraged to design the new law so that it reaffirms commitments to non-discrimination, transparency and investor
protection in line with international and OECD high standards; streamlines FDI restrictions currently found in separate regulations and provides for their critical review; and clarifies responsibilities of the authorities for the many tax and other investment incentives, with a mandate to simplify the system, periodically assess its net benefit, and publicly report.

Non-Jordanian investors benefit from the same treatment as Jordanian investors, subject to exceptions. For registration purposes, non-Jordanian investments must have at least 50 000 Jordanian Dinars of capital (equivalent to about USD 70 000). Statutory restrictions apply in a large number of sectors and their scope and application in practice are not always clear. The 2000 Regulation classifies sectors in three groups: the sectors in which foreign investment is totally prohibited, the sectors in which a maximum 50% foreign ownership is authorised and the sectors where a maximum 49% foreign ownership is allowed. In certain areas, such as telecommunications and transport, restrictions on foreign ownership are not uncommon in countries adhering to the Declaration. Restrictions are unusual in other areas such as wholesale trade and retail, and construction.

These exceptions under the instrument on National Treatment of the OECD Declaration are listed in Annex A of the present report. In addition, pursuant to the instrument, some measures having a bearing on FDI are notified for purposes of transparency – they are also listed in Annex A. Jordan imposes the obligation to have Jordanian personnel in the governance bodies of corporations operating in a number of services, such as business, banking, health, education, real estate and travel services. There are public monopolies in the following sectors: electricity, postal services, railways and water. Jordan does not apply any regulatory discrimination against foreign investors based on public order and essential security considerations.

Given the number of restricted sectors, Jordan’s overall scoring under the OECD’s FDI Regulatory Restrictiveness Index is high and well above the average for adhering countries. As Jordan is currently revising its investment law, it is invited to consider lifting some restrictions on foreign investment in sectors that are usually open in other countries, when alternative, non-discriminatory measures make it possible to meet the legitimate public policy objectives. The Jordanian authorities are also invited to work with the Investment Committee in order to share experience and present the new proposed investment law for advice.

**Jordan’s policy framework for investment**

**Investment policy**

Despite structural reforms aimed at liberalising its trade and investment regime and fostering private-sector led growth, Jordan does not rank very well
in international business climate rankings. Inefficient bureaucracy, complex administrative procedures imposed by several governmental bodies, inconsistent enforcement of regulations, and relatively limited qualification of public agents are generally considered as obstacles by investors. Jordan launched a regulatory guillotine project and e-governance initiatives, but the pace of implementation is slow.

As regards property rights, land ownership for foreigners is allowed in Jordan provided ownership is related to a business activity, except in the free zones where land can only be leased. It is subject to authorisation by the relevant Jordanian authorities. The registration of property is a lengthy process. In spite of efforts to modernise the registration system and the preparation of a unified Cadastre Law, the business sector has called for a more sustainable land management system. In the area of intellectual property rights, Jordan has made several regulatory reforms to comply with its international commitments, including the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) and the Jordan-US FTA. Reforms and commitment to intellectual property protection also respond to external demands, notably from major foreign companies investing in the pharmaceutical and IT (information and technology) sectors. However, further efforts are still needed to ensure better enforcement of the legislation and to co-ordinate the activities of institutions dealing with intellectual property rights. The creation of a dedicated agency, awareness-building initiatives, and enforcement measures could help foster intellectual property rights protection.

In order to address the shortcomings of the existing judicial structure and to improve the efficiency of enforcing contracts, Jordan is currently envisaging several measures, including establishing dedicated commercial courts. Such courts could provide a more suitable framework for settling commercial litigation and improve the management of the commercial caseload. Reforms for restructuring the judicial apparatus and for enhancing human resources have also been announced. An arbitration law and a mediation law were enacted respectively in 2001 and 2006, reflecting Jordan’s willingness to promote alternative dispute resolution mechanisms as a useful means for investors to settle disputes. Private sector representatives, such as the Jordan Chamber of Commerce, are also promoting these tools, although the mediation law remains available only for civil matters and it remains to be determined to what degree investors make use of such dispute resolution means in practice.

