



# Economic Challenges in Jordan

## Quarter Report

Oct - Dec 2014

Jordan Independent Economy Watch



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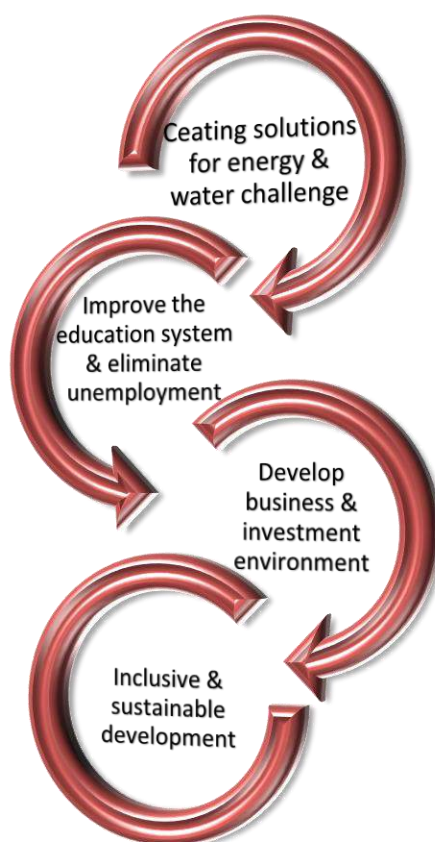
## Introduction

Jordan Independent Economy Watch (JIEW) project was launched as an approach to promote the dialogue between all sectors, especially the public sector as a policy maker and the private sector as a policy receiver. Such a goal can be realized by holding workshops for the two sectors as an attempt to exchange opinions. All these efforts are meant to serve the economic development progress in Jordan on all levels and for different time schemes. Building on this project, the team of the Economic Watch surveyed opinions and ideas of the relevant parties about the challenges tackled in the first report of the Watch, as a way to know the reasons behind such challenges and to come up with applicable solutions to be merged with the official policies and strategies.

The drive of JIEW is primarily to set up a dialogue methodology that enhances the efficiency of economic policies, especially at the present time as it is a transitional phase through which the national economy moves towards a more efficient policy making process and policy implementation, with a special attention to exchanging expertise and adopting the best international practices after having them tested according to the Jordanian economy nature, in light of its challenges on one hand and its opportunities on the other.

JIEW's first report presented a description of the current situation regarding the challenges facing the Jordanian economy. Those challenges were defined through a set of discussions and consultations with economists and some parties working on these challenges. All past efforts resulted in spotting energy and water as one challenge, as both are linked to each other. The second challenge was the possibility of improving education as a starting point to tackle the unemployment issue and eliminating it; thus, the solutions can contribute to developing business and investment environment, the third challenge within the series of challenges.

The challenges and their solutions are linked together, as integration and inclusion are key elements of a sustainable development that meets today's needs and builds the future's structure. Serving this purpose, extra effort must be exerted to coordinate all the efforts and direct them towards the citizens' benefit and raising their living standards.



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JIEW tries to shorten the distance between the dialogue sides by a set of reports issued through all the project's phases, opening the chances of dialogue and discussion within workshops. The current quarterly report focused on collecting, analyzing and organizing opinions of establishments specialized in developing sectors related to the selected challenges, as well as opinions of those affected by these establishments' policies. This effort is meant to find some suggestions, analyze them, and connect them with the official strategies to be submitted to and discussed with the related ministries and governmental authorities, in order to find out the obstacles hindering them from considering such suggestions, and push towards adopting them in case the obstacles are not quite persuasive.

## 1. Macroeconomics Developments

The current economic reform aims at enhancing the national economy competency on the medium and long run, and improving the general financial indicators given that the debt rates are going up to 80% out of the gross national product in 2014, and unemployment rates are still in the same average and the legislative amendments on laws are increasing, a fact that was greatly criticized by economists because of these amendments' impact over the economy in general and the citizens in specific. Although some of these laws and regulations contributed to launching a new phase of growth in certain sectors as renewable energy and inserting the public and private sectors partnership law, the impact of the other laws caused prices increase to reach its highest rates last September (149 points), when the indicator average in the kingdom amounted to 77.96 points from 1976 until this year.

The same case applies on the international economy, as it passed through financial crises of international investments and trade, which raised poverty and unemployment all over the world. Once the economy started to recover, other crises arose with significant impact such as the Arab Spring, the Ukrainian crisis and lately the drop of oil prices to less than USD60. This fall created new challenges in the face of growth rates, both for the advanced and developing countries, when the latter is trying to enhance their growth rates upon its needs in light of unemployment, public debt levels, and low revenues. Such a matter was highlighted by Christen Lagard, President of the International Monetary Fund, when she warned from the low growth of the world economy as a result of several challenges. The deviation in the global markets' performance is obvious when looking at the expectations ceiling of international institutions regarding growth rates; the Monetary Fund amended its expectations regarding growth in MENA to be 2.6% in its last report for October instead of 3.2% in its April report, the Fund also reduced its expectations of growth for the region in 2015 to be 3.8% instead of 4.5% as previously foreseen.

This international economic disorder has influence over the Jordanian economy, a small sized economy with limited resources and that depends mainly on grants and donations. The country recently received a financial support amounted to JOD397M from the USA within a grant agreement between the two countries; this agreement includes normal support (economic, military and budgetary aid), and additional economic support to encounter Syrian refugees' issues, as well as loan guarantees to amount the gross US support up to JOD1billion. Not to forget the International Monetary Fund agreement to support Jordan with JOD2 billion from which JOD124 million were issued according to the Fund's Executive Council's decision upon the fifth review to ensure the progress of the economic reform program as per the Jordanian Government's intent letter terms.

Mostly, these grants and aids are conditioned with economic and political reform operations to support Jordan in facing the challenges caused by outer factors out of the state's control as the Syrian crisis, the Egyptian gas stoppage, and food and oil increasing prices during the financial crisis. On the other hand, the granting countries are keen on improving the weaknesses in managing some economic issues and structural disorders of Jordan's economy, that caused low

enthusiasm because of the weak private sector and the dominance of the public sector as the major engine of the national economy, although the latter lacks the enablers to act as a wealth resource.

Despite the modest achievements, the current situation of the Jordanian economy is still going downwards because of the quick government alterations; this instability negatively influenced the efficient and effective execution of the set strategies that ensures the economic stability and security; however, these strategies need further development to cope with the surrounding changes, even if they included the same goals that we are seeking today. This harmony of expectations is clearly seen when comparing the intent letter and the economic reform program of the Monetary Fund with what has been previously planned in the National Agenda (2007-2017) and the different sectorial strategies. It is obvious that the weakness lies behind the executive approach resulting from the above challenges accumulating for years without actual real attempts to solve them.

Therefore, Jordan is expected to retrieve balance during a certain timeline as provided by grants and loans agreements, without imposing pressure on the Jordanian citizens because of the governmental alterations and not giving markets the time and the chance to reach a balanced situation. This burden on all sectors impacts the end user because of the taxing policies, especially that the general budget relies on tax proceeds as a main resource of income; a policy that pushed the economic policy management to upgrade these proceeds to be 71% of the total income in 2013 coinciding the increasing public debt to 80% out of the gross local product in 2014; nevertheless, growth levels remain low around 3% and unemployment rates around 12% (reached 11.4% upon the Department of Statistics on the 3<sup>rd</sup> Q this year). Such a situation did not help the Jordanian citizen to feel better regarding his living standards, on the contrary, the living conditions declined along with the increased tax burden to be 30% apart from the fees burden.

The slow development process with a sustainable angle towards inclusive strategic development forced Jordan to follow an economic reform process which is far from the development concept, as this reform is committed to strict measures within limited time frames to regain balance and stability. This situation put Jordan in an economic-financial dilemma. In spite of the minor improvement in some total economic indicators as the foreign exchange reserves, the increasing public debt is not promising, and the weak labor market with sturdy low unemployment rates all form threats and risks in the face of economic development on the medium-run, especially as these risks are connected with the conflicts of Syria, instability of Iraq, and the whole situation of the area. With this in mind, there is a strong need to adapt the financial condition with the public debt and work on reducing it to maintain sustainability.

