



# Jordan

Population <sup>1</sup>	9,956,011
Area (km <sup>2</sup> ) <sup>1</sup>	89,320
GDP per capita (USD) <sup>1</sup>	4,241.79
TPES (Mtoe) <sup>2</sup>	9.27
Energy intensity (toe/10 <sup>3</sup> 2010 USD) <sup>2</sup>	0.30
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>3</sup>	25.55

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020<sup>4</sup>

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Electric power generation, transmission and distribution	1 project 1 deal	new project institutional buy-out deal	170m EUR total project CapEx Deal value n.a.

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, [www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics), [webstore.iea.org/key-world-energy-statistics-2019](http://webstore.iea.org/key-world-energy-statistics-2019)
3. ©IEA 2020, CO<sub>2</sub> emissions from fuel combustion, [www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics), [webstore.iea.org/key-world-energy-statistics-2019](http://webstore.iea.org/key-world-energy-statistics-2019)
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Jordan is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

Jordan's overall risk level against the assessed areas is **low**.

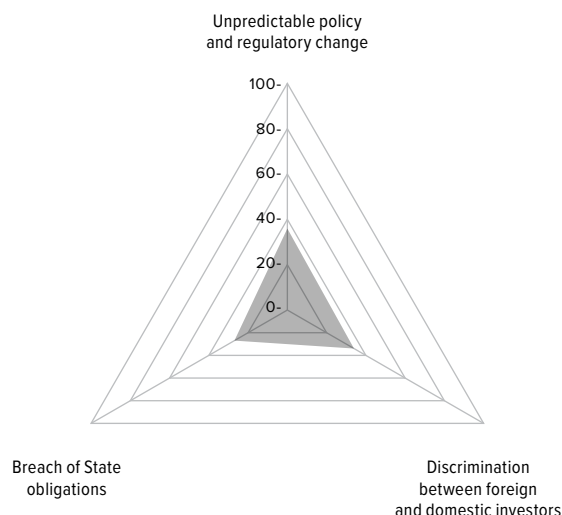
Among the three risks assessed in EIRA, *breach of State obligations* and *discrimination between foreign and domestic investors* continue to be lower than *unpredictable policy and regulatory change*.

Jordan's performance is good on two indicators, and it is moderate on two indicators. *Rule of law* continues to be the highest-scoring indicator at 73. On *management of decision-making processes*, its score has improved by one point and now stands at 68. It has maintained a moderate score of 56 on the indicator *regulatory environment and investment conditions*. Its performance on *foresight of policy and regulatory change* has gone up from 49 to 51.

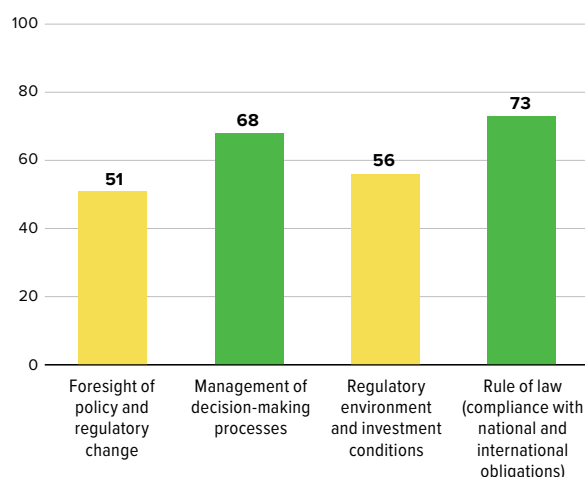
On a more detailed level, Jordan's overall sub-indicator performance is good. The highest-scoring sub-indicators are once again *management and settlement of investor-State disputes* (80) and *institutional governance* (75). Next are the indicators *respect for property rights* and *regulatory effectiveness*, both at 67. Its performance on *transparency* has improved by four points and stands at 62. Following this is *communication of vision and policies*, on which the score has gone up from 54 to 57. On *restrictions on FDI* it has the same score as last year (45). *Robustness of policy goals and commitments* remains the lowest-scoring sub-indicator with a moderate score of 44.

While Jordan has the relevant policies and measures in place, there is potential for improvement. Attention should be given to enhancing the robustness of policy goals and commitments.