The country is an active signatory of bilateral investment treaties (BITs) with 53 agreements signed. Compared to other countries, Jordan started relatively recently to negotiate BITs and has a high rate of ratified treaties. Some BITs have been negotiated or signed concomitantly with free trade
agreements (United States, Canada and Singapore), unlike recent practice to include investment provisions in FTAs. At the regional level, Jordan also signed investment-related agreements, in particular the 1980 Arab League Unified Agreement for Investment. The analysis of selected BITs, including the Jordanian model BIT, reveals that Jordan treaty practice is rather traditional, compared with recent innovations in international investment law aiming at detailing and clarifying concepts and procedures. In addition to provisions related to expropriation in BITs, Jordan’s legislation (Constitution, Investment Law and Land Acquisition Law) covers the issue, thus offering a guarantee for investors which tend to perceive expropriation as a major risk. It would be worth, however, considering including in the Investment Law all the criteria for a lawful expropriation and in the Land Acquisition Law more precise definitions and processes, while offering a clear balance between the legitimate rights of the State to regulate in the public interest and of the investors to protect their property rights. Both Laws could also be better harmonised to ensure predictable interpretation in case of a dispute.

Dispute settlement provisions are also an important issue for investors. Jordan is a member of the International Centre for the Settlement of Investment Disputes (ICSID) and the vast majority of signed BITs provides for access to international arbitration. The 2003 Investment Law is less detailed than the 1995 Law in terms of investment dispute resolution as it only refers to the application of Arab and international agreements containing related provisions. Jordan has been a respondent State in five known investment disputes, all submitted to ICSID.

The Jordanian authorities have indicated that they adhere to the instrument on Conflicting Requirements, by which adhering countries shall co-operate so as to avoid or minimise the imposition of conflicting requirements on multinational enterprises.

**Investment promotion**

The Jordan Investment Board (JIB) was created in 1995 and re-organised in 2003. Its goal is to promote and facilitate investment in Jordan. JIB is managed by a Board of Directors, composed of government officials and private sector representatives in equal measure. JIB has two main pillars: investment promotion, and investor affairs and services. The latter includes a one-stop shop and departments on after-care and policy advocacy created in 2010 and hence too early to assess their impact. The one-stop shop aims at facilitating company registration and project licensing while not having the full authority to issue the approvals. In order to be more effective and attract investment, JIB recognises it has to overcome obstacles such as shortage in human resources, changes in government strategic vision and lack of empowerment of the one-stop shop.
Domestic and foreign investors can benefit from a wide range of incentives, but the regime established by existing laws and regulations is rather intricate with different overlapping schemes and zones. The incentives provided by the 1995 Investment Promotion Law offer different levels of tax exemptions according to defined zones of investment (classification by districts and governorates). Additional sets of incentives are provided in the various preferential economic zones (industrial estates, development areas, free zones, Aqaba Special Economic Zone (ASEZ) which has free-zone status and its own investment regime, and Qualifying Industrial Zones (QIZ) which offer specific incentives for exports to the United States). In addition, the Council of Ministers has the authority to provide any additional benefits and incentives to an investment project. The Income Tax Law of 2009 has eliminated income tax exemptions for investment outside the preferential economic zones. The 2003 interim Investment Law outlines procedures for applying for incentives and establishes the Investment Incentives Committee within JIB to review applications submitted by investors.

In light of the different schemes and the recent elimination of income tax exemptions, the incentive regime raises questions about transparency, predictability, and effectiveness. Jordan is invited to thoroughly assess the impact of its incentive regime, in parallel to the revision of the investment law, as incentives can impose a heavy financial burden on the government at a time of severe budgetary constraints.

The authorities accept the commitments under the instrument on International Investment Incentives and Disincentives, by which adhering countries recognise the need to give due weight to the interest of other adhering countries affected by laws and practices in this field and endeavour to make measures as transparent as possible. To assist in meeting these commitments, Jordan is invited to use the OECD Checklist for Foreign Direct Investment Incentive Policies which is based on good practices in adhering countries in this area, as well as the OECD Principles to enhance the transparency and governance of tax incentives for investment in developing countries. Both instruments encourage to promote the management and administration of incentives in a transparent and consistent manner and to set up a mechanism to assess incentives through costs-benefits analysis. The Jordanian authorities are also invited to engage with the Committee of Fiscal Affairs to conduct analyses of tax policy for investment; in particular, the OECD Tax and Development Programme can provide assistance in comprehensive analysis of tax incentives for investment.