On another level, there is a special need to support the private sector and activate its role in the development process to enhance inclusive growth and create job opportunities by reforming the labor market and educational system, and creating balance between supply and demand according to required skills and qualifications.

Although it is important to improve a legislative environment that embraces investment, and to support the private sector to create job opportunities, it is also important to improve the general



financial performance and control expenditures and revenues within reasonable and rational time limits that correspond to the Jordanian economy nature and its ability to respond correctly to this improvement, to make it a positive change for the Jordanian citizen and his living standards.

## 2. Economic Challenges

### Energy & Water

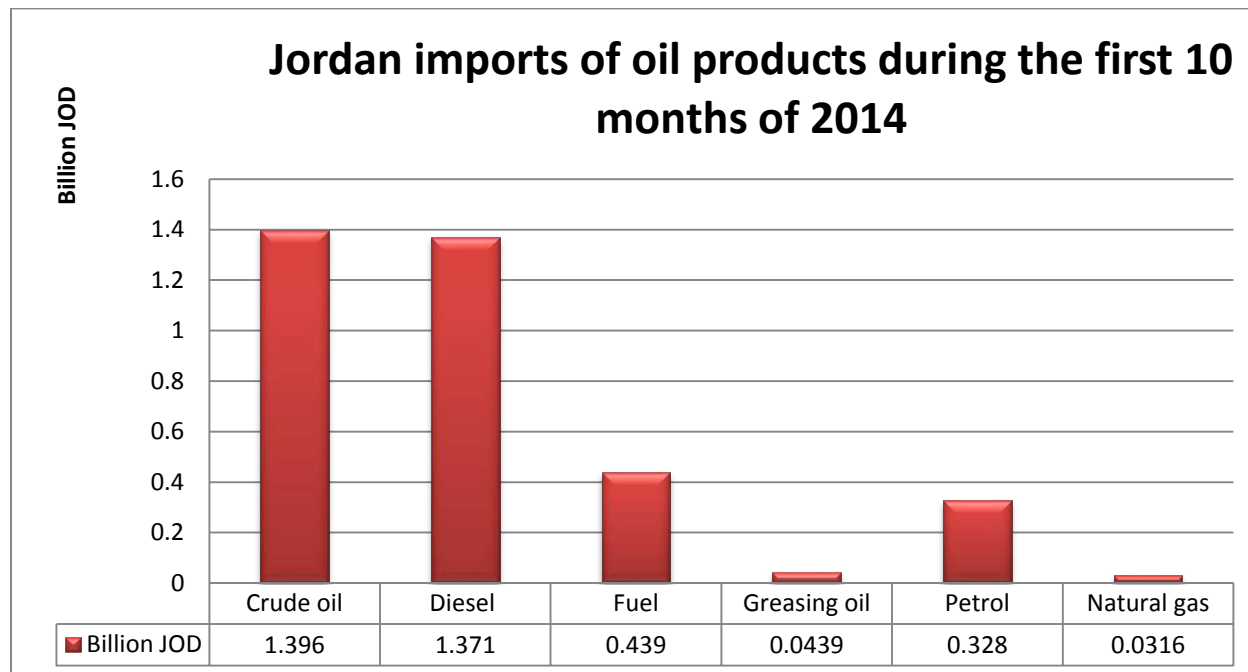
#### Energy

Energy is still the biggest issue in the economic debate, and is the most important interest for the people since it is the first justification for any economic conditions and policies, starting from high fuel prices and oil barrel, moving to the Egyptian gas stoppage, then to the heavy fuel use for generating electricity. All these issues positioned energy as the most important reason calling for taking difficult economic decisions, in light of its influence on the citizen, and the prices rates that reduced the buying power, although energy is an element for promoting economy, moreover, it is the starting point to create strong demand on products and services in the markets.

Those incidents beside others are all facts and out of the economic policy management's control; however, the economic management can handle the disorders resulting from these incidents in a quick reaction and efficiently by reducing the damages and making the right decision at the right time. The issue of energy stemmed from the preparation of energy strategy in 2004, after the Iraqi oil stoppage caused by the US invasion of Iraq, prior to which, oil was offered to Jordan with favorable rates in addition to an oil grant with an amount of USD300M, and upon this crisis the need for taking certain measures arose. The Energy strategy was created with ambitious goals yet reasonable in case it is applied as scheduled. The set strategy was expected to increase renewable energy's contribution to 7% of the total energy consumption in 2015 and 10% in 2010. This objective sounds difficult in light of the time limit especially for 2015; and in spite of the attention paid lately to this field, the renewable energy still faces many obstacles related to the legislations, some of which have been amended to meet the renewable energy needs, as well as application challenges like transactions that need long time and face many complicated formalities.

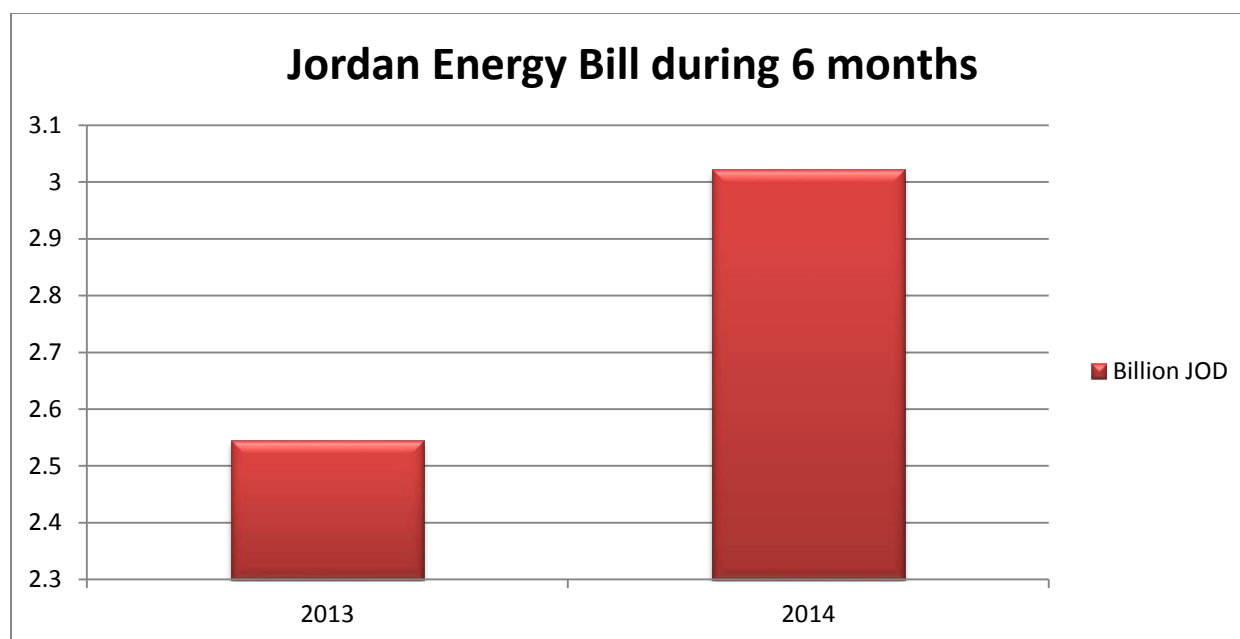
Despite the Energy Strategy of 2004 and its amendment in 2007, it hasn't been actually activated, and has not received enough attention, until we were shocked by the region's transformations as the change of oil barrel's price, the Egyptian gas stoppage and the increased energy bills to reach 20% of the gross local product, and it became the biggest burden after reaching to JOD3.76B during the first 10 months of 2014 compared to JOD3.37B for the same period in 2013. Having known this situation, the imports of fuel are increased, especially crude oil and its products to form 98% of the imports. But on the other hand and despite the increased burden of energy bills over the trade balance and payments balance, it is important to clarify that the biggest part of these imports is being regained directly from the consumers, creating a revenue from such imports with taxes and fees imposed on oil products, especially after the decontrol of fuel prices and restructuring the

support policy to be replaced with direct cash payments. The Government assured that the treasury gained about JOD326M during the last three years from the general and special taxes on oil products, the special tax alone reached to 18% on 90 Octane and 24% on 95 Octane; while a report published by Al Ghad newspapers showed that the total of imposed taxes on 90 Octane and 95 Octane amounted to 22.3% and 40.6% respectively.