## RISK LEVEL



## INDICATOR PERFORMANCE



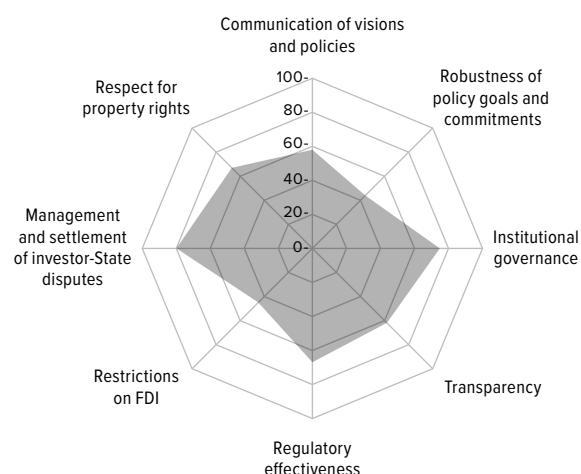
## YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020
Unpredictable policy and regulatory change	39	37	36
Discrimination between foreign and domestic investors	37	35	34
Breach of State obligations	31	27	27

INDICATORS	2018	2019	2020
Foresight of policy and regulatory change	49	49	51
Management of decision-making processes	64	67	68
Regulatory environment and investment conditions	56	56	56
Rule of law	69	73	73

## SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

The Jordan National Energy Strategy Plan 2007-2020 and its updated version, the National Energy Strategy 2015-2025, set the priorities for the energy sector's development.

Jordan ratified the Paris Agreement in 2016 and submitted its first NDC.

On 7 July 2020, the Ministry of Energy and Mineral Resources (MEMR) launched the Energy Sector Strategy for the years 2020-2030.

### STRENGTHS

The new Energy Sector Strategy for 2020-2030 intends to increase the share of local renewable energy sources in electricity generation to more than 48%. It also aims to reduce foreign fuel imports and steer the country on a more self-sufficient path. In 2019, several solar PV IPP projects, such as the 50 MW Risha project, the 40 MW East Amman project, the 51 MW Al-Safawi project, the 5 MW Al-Azraq project, and the 40 MW South Amman project, commenced operations. Moreover, the 89.1 MW Al-Fujaij wind IPP project started commercial operations. Improving energy efficiency is a high priority for the Government. The country's total energy losses are falling slowly but consistently. The combined-cycle gas turbine in Zarqa of 485 MW has been commissioned to replace the now obsolete Hussein Thermal Power Station. The Zarqa project supports the national target of increasing power generation capacity by 40% in 2020. The first oil shale fueled power plant of Jordan, with a generation capacity of 470 MW, will commence by the end of 2020, contributing to 15% of electrical energy.

The MEMR is ably monitoring the overall implementation of the country's energy strategy. For 2019-2020, it disseminated the national statistics on the country's annual energy balance, final energy consumption, primary energy supply, the cost of consumed primary energy, and daily peak load. The Department of Statistics website has exhaustive information on the economic indicators for every quarter of 2019 and 2020. The MEMR and the Energy and Mineral Regulatory Commission (EMRC) websites have published an assessment of the targets achieved in 2019, and a list of implemented and potential projects.

### AREAS FOR IMPROVEMENT

Since 9 January 2019, the MEMR has suspended new applications for renewable energy projects exceeding 1 MW until it finalises technical studies on the grid capacity and adopts the national energy strategy for 2030. Now that it has published the long-term energy strategy for 2020-2030, the MEMR must conclude its technical studies on the grid capacity within a specific time-frame to promote investor confidence. This way, the Government and potential investors will have greater visibility about the future outlook of the energy sector. It will also help to avoid the risk of unexpected regulatory adjustments at a later stage.

## Management of decision-making processes

### QUICK FACTS

The MEMR formulates and implements energy policies and laws.

The Access to Information Act 2007 establishes the procedure for obtaining information from public authorities.

### STRENGTHS

The Government of Jordan is undertaking a series of ambitious economic reforms to curb the growing public debt, strengthen financial stability and stimulate investment. The Government has also reaffirmed its commitment to the decentralisation project. Local councils are currently carrying out technical studies to address the challenges in implementing the project. The new Ministry of Digital Economy & Entrepreneurship was created in May 2019. One of the priorities in the Ministry's 2019-2020 Annual Plan is to simplify procedures that enable companies to establish and develop investment projects.