**Trade policy**

Policies relating to trade in goods and services can support more and better quality investment by expanding opportunities to reap scale economies
and by facilitating integration into global supply chains, boosting productivity and rates of return on investment. Jordan’s foreign trade policy is oriented towards economic openness and integration into the world economy. During the past decade, the country has committed to trade liberalisation reforms and has advanced its trade diplomacy by actively participating in WTO negotiations and by engaging in bilateral trade relations with its main trading partners. Beside accession to the WTO in 2000, it concluded an Association Agreement with the European Union and an FTA with the United States, and established export platforms providing incentives for foreign investment.

During the last decade, trade has grown substantially in nominal and real terms, though this growth started to decrease slightly in 2009, reflecting the global economic slowdown and the fragile political situation in the region. Jordan has been incurring significant current account deficits since the mid-2000s as a consequence of rising commodity prices and following the recent negative impact of the regional turmoil. FDI restrictions in certain service sectors (transport, distribution, financial and business services) could also impede trade in services, usually contributing to increasing manufacturing competitiveness.

**Anti-corruption**

Anti-corruption policies are critical for the confidence and decisions of all investors and for reaping the development benefits of investment. Jordan was one of the first Arab countries to ratify the United Nations Convention against Corruption (UNCAC) in 2005. The Anti-Corruption Commission Law was then drafted and enacted in 2006. The Jordan Anti-Corruption Commission (ACC), which started operations in 2008, developed a National Anti-Corruption Strategy for 2008-2012 to combat corruption and pursue perpetrators. The Law was amended in 2012 to expand the Commission’s scope and provide provisions for protecting witnesses and whistleblowers.

Hence, Jordan has made progress in setting up a legal and institutional framework to combat corruption. Fighting corruption is presented as a priority in the political agenda. However, the Parliament suspended early 2012 some high-profile investigations and the demonstrations that have taken place in Jordan since early 2011 convey public discontent with corruption levels in the government. Efforts to improve legislation are notable, in particular the 2012 amendments to the Anti-Corruption Commission Law, but Jordan still needs to develop rules and regulations to properly implement and enforce legislative provisions and strengthen accountability of the judiciary. The institutions in place lack co-ordination and adequate resources and the independence of the Anti-Corruption Commission is still questioned.
The OECD Secretariat is co-operating with Jordan through its regional initiatives and partnerships, including the MENA-OECD Initiative on Governance and Investment for Development, to help the country address these concerns. The ACC and various non-government representatives are involved in the Strengthening Integrity in Business in Arab Countries (SIBAC) initiative led by the MENA-OECD Investment Programme. Jordan may wish to co-operate with the OECD Working Group on Bribery and consider the standards of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The authorities are also invited to consider undertaking an Integrity Scan, a self-assessment exercise supported by the OECD based on a tool covering all relevant OECD anti-corruption and other integrity instruments.

**Competition policy**

Competition policy favours innovation and contributes to conditions conducive to new investment. Sound competition policy also helps to transmit the wider benefits of investment to society. Jordan is the first Arab country in the Middle East to have adopted national legislation on competition. In 2002, Jordan enacted the provisional Anti-Trust Law which was replaced in 2004 by the Competition Law. It regulates anti-competitive practices, abuse of dominant positions and mergers and acquisitions. The provisions of the Competition Law apply to all production, commerce and service activities, as well as any economic activities occurring outside Jordan that have an effect within the Kingdom. Three authorities deal with competition matters: the Competition Directorate, the Competition Affairs Committee and the judiciary.

Hence, Jordan has set up a legal regime on competition and an institutional framework to deal with policy and enforcement issues. However, the institutions dealing with competition matters appear to suffer from lack of adequate resources and support, and some weaknesses in enforcement of the legislation are reported. The Jordanian authorities are invited to engage with the OECD Competition Committee and its secretariat to remedy remaining problems and strengthen legislative enforcement in line with OECD best practices.

**Infrastructure development**

Sound infrastructure development policies ensure scarce resources are channelled to the most promising projects and address bottlenecks limiting private investment.