There is a high energy bill and heavy burden over the public budget balance and the Electric Power Company's loss which went to JOD4.5B according to the Minister of Energy and Mineral Resources' declaration at the Council of Representatives' session (which was held to discuss the losses of the Electric Power Company and the intent letter of the National Electric Power Co. and Noble American Co. working on a gas field at the occupied territories; during this session the council announced its refusal of this agreement and recommended the Government not to sign this letter and to annul its terms, the council also asked the Government to find alternative energy resources, the same position was announced by other vocational and youth movements). All these negative developments on energy costs and proceedings created a quick tendency towards finding fast and practical solutions as requested by economists; however, the governmental delay in implementing those solutions made them crucial at the moment and indispensable.





Away from the late insertion of renewable energy in the energy strategy, many voices have been calling for building a liquid gas port in Aqaba after the stoppage of the Egyptian gas, in order to reduce the losses resulted from using heavy fuel in generating electricity, but these calls were not adopted on the right time without reasonable justifications overlooking the official expectations based on the results of the British Petroleum surveys; the Jordanian Government previously signed an agreement with the British Petroleum Co. to extract gas from Al Risheh field, conduct seismic surveys using accurate 3D technologies on over 5000 Km, as well as an exploratory drilling with a depth of 3000m and a cost of USD 235M, according to the former Minister of Energy and Mineral Resources Alaa Batayneh who announced the Company's intention to perform two exploratory drilling projects in the future. These studies' results showed that it is possible to produce 300 to 1000 million cubic feet of natural gas daily.

Based on the above expectations, the Ministry raised its hope to find natural gas supply, but this also caused slow progress in implementing the gas port; many successive energy ministers gave promises to initiate this port, and it was supposed to be in action in the first half of 2014 but it has not even started until today, although there are promises to have this project active in 2015. It is important to mention that the Ministers Council has approved an agreement to sell and purchase natural liquid gas, and it is to be signed after negotiating its terms between the National Electric Power Co. and Shell International Co.. This agreement is expected to take the needed measures to purchase natural liquid gas through a competitive international bid that enables Jordan to get the best prices, thus the Company can provide about 150 million cubic feet daily of gas, which amounts to 15% of the Kingdom's needs (400 million cubic feet).

The surprise was the sudden and complete withdrawal of British Petroleum Co. with no convincing reasons. The justification was that the quantities were not promising and not feasible economically, which entirely contradicts with the previous declaration of the company and the Minister at the

beginning of the exploratory process; this withdrawal also coincided with the Government's announcement this year about the intent letter of Noble US Co. working on fields within the occupied territories, a deal that amounts up to USD1 billion.

The inclusive energy strategy was not implemented because of the 9 successive energy ministers since 2007 until this moment. This situation caused the strategy to lose its goals and reduced the available options to the extent that energy sector reached a critical position as per the Government's confession of its inability to provide different resources of gas other than the Israeli gas that was rejected by the people and the Representatives' Council alike.

There is a contradiction between getting oil for favorable prices in the 90s from neighboring Arab countries (Iraq) and today's plan to get oil for high prices from a persona-non-grata who did not commit to any previous convections, on the contrary Israel broke all agreements by taking over water resources and threatening Jordan's water security despite Wadi Araba Agreement. This opposition proves the risk of this suggested gas agreement, and it goes against the pursuit of stable and secured energy sector, it actually places Jordan under a huge pressure and raises the risk ratio.

An international consultancy company (HIS CERA) that has previously worked with the Israeli Government directly (as per some business and economic Hebrew magazines), conducted a report on the risks of cooperation with Israel in gas industry, as it faced great difficulties in exporting gas more than dealing with Brazil, Angola and Mozambique, in spite of the dangers in these countries.

*Monitoring prices in the Israeli gas market is pretty alarming, many adversaries warned from the organizational and legislative instability of Israel which pushes away the investors. This report places Israel in the 28<sup>th</sup> rank within oil and gas global indicator, and in the 61<sup>st</sup> rank in the general attraction indicator, disregarding the boycott of the Arab countries.*

*-Reference: HIS CERA report on gas & energy*

The international fall of oil prices is a major development that people, experts and media are talking about, as oil is a vital product that many industries and sectors depend on, especially in countries that suffer lack of oil products. It is the major factor of the economics' ups and downs regarding the high public debt, loans, and high energy costs according to global high prices; therefore, there are some high expectations of a possible improvement even if it was limited.

In light of the international oil prices' drop to the lowest levels since the last 5 years to go below USD60 per barrel of crude Brent, expectations are increasing towards higher growth rates supported by a sectorial activity if this drop was reflected on lowering oil products corresponding to the international regression. The elementary indicators are showing fixed prices around the average especially after OPEC's decision to fix production levels and open the door before supply and demand levels to create balance between international markets and prices.

This regression is a promising indicator of reducing the burden of 2015 budget, especially on the energy bill and the Electric Power Co. losses, which enables the budget balance to relocate the set

amounts and the surpluses realized by the decreased prices towards more important matters related to capital expenditures.

Brent barrel recorded rates ranging around USD60 a barrel, about 50% less since June 2014. Citizens haven't felt this change completely because it didn't reflect directly on oil products in spite of decontrolling their prices. This is mainly attributed to the increased taxation on oil products of all types, in addition to the lack of transparency in oil products pricing process based on unclear and undisclosed calculations. The Economic Watch contacted the Ministry of Energy and Mineral Resources to try to collect more information about the pricing process, but it failed since the media spokesperson position at the Ministry is vacant, and that was justified by internal relocations; however we were asked to try again as a way to be transparent and to clarify the pricing process to all people and remove any doubts in this regard.

What occupies people's attention the most is how this fall of oil prices is reflected on products and services' prices locally. Inflation and consumer prices levels are connected with any increase in the raw materials and oil products; however, this connection and its pace are restricted to price rising cases only not the fall cases. This contradiction can be referred to the set policies that must be highly responsive to be able to avoid any disorders in the market, as the lowered oil prices globally and locally the last three months was not followed by amending the transportation fees or even amending direct products prices as the gas cylinder which remained in its price at JD10; there are expectations of reducing its price with 80-100 piaster next month. It is important to note that gas cylinder price was not included in the monthly review of oil products prices although about 26 amendments since the decontrol took place, prices were amended 11 times but the reduced rates were not up to the specialists' expectations. On the other hand, increase rates exceeded the rates in international markets.

Gas 90: 4% Sales tax + 18%  
Special tax + 0.6% Stamps =  
22.6%

Gas 95: 16% Sales tax + 24%  
Special tax + 0.6% Stamps =  
40.6%

Inflexibility of pricing mechanisms either for oil products or consumer price levels causes limited benefit of this price reduction; therefore, experts are calling for reviewing 2015 budget that was previously submitted based on oil prices ranging from USD95-100 a barrel, which should realize a surplus especially for Electric Power Co. losses and Government support invoicing, knowing that this support policy stipulates suspending the support payments' issuance unless oil barrel price went below USD100 for more than 90 days, thus, the budget balance can save about JOD180 million that were allocated to support 2015 budget.

This expected positive impact for the prices reduction on the growth rates is opposed by fear from cancelling the expected transfers and grants that amounted to JOD1.1 billion in 2015 budget; however, the Prime Minister announced that there is no unguaranteed terms of the budget's foreign transfers;. There is also a fear from a regression in the direct foreign investments upon the relapse of the global markets' performance; this will absolutely impact the investment power when the decision makers feel troubled after the suffering of development process and economic reform,

beside the constant attempt to attract such investments in a way to create job opportunities and eliminate unemployment. These reasons indicate the necessity of using GCC grants and grants in general to apply them on capital projects that promote stability, self-reliance, and support the local private sector as the most important and safest investor.