The Government has amended the Integrity and Anti-Corruption Law 2016 to improve the accountability of public institutions. The 2020 national budget of Jordan, and the new Income Tax Law 2018, aim to root out tax evasion and increase the national revenue, thereby reducing the public debt. To ensure greater transparency in public procurement, the Unified Procurement By-Law of 2019 establishes a single competent authority to deal with public sector tenders and procurement. The Government continues to improve and maintain its open data website portals. As suggested in EIRA 2018 and 2019, the Legislative and Opinion Bureau has launched an updated website that is user-friendly, contains updated tools and is available in a foreign language. It gives access to the latest judicial decisions, draft laws, by-laws, regulations as well as an exhaustive collection of Jordanian legislation.

### AREAS FOR IMPROVEMENT

To improve governance, the Government of Jordan has introduced important political reforms, such as the enactment of the Decentralization Law 2015, the Municipalities Law 2015 and amendments to the Elections Law 2016. The Government's endeavours are commendable, and it should continue with the necessary institutional reforms that will encourage participatory decision-making, and support the decentralisation and electoral reform.

The Government has introduced a number of energy reforms, such as the recently enacted Oil Derivatives Law 2018 and the Natural Resources Law 2018. However, it still needs to update some critical legislation and policies, such as the National Energy Efficiency Plan 2018-2020 and the Law on Guarantee of Access to Information 2007. The Government is encouraged to finalise the revised versions of these documents through the participation of concerned State and non-State actors.

## Regulatory environment and investment conditions

### QUICK FACTS

The EMRC is the national regulator for all energy activities. The National Electric Power Company (NEPCO) is the sole buyer of electricity, which it sells to the operators of the distribution networks.

The Regulation for Organising Non-Jordanian Investments No. 77 of 2016, as amended on 16 June 2020, lists the economic activities that non-Jordanians investors are allowed to undertake.

### STRENGTHS

The Government is undertaking reforms to reduce the debt of NEPCO and promote private investment. It intends to restructure the tariff-adjustment mechanism to ensure the sustainability of NEPCO's operations. The Government is also implementing a set of cost-saving measures and removing cross-subsidies in the sector. Reduced electricity costs for the business sector will bring relief to large consumers that bear high costs to support cross-subsidies. The Government has set a fixed value for the tax on oil derivatives, instead of calculating a percentage of the current price. Through this, it aims to protect consumers from the impact of increased tax amounts if global oil prices rise.

The Government has waived fees on real estate transactions to encourage investment. It has also amended the Insolvency Law 2018 so that non-performing companies may leave the market smoothly. The amendments also help viable, but financially distressed, firms to restructure their operations and debt. The Ministry of Planning and International Cooperation intends to relax foreign ownership restrictions in specific sectors. In February 2020, the Jordanian-Czech Business Forum on investment in transformational energy resources was organised. Its purpose was to enhance bilateral relations between the countries and to highlight investment opportunities in both countries.

### AREAS FOR IMPROVEMENT

The Government should implement a symmetrical tariff-adjustment mechanism that meets the requirements of the new preliminary agreement under the Extended Fund Facility of the IMF. The modified tariff must be sustainable for local businesses and families, otherwise, it will have to be revised again, and this may result in regulatory uncertainty. The Government should already conduct technical studies on how it will protect low income and vulnerable households from the impact of the inevitable tariff hike.

The MEMR should remove the temporary suspension on the issuance of permits for specific renewable projects. The status of projects with preliminary approvals and those under development should also be clarified publically to boost confidence. Finally, the Jordan National Renewable Energy Action Plan should be adopted as soon as possible so that investors know the Government's expectations and strategy.

## Rule of law

### QUICK FACTS

The Energy Charter Treaty entered into force for Jordan on 11 December 2018.

The Constitution of Jordan 1952 grants protection against the expropriation of property.

### STRENGTHS

The Government is committed to reforming its judicial processes. Amendments introduced to the Insolvency Law 2018 allow the enforcement of a foreign judgement on insolvency through Jordanian Courts, thereby increasing the scope of foreign investment protection. There were no retroactive changes introduced to legislation in the last year. Domestic courts generally enforce foreign judgements, except for reasons stipulated in the law. The Arbitration Law 2001 grants foreign investors the right to third-party arbitration within and outside the country.