Jordan has relatively well-developed infrastructure. Access rates are virtually 100% for transport, electricity, water supply, sanitation facilities and
mobile telephone subscriptions. While access to the Internet is not as advanced as in other sectors, the rate is actually above the Arab regional average. The quality of its air transport infrastructure, electricity supply and roads is particularly good by international standards, but there is room for improvement. For instance, while infrastructure systems are in place, the provision of steady and continuous supply is often a problem, particularly for water. Also, while Jordan boasts a world-class airport in Queen Alia International Airport, its railways lag behind in terms of the quality and length of the network.

Jordan has developed some experience in working with the private sector through a number of projects. Moving forward, it will be important to encourage investment in small-scale projects, which would also allow the domestic private sector to play more of a role in Jordan's infrastructure. Providing a legal framework for PPPs is also a priority. To that end, a draft PPP law has been prepared and is awaiting approval by the Parliament. It will also be important to integrate infrastructure strategies with general environmental policies as there is significant scope to green Jordan's infrastructure sectors.

**Financial sector development**

Effective financial sector policies facilitate enterprises and entrepreneurs to realise their investment ideas within a stable environment.

Jordan has a well-developed financial sector relative to its regional peers and other middle-income countries. Reforms implemented in the late 1990s and early 2000s with the support of the IMF and World Bank have successfully increased the size and depth of Jordan's financial system, notably in comparison to other MENA countries. Jordan has also enhanced its financial regulatory and supervisory framework, but significant challenges remain to develop the financial sector further.

Access to finance remains an important obstacle for conducting business in Jordan and the situation has deteriorated since 2005 with a contraction in the level of domestic credit as a share of GDP. There is a need to improve the credit information system. The government has begun to address these issues with the approval in 2011 of a temporary credit information law that enables the setting up of a private credit bureau in Jordan. The authorities also reported that a new insolvency and bankruptcy law that enhances the protection of creditors and investors' rights has been prepared and that they are working on adopting a comprehensive secured transactions law and developing a collateral registry system to facilitate the extension of loans to SMEs. Further efforts also need to be undertaken to develop Jordan's capital markets. The private debt securities market is incipient as a consequence of a limited public bond market and the lack of a diversified investor base. Non-
bank financial institutions in Jordan are still at an early stage of development and have yet to contribute more significantly to deepening Jordan’s capital markets.

**Jordan’s adherence to the OECD Guidelines for Multinational Enterprises**

The Guidelines, which form part of the Declaration on International Investment and Multinational Enterprises, are recommendations collectively addressed by adhering governments to multinational enterprises that operate in and from their territories in all major areas of business ethics with a view to promote responsible business conduct.

**Establishment of a National Contact Point**

With a view to promoting the Guidelines and their observance by companies, Jordan will establish its National Contact Point (NCP) within the Jordan Investment Board (JIB). The NCP will have an advisory body, comprising representatives of commerce and industry chambers, the business community and civil society. The government indicated that it will make available the necessary human resources to ensure the NCP’s proper functioning. It will also provide the necessary budget so that the NCP can effectively fulfil its responsibilities, such as undertaking promotional activities, handling enquiries and contributing to resolving issues related to the implementation of the Guidelines. The Jordanian NCP will disseminate the Guidelines through its website in English and Arabic. Furthermore, it will raise awareness of the Guidelines among public entities, the business community, commerce and industry chambers and non-governmental organisations (NGOs).

The Jordanian authorities have indicated they will look forward to working with other NCPs after adherence to ensure that the future Jordanian NCP is fully effective, transparent, accessible and accountable.

**General policies for promoting responsible business conduct**

The concept of responsible business conduct (RBC) is relatively new in Jordan and the level of awareness is low. There is no comprehensive national policy on the issue. Some Jordanian companies pursue philanthropic activities that are not directly related to RBC and the approach to corporate social responsibility is fragmented. However, the government, enterprises and NGOs are progressively taking initiatives to incorporate this concept into their practices.
The Jordanian authorities are considering the opportunity to adhere to the OECD Recommendation on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