As for the losses of the Electric Power Co., the company's GM declared expectations of rising total losses this year with a rate of 29% compared to the last rate, to reach to JOD1.4 billion. According to his declaration, such expectation is attributed to the complete stoppage of the Egyptian gas since May, especially that the loss management strategy was based on a flow rate of 100 million cubic feet a day of Egyptian gas, when the actual flow did not exceed the 35 million cubic feet a day.

According to these circumstances besides the losses of the Electric Power Co. as one of the most important sides for its major role in the economic vital activity, the Company is looking now for ways to reduce and eliminate the increasing losses and to reset studies and strategies to overcome this issue that lasted for a long time and became the cause of all economic issues in the Kingdom. In light of the vital role which the Electric Power Co. plays, it earns great Governmental and official support of all its plans and decisions.

The Government and the National Electric Power Co. set up a strategy of three pillars to resolve the company's losses. The 3 pillars represent in: a) using renewable energy and oil shale to reduce the production costs; b) building a liquid gas port to replace the Egyptian gas; c) gradual upgrading of the electric tariff yearly until 2017.

This strategy aims at achieving the goals agreed upon with the International Monetary Fund through the economic reform program based on the Government's intent letter. Not to forget that one of those goals was creating financial balance for the National Electric Power Co. and bring it back to costs covering phase by 2017.

Actually, the Electric Power Co. did implement the gradual rise of the electric tariff upon the strategy, for most of the economic sectors with consumption rates more than 600kw/h, gradually until 2017. It is important to mention here that the tariff was amended by the beginning of this year with a rise that reached to 15% for some sectors. Although the agricultural and small industrial sectors were excluded from this increase, but it has consumed many sectors especially communications and hospitals that are amongst the most important operators in the local market. The rise also directly influenced products' prices and the competitive business, thus indirectly influencing to the citizens. Some parties and industry and commerce chambers are trying to push the Government not to impose higher tariff as scheduled in the strategy, because of the rise's impact on these sectors' performance, specifically with the instable legislative environment resulting from the commercial laws' amendment as income and investment taxes law. Such a burden on the private sector may reverse the expected goals of the development and economic reform. We will explain later in this report the most important influencers on the business and investment environment and the expected impact in case of raising the electric tariff.

## التعرفة الكهربائية للفترة من 2013-2017

نسب الزيـادة					التعرفة الكهربائية لعام 2017	التعرفة الكهربائية لعام 2016	التعرفة الكهربائية لعام 2015	التعرفة الكهربائية لعام 2014	التعرفة الكهربائية لعام 2013	التعرفة الكهربائية اعتباراً من 2013/8/15 وحتى 2013/12/31	القطاع
2017	2016	2015	2014	2013	(فلس/ك.و.س)	(فلس/ك.و.س)	(فلس/ك.و.س)	(فلس/ك.و.س)	(فلس/ك.و.س)	(فلس/ك.و.س)	
أ- المشتركين المنزليين											
0.0%	0.0%	0.0%	0.0%	0.0%	33	33	33	33	33	33	من 1- 160 كيلو واط ساعة شهرياً
0.0%	0.0%	0.0%	0.0%	0.0%	72	72	72	72	72	72	من 161- 300 كيلو واط ساعة شهرياً
0.0%	0.0%	0.0%	0.0%	0.0%	86	86	86	86	86	86	من 301- 500 كيلو واط ساعة شهرياً
0.0%	0.0%	0.0%	0.0%	0.0%	114	114	114	114	114	114	من 501- 600 كيلو واط ساعة شهرياً
7.5%	7.5%	7.5%	7.5%	0.0%	188	175	163	152	141	141	من 601- 750 كيلو واط ساعة شهرياً
7.5%	7.5%	7.5%	7.5%	0.0%	224	209	194	181	168	168	من 751- 1000 كيلو واط ساعة شهرياً
4.0%	5.0%	5.0%	10.0%	0.0%	296	285	271	259	235	235	أكثر من 1000 كيلو واط ساعة شهرياً
ب- المشتركين الإقليميين											
10.0%	10.0%	10.0%	10.0%	10.0%	53	48	44	40	36	36	من 1- 160 كيلو واط ساعة شهرياً
10.0%	10.0%	10.0%	10.0%	10.0%	116	105	96	87	79	79	من 161- 300 كيلو واط ساعة شهرياً
10.0%	10.0%	10.0%	10.0%	10.0%	139	126	114	104	95	95	من 301- 500 كيلو واط ساعة شهرياً
10.0%	10.0%	10.0%	10.0%	10.0%	184	167	152	138	125	125	من 501- 600 كيلو واط ساعة شهرياً
7.5%	7.5%	7.5%	7.5%	7.5%	202	188	175	163	152	152	من 601- 750 كيلو واط ساعة شهرياً
5.0%	5.0%	5.0%	5.0%	5.0%	214	204	194	185	176	176	من 751- 1000 كيلو واط ساعة شهرياً
5.0%	5.0%	5.0%	5.0%	5.0%	300	286	272	259	247	247	أكثر من 1000 كيلو واط ساعة شهرياً
15.0%	15.0%	15.0%	15.0%	15.0%	245	213	186	161	140	140	ج- الإذاعة والتلفزيون - تعرفة مستوية.
د- المشتركين التجاريين											
15.0%	15.0%	15.0%	15.0%	15.0%	183	159	138	120	105	105	من 1- 2000 كيلو واط ساعة شهرياً
15.0%	15.0%	15.0%	15.0%	15.0%	255	222	193	168	146	146	أكثر من 2000 كيلو واط ساعة شهرياً
هـ- البنوك											
5.0%	5.0%	5.0%	5.0%	16.7%	322	307	292	278	265	265	من 1- 2000 كيلو واط ساعة شهرياً
5.0%	5.0%	5.0%	5.0%	0.0%	322	307	292	278	265	265	أكثر من 2000 كيلو واط ساعة شهرياً
و- شركات الانصـالـات											
5.0%	5.0%	5.0%	5.0%	5.0%	290	276	263	250	238	238	من 1- 2000 كيلو واط ساعة شهرياً
5.0%	5.0%	5.0%	5.0%	5.0%	338	322	307	292	278	278	أكثر من 2000 كيلو واط ساعة شهرياً
ز- المشتركين الصناعيين الصغار - تعرفة مستوية.											
15.0%	15.0%	15.0%	15.0%	0.0%	100	87	75	66	57	57	من 1- 10,000 كيلو واط ساعة شهرياً
15.0%	15.0%	15.0%	15.0%	15.0%	115	100	87	75	66	66	أكثر من 10,000 كيلو واط ساعة شهرياً
ح- تعرفة المشتركين الصناعيين المتوسطيين											
0.0%	0.0%	0.0%	0.0%	0.0%	3.79	3.79	3.79	3.79	3.79	3.79	1- الحمل الأقصى (دينار/ك.و.شهر)
15.0%	15.0%	15.0%	15.0%	15.0%	127	110	96	83	72	72	2- التزويد النهاري
15.0%	15.0%	15.0%	15.0%	15.0%	107	93	81	70	61	61	3- التزويد الليلي
0.0%	0.0%	0.0%	0.0%	0.0%	60	60	60	60	60	60	ط- المشتركين الزراعيين - تعرفة مستوية.
ي- تعرفة المشتركين الزراعيين - تعرفة ثلاثية.											
0.0%	0.0%	0.0%	0.0%	0.0%	3.790	3.790	3.790	3.790	3.790	3.790	1- الحمل الأقصى (دينار/ك.و.شهر)
0.0%	0.0%	0.0%	0.0%	0.0%	59	59	59	59	59	59	2- التزويد النهاري
0.0%	0.0%	0.0%	0.0%	0.0%	49	49	49	49	49	49	3- التزويد الليلي
15.0%	15.0%	15.0%	15.0%	15.0%	133	115	100	87	76	76	كـ- ضخ المياه - تعرفة مستوية.
15.0%	15.0%	15.0%	15.0%	15.0%	255	222	193	168	146	146	ل- الفنادق - تعرفة مستوية -
م- الفنادق - تعرفة ثلاثية.											
0.0%	0.0%	0.0%	0.0%	0.0%	3.79	3.79	3.79	3.79	3.79	3.79	1- الحمل الأقصى (دينار/ك.و.شهر)
15.0%	15.0%	15.0%	15.0%	15.0%	233	203	176	153	133	133	2- التزويد النهاري
15.0%	15.0%	15.0%	15.0%	15.0%	205	178	155	135	117	117	3- التزويد الليلي
15.0%	15.0%	15.0%	15.0%	15.0%	161	140	122	106	92	92	ن- انارة الشوارع -تعرفة مستوية.
15.0%	15.0%	15.0%	15.0%	15.0%	207	180	157	136	118	118	س-قوات المسنحة الاردنية -تعرفة مستوية.
15.0%	15.0%	15.0%	15.0%	15.0%	225	196	170	148	129	129	ع-قطاع الموانئ -تعرفة مستوية.
فـ- الصناعي الكبير											
أولاً - الصناعات الاستخراجية التعدينية											
0.0%	0.0%	0.0%	0.0%	0.0%	2.980	2.980	2.980	2.980	2.980	2.980	1- الحمل الأقصى (دينار/ك.و.شهر)
7.5%	7.5%	7.5%	7.5%	7.5%	316	294	273	254	237	237	2- التزويد النهاري
7.5%	7.5%	7.5%	7.5%	7.5%	235	219	204	190	176	176	3- التزويد الليلي
ثانياً - الصناعات الأخرى											
0.0%	0.0%	0.0%	0.0%	0.0%	2.98	2.98	2.98	2.98	2.98	2.98	1- الحمل الأقصى (دينار/ك.و.شهر)
15.0%	15.0%	15.0%	15.0%	15.0%	189	164	143	124	108	108	2- التزويد النهاري
15.0%	15.0%	15.0%	15.0%	15.0%	153	133	116	101	87	87	3- التزويد الليلي
12.6%	12.3%	12.0%	11.7%	11.3%	142	126	112	100	90	90	ص- المختلطة (التجاري/ الزراعي) - تعرفة مستوية.