Jordan continues to uphold the property rights of investors. While there has been no reform or amendment to the expropriation provisions, the current regime provides a degree of protection to investors. BITs signed by Jordan define "investment" to include intellectual ownership. The expropriation clauses in these BITs do not contain any carve-outs restricting protection to IP. The Jordan Enterprise Development Corporation, in collaboration with Italy, Greece, Spain and Tunisia, has launched an ambitious programme to upgrade IP practices of small and medium enterprises.

### AREAS FOR IMPROVEMENT

An investment ombudsman institution may become an effective channel for resolving deadlocks between investors and public authorities on matters of taxation, customs, labour, construction, licencing, and land. It may also have mediation functions to facilitate time- and cost-effective dispute settlement. The Government may also seek guidance from the Energy Charter Model Instrument on Management of Investment Disputes, which aims to assist States in handling investment disputes while keeping in mind with their own particular needs and circumstances.

The Government may amend the Investment Law 2014 and the Expropriation Law 1984 to identify and list the "public interest" activities for which State authorities can expropriate private property and assets. Moreover, there should be a legally binding timeline for paying compensation, and an explanation of the acquired property's intended use. For clarity, there must be explicit mention that any act of expropriation will be non-discriminatory.

# IMPLEMENTATION STATUS



## Jordan

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
<b>Indicator 1</b>		
	Adopt the Energy Strategy for the years 2020-2030.	<b>Fully implemented.</b> The Energy Strategy for the years 2020-2030 was not published as of 1 April 2020. However, on 7 July 2020, the Ministry of Energy and Mineral Resources (MEMR) adopted this strategy.
2018	Periodically evaluate the energy sector's incentive framework to ensure it evolves predictably and progressively.	<b>Work ongoing.</b> The MEMR is conducting a technical study on the capacity of the national grid to absorb more variable renewable energy.
	Ensure that the authorities implementing the national energy policy are different from those evaluating the progress made towards achieving the policy.	<b>Pending</b>
2019	Adopt the Jordan National Renewable Energy Action Plan.	<b>Pending</b>
	Update the National Energy Efficiency Plan 2018-2020.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
2020	Conclude technical studies on the grid capacity within a specific time-frame, and lift the suspension on the applications for new renewable projects with a capacity exceeding 1 MW.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
<b>Indicator 2</b>		
2018	Introduce institutionalised stakeholder engagement mechanisms to obtain the public's input on draft laws and regulations.	<b>Partially implemented.</b> The new Income Tax Law 2018, amendments to the Insolvency Law 2018, and the Cybercrime Law 2020 were widely discussed. However, consultations on changes to tariffs and tariff methodology need to be institutionalised.
	Establish a translation unit within the Legislative and Opinion Bureau that will prepare official versions of laws and policies translated in foreign languages.	<b>Partially implemented.</b> The Legislative and Opinion Bureau has launched an updated website that is user-friendly and available in a foreign language. However, the translations of draft and enacted laws are unofficial.
2020	Continue to support the decentralisation and electoral reform.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
	Adopt, after public consultation, amendments to the Law on Guarantee of Access to Information 2007.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
<b>Indicator 3</b>		
2018	Appoint an independent auditor to perform controls over the Energy and Mineral Regulatory Commission's (EMRC) annual accounts. Grant the EMRC an exclusive right to prepare its annual budget without the possibility of modifications by the Government.	<b>Pending</b>
	Relax/fast-track investment screening procedures of the Ministry of Industry and Trade.	<b>Pending</b>
	Implement a new tariff-adjustment mechanism that is symmetrical and meets the requirements of the new preliminary agreement under the Extended Fund Facility of the IMF.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
2020	Conduct technical studies on shielding low income and vulnerable households from the electricity cost hike that will result from NEPCO's ongoing reforms.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
	Following the suspension of new applications for renewable projects with a capacity exceeding 1 MW, the MEMR should give a public clarification on the status of projects with preliminary approvals or under development.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
<b>Indicator 4</b>		
2018	Establish a foreign-investment ombudsman to resolve licensing and other permits-related conflicts arising in the course of projects.	<b>Pending</b>
	Amend the Investment Law 2014 and the Expropriation Law 1987 to include a timeline for paying compensation in the case of expropriation. Make explicit mention that any act of expropriation will be non-discriminatory.	<b>Pending</b>