**Jordan's policies in major areas of corporate responsibility**

**Disclosure**

In Jordan, the Companies Law requires companies to elect an auditor to monitor the company operations and audit its accounts. The auditor's report must ascertain whether the company maintains organised accounts, registers and documents and whether its financial statements are prepared in accordance with internationally recognised accounting and auditing principles. However, the authorities recognised that efforts should be made to ensure better compliance with international accounting standards. Thus, unregulated companies are not legally bound to follow any particular accounting standard, and there is no obligation for non-listed companies to disclose financial statements. Recognising the need to improve transparency and accountability of Jordanian enterprises, Jordanian authorities have developed a new Corporate Governance Code. Private shareholding companies, limited liability companies and non-listed public shareholding companies are now required to comply with the Code on a basis of the “comply or explain” principle. The Corporate Governance Code for Shareholding Companies listed on the Amman Stock Exchange, issued in 2008 by the Jordan Securities Commission (JSC), and the Corporate Governance Code for Banks (2007) also contain specific transparency and disclosure rules. These Codes were developed based on the OECD Principles of Corporate Governance. However, there is no direct reference to the disclosure of non-financial information related to social and environmental performance. Consequently, such companies publish the related information only on a voluntary basis.

**Human rights**

Jordan has ratified six major United Nations conventions dealing with human rights, with reservations in two cases. The National Centre for Human Rights (NCHR), established in 2006, should verify that human rights are being observed in the Kingdom, propose legislation related to the Centre’s objectives, organise training courses, issue statements, conduct studies and research, organise outreach activities, and establish a database of information related to human rights. NCHR has international and national credibility but suffers from ineffective co-ordination and lack of resources. Stakeholders mentioned that there is a need to update human rights laws because they do not comply with international agreements. International NGOs regularly
report on human rights abuses in Jordan and note in particular that some migrant domestic workers continue to be exploited and abused (examples of these abuses include unpaid salaries and poor working conditions). In Jordan, there is a perception that respect of human rights is not a specific issue for companies to deal with. To abide by the OECD Guidelines, the government is aware that it will need to further take steps to guarantee respect for human rights by enterprises and to encourage them to play a role and adopt policies in this area.

Employment and industrial relations

Jordan has ratified the eight fundamental ILO labour conventions, except the one on freedom of association and protection of the right to organise. The 1996 Labour Code governs all labour affairs and has had several amendments, including giving more weight to social dialogue. Established in 1954, the General Federation of Jordan Trade Unions includes all 17 trade unions in Jordan. Despite the unprecedented number of strikes in 2011 calling inter alia for higher salaries, the Jordanian government has been recognised as making efforts to address the issue of employment. The legal and institutional framework has been reinforced, an ambitious national strategy (the National Employment Strategy for 2011-20) has been launched, and programmes supported by international organisations have had a significant effect but several challenges remain. The application of the law is still uncertain and does not provide for full implementation of the international conventions, there are legal restrictions on freedom of association, inspectors still note abuses in QIZs, suspicion of forced labour exists, and social dialogue is insufficient. According to the ILO, “the impact of investment policies on employment remains uncertain. Trade liberalisation has led to an increased dependence on migrant workers in export zones, in turn decreasing real wages of unskilled labour.” (ILO, 2012).

Environment

In the mid-2000s, Jordan developed a legal and institutional framework to protect the environment (see next chapter). As regards the recommendations of the Guidelines, it should be noted that the Environmental Protection Law (2006) made environmental impact assessments (EIAs) mandatory for any companies with activities that bear on the environment. The Development Zones Commission (DFZC) has also made a Strategic Environmental Assessment an obligatory requirement for each new free zone and implemented a conducive process for starting new businesses which includes environmental clearance. The government is monitoring the activities of firms through its Royal Department for Environmental Protection that inspects industrial facilities to check their abidance by environmental regulations. The
government is also implementing a number of initiatives to encourage companies to adopt energy efficiency practices, water conservation and low-carbon buildings among other environmentally-friendly practices. In general, however, there is limited awareness in Jordan on green business conduct and initiatives to encourage enterprises to promote it (for example, disclosure of corporate environmental information on GHG emissions and water use). More needs to be done to mainstream green growth into economic development action plans and to promote corporate environmental performance.

**Combating bribery, bribe solicitation and extortion**

Jordan has set up a legal and institutional framework to combat corruption (see above) but it should continue its efforts to update its legislation with a view to criminalising corruption in the private sector and more generally to strengthening the judiciary’s ability to apply legislation and enforce sanctions. The use of *wasta* (commissions) to advance business interests is still widespread. Political will and announcements of reforms have not yet born fruit and companies have not yet developed integrity systems and due diligence processes.