As for the 2<sup>nd</sup> pillar of the strategy which focuses on the necessity of the liquid gas port as many experts have recommended since the Egyptian gas crisis began, the GM at the Electric Power Co. declared that this port shall be set in action mid-2015 and he also pointed out that this project will help in reducing the company's losses with a rate from 25 to 30%.

Based on this chain of incidents and before talking about renewable energy and oil shale projects, there is an issue that keeps rising, which is implementing the strategies, especially strategies with medium and long run that requires risk evaluation to create plans with precautionary measures to avoid any crisis like that of the Electric Power Co.; then follows the importance of follow-up and assessment of the actual performance and achievement level. All these necessities bring benefit to the citizens to spare them the burden of some policies' failure or administrative faults including not making the right decision on the right time as in the liquid natural gas port case. According to a former Minister of Energy in 2012, a tender was to be submitted to completely perform the port and have it ready in the 1<sup>st</sup> half of 2015 with a total cost of JOD45 million. Such a declaration is startling because it shows delay in conducting deals and implementing projects especially in a critical phase of the energy sector, compared to quick implementation of any policies related to rising prices even if they were fair enough while no evaluation takes place when it comes to lowering prices which is the case today; after the international oil prices drop, the Government still hasn't announced any intention to annul the decision of rising electricity tariffs.

Taking into consideration all the above, we have several questions in mind: what is the real meaning of the Governmental support in general? And what is being announced on the citizens' electricity bills as electric support invoice in specific? How accurate this expression is based on the Company's GM announcement (that the expected surplus in case the port was initiated can reach to 30% of the losses, in other words, it would be possible to save about JOD375 million out of the total loss JOD1.25 billion by the end of the year; by calculating this rate after effect since the beginning of the issue, we found that it could have been possible to save about JOD1.350 billion out of the accumulative losses mounted to JOD4.5 billion.

Using high costs and uncovered revenues as justifications disregarding the reasons behind this raise and not taking the measures at the right time, leads to continued justified prices increase on the account of the Jordanian citizens who were subject to this increase because of their awareness on the situation's sensitivity and dangerous impact on the national economy; therefore it would be fair enough to reward these citizens with transparency regarding energy issues and pricing operations.

Regarding the nuclear project, the completion percentage of the nuclear research reactor project (conducted by Jordan Atomic Energy Commission with 5 MW capacity in Jordan University of Science and Technology) reached to 78%. This project created 546 job opportunities out of 592 of its team members. On a different scale, the Russian Prime Minister approved lately the agreement between Russia and Jordan to build and operate a nuclear energy station; upon this agreement, Russia shall build the station for Jordan comprising two reactors, each one's capacity reaches to 1000 MW. The 1<sup>st</sup> reactor is to be in action in 2024, and the second in 2026. Jordan is also expected



to build and operate its first nuclear station with joint investments from Russia and other countries as well.

Earlier last year, the Jordanian Government selected ROSATOM, a Russian company, to build the first Jordanian nuclear station with a cost of USD10 billion for the 2 reactors; Amra area was selected as the location of the project according to an agreement with KEPCO E&C which therein should evaluate the environmental impact of the project on the selected location. It is important to mention that the Russian party handles 49% of the project's cost, while Jordan handles 51%.

- Renewable energy in Jordan (the most important developments/ standing projects/ future projects)

Under the instable economy and the high general debit caused by the National Electric Power Co. losses with JOD4.7 billion by the end of 2014, alternative energy resources became an essential option especially the renewable energy (solar, wind, and waste-generated energy). Renewable energy is now a strategic option for Jordan; thus, the Government recently issued the Renewable Energy & Saving Law (33) 2014 which aims at developing the legislative environment and facilitate investment and encourage different renewable energy local industries. This law has also organized procedures of direct offers as per the renewable energy and energy saving law for 2012.

Today, the Government considers renewable energy as a productive sector not as a service, which will enhance the national economy and open the door to more investments in different areas and create job opportunities. Therefore, the Ministry of Energy and Mineral Resources have organized some renewable energy projects through direct offers to be implemented as soon as possible and connected to the national network, besides expanding this network by GCC grants. The Ministry also divided the direct offers to several routes; lately it has extended the delivery date of direct offers till the 2<sup>nd</sup> route to enable companies resume studies needed for their projects, as the capacity of such projects amounts to 200MW divided between 4 investors.

The most important goals of the new energy strategy (for the period 2007-2017) is to enhance renewable energy's contribution to the energy sector to 7% in 2015, and 10% in 2020, divided on 600-1000MW of wind energy, 300-600 MW of solar energy and 30-50 MW of waste energy. Recently the Government approved a set of projects related to the renewable energy, such as:

- Solar photoelectric boards project by Al Badiya Co. owned by Philadelphia Solar Energy Co., the Electric Power Co. of Irbid will purchase electric supply from the solar station with a 10MW capacity, and Philadelphia Co. will implement and operate the station for 20 years with fixed purchase rate for each KW/H which is 120 piaster. 70% of the project's cost is to be funded by Capital Bank Jordan which amounts about JOD16 million. On another hand, Philadelphia Co. announced that it will found a new company to manufacture the metal frames used in energy projects with a capacity of

300MW/year in cooperation with a leading German company to lead and manage this project from Amman. The same company also announced 3 new projects with the Modern International School (with capacity of 220KW), Jordan Children Museum (420KW) and Al Dur Al Manthour School (181KW).

- Maan Sun project which is one of Kawar Energy projects; working on this project should set off by the beginning of 2015. It is meant to generate electric power from photoelectric cells with 50MW. The project is located within Maan Development Area.
- Green transportation of renewable energy projects, which aims at moving electric power generated by renewable energy. The project is still stuck at the National Electric Power Co. for 2 years waiting for the necessary funding. The Government lately declared that the project is to be in action in 2016 using the GCC grants' allocations.

Company	Capacity/Mega Watt	Cost/ JD million
Al Ward Al Joury	10.979	30
Al Zanbaq	10.979	30
Zahrat Al Salam	10.979	30
Anwar Al Ard	22	66
Ma'an Sun	52.5	150
SunEdison Italy for Constructions	20.528	65
Al Oula Green Energy Investments Co.	10	30
Ard Al Amal	11	34

## Water

Water crisis in Jordan continues and gradually becomes more critical because of the higher demand upon the unexpected increase of population during the last three years. This high demand caused extra burden in regards to meeting the water needs on one hand and the supply cost on the already anxious budget on the other hand. As per the Minister of Water and Irrigation, Jordan estimated the needed support to manage water sector after the extra burden from the refugees' water demand with USD700 million for those 3 years.

This population increase, be it for natural reasons or for the Syrian crisis, reduced the individual's share of water to 100-130 m3, which is 88% below the world water poverty line which amounts to 7500 m3. Such a situation requires using every possible resource to adapt with the high demand

which increased from 21% to 40% in northern areas that are the most Jordanian parts affected with the Syrian refugees.

In the same context, JOD68 million were allocated to the water sector from the GCC grant in 2014; these allocations are increased in 2015 to be JOD70 million. So far, the Ministry has consumed JOD62 million of the grant upon a JOD10 million project completion; this project is planned to supply Kerak with additional 5 million m<sup>3</sup> of water, an increase of 70% of the water supply for this governorate. Thus, the Ministry was able to benefit from this grant with 91% in 2014.

As for the water supply quality, the last quarter of 2014 witnessed implementation of new strategies and methodologies to observe and monitor water resources' quality to ensure drinking water quality. In realization of these strategies, the Ministry of Water provided its labs with advanced machines with a cost of JOD2.5 million as per an agreement signed with the International Atomic Energy Agency and World Health Org. in order to manage water quality data through special programs and procedures.

Regarding the problematic rain water drainage and the closures resulted from precipitation levels, special statistics from Jordan Meteorological Department showed that this season's precipitation amounts exceeded general average in the same time of every year at most of the Kingdom's areas, ranging from 118% to 380%. This increase in precipitation revealed some problems in the water drainage system. Greater Amman Municipality (GAM) justified these problems with connecting the drainage network with the sewage network, which caused extra pressure on the drainage system, and eventually closing roads and traffic flows in many areas.

Officials at Miyahuna Co. advised not to drain rain water in such illegal and wrong manners by connecting it to the sewage system, as they should be two different systems in terms of maintenance and follow-up. The sewage system is managed by Water Authority of Jordan and the drainage system is managed by GAM and governorates' municipalities.

It is important to note that water networks were restructured and rehabilitated with a cost of JOD300 million within the "Investment Program of Amman" during 2000-2007, and since then, no similar projects have taken place in regards to drainage system. To resolve the problems of the water drainage systems, JOD23 million is needed as per the Ministry of Water's estimates; while the estimated cost for infrastructure rehabilitation process in Amman has amounted to JOD100 million. Jordanians, however, noticed increase in their water bills, upon amending drainage fees when they have no infrastructure at their areas. Also, water companies' costs have increased because of the energy bills, jumping from JOD26 million in 2010 to JOD60 million by the end of 2014.

Minister of Water and Irrigation confirmed the challenges facing the water sector; Government's support to this sector reached JOD250 million while loss rates are constantly increasing to 45%, 70% of which are because of stealing and mugging cases on water systems.

## The Educational System and Unemployment

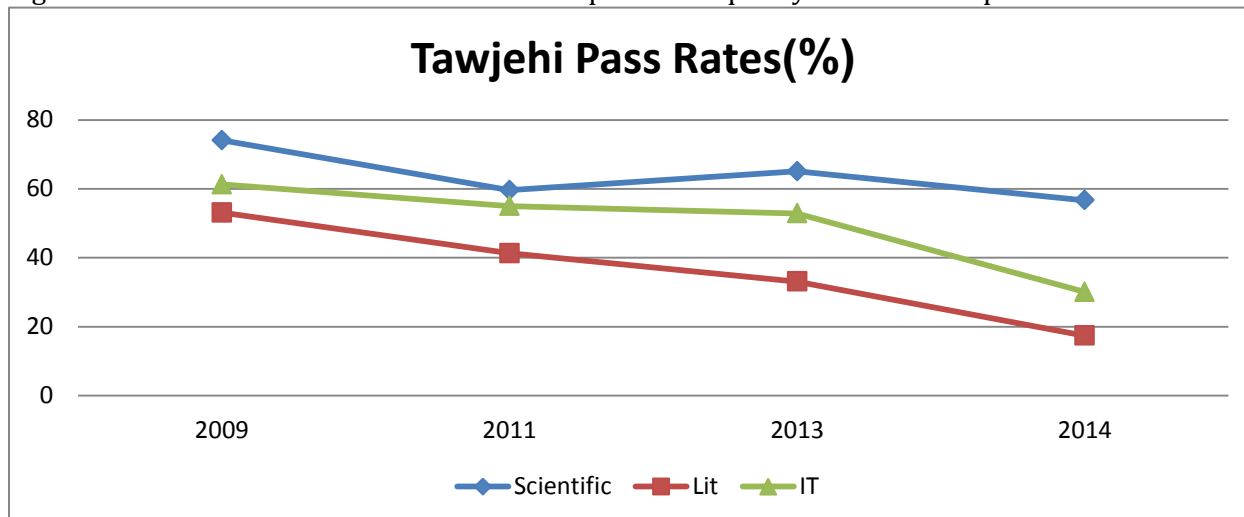
### Education

Education is the key to any development strategy and is the main factor that will enable change the fields of work and the economy and to reduce poverty and improve the quality of life, as education is the basis of the overall development and progress socially and economically because it is a treasure within the community and a lifeline to eliminate unemployment. Jordan has a good reputation in the field of education compared to other countries in the Middle East and North Africa, whereas the illiterate rate of no more than 6.8% in 2013, 10% women 3.5% men. As the proportion of bachelor degree holders is above 15% in 2013 compared with the 10% a decade ago.

The strength of the educational system lies within the geographical distribution that is good and appropriate for schools and universities across Jordan, while weak points are located within the quality of education provided in the various aspects of the Kingdom. Decline in technical and vocational education ratio of the major challenges facing education, especially higher education is also where the decrease in the percentage of people who were educated in the vocational field from 0.8% in 2002 to 0.3% in 2013, as well as diploma who decreased their percentage of 8.3% to 7.8% in the same campaign period.

The deterioration in quality of education in Jordan can be noticed through the following chart, which shows the success rates of the general secondary examination (Tawjihi) in various branches. Success rates of students slope trend across different branches. In 2009, the percentage of students passing the high school exam 53.1% in the Literary branch and 74.1% in the Scientific branch and 61.3% in the IT branch. While these percentages in 2014 amounted to 17.4% of the literary and 56.5% of the scientific and 30.1% for the IT. In total, only 40% of the total number of students applied for the high school exam in summer of 2014, compared to 56.3% for those who have applied to it in the year 2013 did not succeed and low percentages more pronounced in 2014 as a result of the efforts of the Ministry of Education to develop the administrative and technical strategies to ensure justice and equal opportunities to minimize the extent of cheating. One of these efforts was to reduce the number of exam rooms from 1649 to 420 exam rooms.

The Ministry of Education continues its work on improving the learning environment, especially with respect to high school examination being the only criterion that determines the future of the students to complete their education at the university level. In a recent statement to the Minister of Education, Dr Mohamed Thunaibat affirmed the direction of the Ministry of the amendment to the high school examination curricula so as to improve the quality of education provided to students,



which contributes to the educational product the ministry is looking forward to achieve, where this amendment includes deleted Optional materials for the students of the scientific section so that materials development mathematics, physics, chemistry, biology become compulsory and calculated in the grade point average (GPA) of students from the academic year 2015-2016, also include "Jordanian History" for students of literary section so as to be mandatory. The Ministry of Education has also taken many measures and began work in 2014 in order to ensure justice between guiding students and reduce the extent of cheating among students.

The number of students participating in the winter session of 2015 (161309) students of various courses, including (498) male and female special needs students. One of the efforts made by the ministry during this session is to reduce the number of schools at which the exams will be held to 480 school instead of the 1046 schools during the past summer session, as the number of observers could reach 13 thousand. The ministry also increased the number of teachers who will participate correcting high school exams to (18733) teachers. Extra 30% of the decided time for the exam will be given to both blind and deaf student as well as students of Cerebral Palsy in all subjects in high school. It is mentioned that the Ministry of Education has decided to enroll a number of 500 employees from the Bureau of Audit in the exams through monitoring the previous two examination courses.