**Consumer interests**

Consumer protection is rather neglected in Jordan. There is no consumer protection law, unlike several other countries in the region. Few provisions on the issue can be found in existing legislation. No governmental agency dedicated to consumer protection has been set up, although the Quality and Market Control Directorate of the Ministry of Industry can receive complaints from consumers and initiate investigations. In 2001, the National Society for Consumer Protection (NSCP) was set up as an NGO and contributed to the preparation of a draft law which has not been enacted. The Economic Dialogue Committee Report of May 2011 recommends enhancing consumer protection tools and accelerating the approval of the Consumer Protection Law. The media is slowly starting to build consumer awareness, which up to now has been rather low and limited. Civil society shows limited interest and engagement in the area and the business sector seems indifferent. From the government side, more would need to be done to enact and enforce a consumer protection law, create an independent governmental body, support consumer protection associations, explore the links between competition and consumer protection issues and build consumer awareness. Companies are also encouraged to take into account the consumer protection dimension in their business conduct.
Investment framework in support of green growth

Jordan is facing a number of challenges related to the environment and its current development path. Since 2011, Jordan’s supply of gas from Egypt has been compromised by repeated attacks on the gas pipeline between the two countries, creating an energy deficit that the government is struggling to close. Historically, Jordan’s energy mix has been heavily focused on oil, thereby exposing the Kingdom to fluctuations in world oil prices and raising a burden on the environment and the public purse. Both the supply crisis and the dominance of fossil fuels impose a heavy burden on government finances and lead to adverse effects on the environment. Moreover, Jordan is one of the world’s most water poor countries and loses 3.1% of its GDP a year as a result of air pollution, poor water quality and waste. Demographic factors pose additional challenges. Population growth and the influx of refugees from neighbouring countries are straining resources such as water and need to be addressed fairly urgently. Despite the challenges, there are significant opportunities for Jordan in terms of renewable energy, particularly wind and solar. Energy efficiency is another promising industry and could save Jordan 20% of its energy usage over 12 years if implemented effectively. There is potential for a strong green building market in Jordan, especially in the context of a burgeoning residential and industrial construction market. Clean technology hubs could also grow in development zones around the country with the right incentives and government support. Moreover, in light of the high levels of greenhouse gas emissions from transport, there is scope to introduce low-carbon transport solutions such as light rail, in order to address Jordan’s environmental degradation.

The government is responding to the challenges and opportunities by promoting alternative energy sources, particularly oil shale, nuclear power and natural gas but there are many environmental and social factors to consider before moving forward with the development of these energy sources. A greater focus on boosting clean energy could help meet Jordan’s international commitments, such as the Kyoto Protocol, but also create jobs and provide a stable supply of power. To that end, the government introduced a National Energy Strategy (2007-20) to increase the share of renewable energy sources in Jordan’s energy mix to 7% by 2015 and 10% by 2020. The Strategy also aims to reduce 20% of Jordan’s energy consumption through energy efficiency measures by 2020. Moreover, a Law on Renewable Energies and Energy Efficiency was adopted in 2010 to boost the development of the clean energy sector. The Law encourages project proposals from foreign and domestic private companies to develop renewable energy in Jordan. In the water sector, a strategy covering the 2008-22 period was developed focusing on increasing wastewater usage, decreasing groundwater abstraction and managing water demand.
Various incentives have been put in place to promote the government’s policy objectives, such as a Renewable Energy and Energy Efficiency Fund to help fund projects, and sales tax and customs duty exemptions on solar heaters. Despite the promising initiatives, some gaps remain and need to be addressed to increase investment in green sectors. Fossil fuel subsidies must be phased out to encourage renewable energy to compete. A feed-in tariff could help stimulate investment in renewable energy and closer monitoring of government programmes could ensure better results. Also, more needs to be done to bring commercial banks and other financial institutions on board, as they have up to now been slow in funding green projects. By providing strong support to green industries, Jordan can accelerate economic growth and position itself as a leader in the region. Some government initiatives have planted the seeds for prioritising the environment but a more concerted effort is needed if Jordan is to realise the full benefits of investment in sustainable growth.

The Jordanian authorities have expressed their interest to adhere to the OECD Declaration on Green Growth.