Education has to be a productive process and it cannot be productive unless it was in a productive environment. For that, education has to coincide with the market of science and to keep up with it as vocational and technical education is the type of education that is most connected to production. Therefore, the vocational education has to be developed and the specialized expertise that the market of labor needs of different abilities. It is also required to find a close connection between institutions of vocational education and the institutions of labor by having it to participate in determining the goals, modes and the programs of the vocational and technical education and in employing graduates after finishing the course. It is not only vocational education that needs to convey the needs of the market of production, but also academic education as it needs to include

programs of professional nature to be able to prepare technical staff that can support the needs of vocational sectors of the qualified individuals.

When we talk about the importance of nowadays vocational and technical education we do not talk out of emotions or promotional slogans or structural phrases as much as we rely on statics, data, evidence and facts that now seem to form one of the main aspects of the educational process, and on the effect of that on the sustainable development in communities especially in the under the shadow of the unemployment phenomenon midst the academic graduates of the similar theoretical specialties. By moving from the general diagnosis to the sensed diagnosis, we find that the basis of the development of the great powers is the industrial development and progress and its interest in the vocational and technical education and practice. Many of the great powers made the vocational and technical education its biggest interest and the result of that is clear as it became, for example, more developed than China and was able through technical and applicable vocational institutions and colleges in latest years to supply the Chinese community with trained competencies in all fields as China is off in general from the need of the local market and the development process, principally that the vocational graduate joins directly one of the working facilities without waiting for an available chance or a vacancy job.

It is the same as well for both India and Brazil as these countries, by the effect of economic plans based on conveying the vocational and technical developments, has went from countries of high indebtedness into competitive and productive countries. That is why colleges and institutions provide these countries education opportunities in the applicable vocational professions to go hand in hand with the needs of the market. Germany has preceded the other countries in giving a special priority for the vocational and technical education as it realized that the true strong economy cannot be without the technical and vocational competencies. Germany provides for its graduates from institutions and middle colleges the ability to join universities after their graduation without the need to cut off from the middle institution and university.

The vocational and technical education system in Jordan suffers a lot from the obstacles that stands and is still standing in the face of its development and its acceptability to all layers of the community. Therefore, it has limited from its contribution to grow and develop its national economic components. The latest teaching strategies failed to achieve the wanted goals and requirements especially, in relation to the sector of the vocational and technical education and training.

These strategies, such as the higher education strategy of (2007-2012) and others, limited the sector of vocational education as a sector of priority for being an uninhibited destination by the schools graduates, provides them to gain a marketable vocational skills and decreases of the rate of students who are willing to continue their education in the academic field in universities. But, those expectations were not achieved as the rate of students applying to programs and institutions of vocational and technical education has decreased and reached a percentage of 0.3% in the latest years as the rate of vocational education is (20%) to the academic education (80%) despite the availability of many programs.

The reason of that goes to the lack of capacity of the applying side for the program of vocational and technical education and training in Jordan, which is the institute of vocational training, and this lack is considered to be the main obstacle to developing this sector. To reformat the visions of the development of the vocational and technical education and training in its policy, programs, position,



courses and priorities requires the Ministry of Education and the Ministry of Higher Education to increase their efforts. It is needed for more than one side to its advancement as it is considered a decisive national case essential to achieve the sustainable development and its continuation.

For that, it is essential to form a higher national commission from different sides in relation to create a national step of long-term strategy that is comprehensive and of capacity to boost the human development, and that encourages the technological sophistication and to form an industrial base that is capable of the advancement of Jordan. There has to be a real, wide and active participation in the private sector as it is the strongest team and the most capable of determining the needs of training that are important to boost up the level of abilities and re-training process, and which has the ability to determine which experiences needed in the dealers of different fields.

Many of the countries of the world head toward an economy that is based on knowledge or what is known as the “Knowledge Economy”. The Knowledge Economy is an economy where technologies take the place of capital as the primary materials and productive employment are all considered essential means in the process of production. The merge of information and communications techniques on one side with the human abilities from another side has changed in a great and guaranteed way the required jobs and skills in the market of labor. The special jobs have become technically complicated and require developed skills in the workers whereas traditional jobs that require a limited effort began to disappear gradually from the labor market.

Accordingly, the concept of the participation of human beings in the process of economic exchange has changed, and the effort that an individual makes in earning knowledge and applying it in the development of industrial processes, products and services more important than the physical effort or handy work. The Knowledge Economy has imposed a new reality in the educational process in many countries and the response to its requirements has become an essential element in its educational systems. The programs of vocational and technical education has responded in those systems to this challenge despite the experience these systems have in dealing with the scientific, economic, social and technological developments, the absorption of these developments and transforming them into a part of the educational process requires lots of effort to be made.

Jordan has started since 2003 the operation of developing the system of the governmental education which was based on the directing of his majesty king Abdullah the second who assured on the importance of developing our economy to the vibrant local and international competition that is covered by intensive efforts in the development of human resources on the regional level through an economy that is based on knowledge. The Ministry of Education started to work on the project of (ERFKE), Education Reform for Knowledge Economy, which aims to graduating productive eligible students who are owners of normal scruples that have ambition and stimulation who have a brain capable of giving criticism, creative thinking and the ability to solve problems.

The way to achieve this is through developing schools of efficiency that is able to provide its students quality education within a safe, organized, effective and transparent educational environment that is opened on the local community. The first level of the project started in the beginning of 2003-2009 of five years and half of execution whereas the second level of the Development of Education towards Knowledge Economy program started on 2010 that is expected to be worked upon until the end of 2015. This project includes five components to be executed under the developmental coordinating in the Ministry of Education as direct technical assistance is provided by the donor sides and the non-governmental organizations and institutions to support

different sides of development including the improvement of the infrastructure and establishing policies and plans of strategies, boosting the system of institutional contract and granting equality between sexes in the process of education.

There is now an urgent need to qualify as much as possible of educational leadership that is qualified, and that requires the unity of efforts more than the ones of the Ministry of Education. That is why there is many of sides and non-governmental institutions that provide vocational and educational programs that aims to create a generation that owns abilities and qualifications that enable it to be a productive member in its community. For example, the foundation of Injaz is one of the leading foundations in the field of qualifying students and refining of their skills to become productive member in its community. Some of those programs are the program of “leaders of business campaign 2014”, “Direct your destination” and “A Job for Day” and other programs that seek to inspire and motivate students of schools to succeed and supply them with information and knowledge to refine their skills to become effective members of their communities and successful in their vocational and practical lives.

The program of boosting productivity “Iradah” aims to contribute in solving the phenomenon of poverty and unemployment through boosting the spirit of citizens and to stimulate him towards investment as a mean to gain income, building productive local societies that contribute in the development of national economy. Iradah has many services such as training, marketing, quality, technical support and training entrepreneurs. One of the training programs is the “fellowship program” which aims to preparing individuals looking for jobs that are graduates of universities and colleges of the community and to qualify them according to their personal experiences by giving them the chance to get a practical training at the hosting foundations in the private sector which boosts their opportunities for work in the future. “Ijabi” program is one of the supported programs by the Chamber of Amman Industry that aims to develop the skills and information for the workers at the industrial and service sectors through training programs such as “Tanmiyah” program that targets school students and fresh graduates to give them a program of 60 hours to develop their skills and to equip them with knowledge and introduce them to the market of labor. Both “Queen Rania for Education and Development Foundation” and “Business Development Center” and other foundations and initiatives that seek to raise efficiency of education in Jordan and to elevate it for the sake of graduating students who are aware of their educational trends and have the needed skills to succeed in an economy based on knowledge.

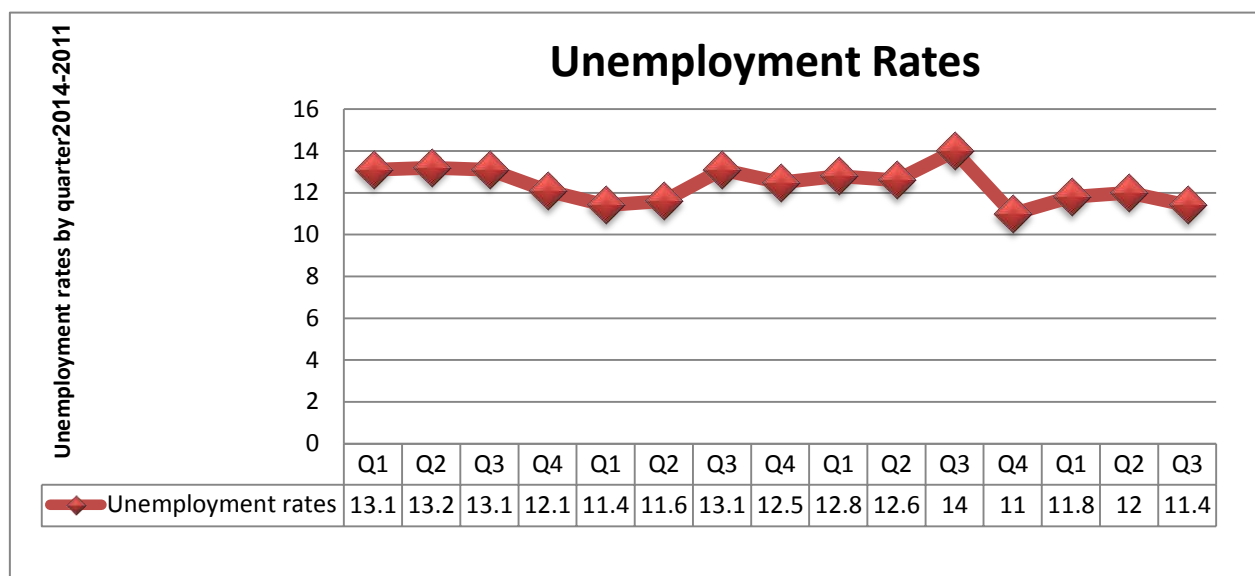
## Unemployment

We can say that we got used to that the unemployment rates are over 10% since the beginning of the 21<sup>st</sup> century. This rate is considered high and dangerous especially for being structural and rooted in the system and practices of official and non-governmental foundations as they become meaningless and a thing that we got used to even though it was not like this in the past.

The rate of unemployment did not pass 2% in the seventies in Jordan. Perhaps the biggest cause for this increasing in percentage is the weakness of relationship between the economic growth and the

employment, demographics, the demand trends of labor, employment policies in the public sector inefficient of programs of operating support and low levels of vocational training programs. Not to forget the absence of governmental planning, poor transport sector and other factors that caused the rate of unemployment in Jordan elevate by more than (10%).

By looking at the following diagram, we notice that the rate of total unemployment according to the quarters of the years 2011- the third quarter of year 2014 is high, where it goes between (11 % - 14%). By focusing on the unemployment percentage for the third quarter of 2014, the male's rate was (11.4%), while female's rate reached (22%) in the same period of time. And at the provincial level, Al Mafraq had the highest rate of unemployment which reached (15.5%) ,while the lowest rate of unemployment was recorded in Al Balqa' governorate by (8.7%).



In the contrast to the second quarter in which the unemployment rate in Al Balqa' amounted to (18.8%) for the same year. The survey of employment and unemployment rates that is made by the department of Statistics based on a quarterly basis shows that the rate of employment (as usual) was high between the graduates of universities (bachelors or higher degrees) as the rate reached 17.9% in comparison with other educational status with an increase of 1.3% higher than the second quarter of the same year. The rate of unemployment individuals in contrast of the educational level and sex as the unemployment males of bachelor degree or higher rate was higher than the females' rate with 25.1% against to 85.6%. It is not a new thing that the unemployment rate of graduates with bachelor degree is increasing. Depending on the survey of the latest years, we noticed a significant increase on this category as their unemployment rate from 2011 which reached (34.2%) to 2013 where it reached (39.8%).

This range adds to the signs of the structural nature of the phenomenon of unemployment in Jordan which is attributed mainly to the inequality between the outcomes of education and the needs of the labor market as the inability of the universities to meet up with the needs of the labor market.

For that, the relationship between the increase of the rate of unemployment and the education level is clear which explains that we cannot study about employment without taking education into consideration. For the working individuals, the survey showed that about 50% of them had their academic qualifications were less than the level of high school education, 11.3% of working individuals of high school education qualification and 36.7% of working individuals of people of qualifications of high school education's level. (5.8%) of the male working individuals work in vocational vacancies, while the rate of workers in crafts and other jobs of their profession reached (15.9%) and (17.8%) respectively.

The acuteness of the unemployment rate is shown clear when focusing on other job indicators. For example, the discouraged workers are not counted in the survey of the unemployment rates for not considering them a part of the labor market. By referring to the analytical report for the employment and unemployment rates in Jordan for 2013 that was done by the General Department of Statistics, we find that there are many reasons that made this category drop out from the labor market were of the following: No available vacancies, got tired of looking for a job or not academically qualified and other reasons that made them abandon the labor market. When reflecting upon the "not academically qualified" causer, we notice a reduction in the rate from (13.1%) in 2010 to (6.3%) in 2013. In this case, this reduction means the conviction of this category that they are not academically qualified to get a job and that is inconsistent with what was stated by most of the parts participating in the process whether it was the government or the private sector.

The argument that says "the inequality between the outcomes of education on its different levels and the needs of the labor market" barely is an essential part in any meeting where the phenomenon of unemployment, the cause of its increase and the need of the labor market to academically qualified individuals equipped with essential skills that enable them to find a job is discussed. This leads us to point the light on the importance of spreading awareness to this category that has become under the shadow of the discouraged unemployment upon their conviction that they are academically qualified and there are no suitable vacancies in the labor market. Awareness hereof means to notify and stimulate this category that it must acquire the essential skills gained from training courses and other institutions that make it qualified individuals to get the jobs they seek for. Convincing this category and stimulating it to become individuals that seek for those essential skills is not an easy thing. This process requires the unity of not only the efforts of the Ministry of Education and the efforts of other ministries.

Therefore, both private sector and the civil community have to be participating in all its foundations and media to reduce the rates of unemployment through the creation of a generation that owns the skills and essential qualification to enable it of engaging in the labor market. Both governmental and non-governmental institutions have a role in the process of developing human resources through making training courses and essential skills. It also participates in providing a solid investment environment to encourage attracting investments, medium and mini projects and entrepreneurship that generate jobs.

We have to refer to the major efforts that the chambers of industry and trade and business organizations have to empower the local economy through providing the suitable atmosphere for

this kind of projects that work of providing jobs in all fields which causes to decreasing the rates of poverty and unemployment. In our talk about the development and improvement of human resources, providing jobs and the equality, we should take into consideration the rights of an ignored category which is dear to our hearts which is the category of special needs and especially in relation to the equality in opportunities in community.

The first step is to blend this category economically and socially in the society that achieves the type of education that respects diversity and is integrator with all what words mean. An education in which there is a place available for everyone and its course available for everyone and the educational staff in the institution aware to the needs and energies of every working individual despite being retarded or not. It is that from the academic, vocational and technical education where the citizen goes out to the fields of work and life to found a decent life that is based on the equality of opportunities in the society against law.

There are many sectors, such as the sector of vocational and technical education in Jordan, which is, sadly, is not giving the full right of the retarded educated individuals even though they have this right of equality between them and non-retarded individuals. The major cause that comes in the way of merging in retarded individuals is the non-prepared environment to welcome them in addition to providing human power, skills of dealing with different needs of retarded individuals and the non-merging educational courses related to it. It is necessary to identify a pack of strategic goals to make a solid society foundation that aims to providing the suitable environment for retarded individuals.

This requires the developing of joint mechanisms between different sectors including the Ministry of Education, Ministry of Labor and Ministry of Transportation and other relevant ministries. It is also needed to work hand in hand with the non-governmental institutions that serve this category. I would also like to refer to one of the leading associations that care about upgrading the rights of retarded individuals, which is "I am a Human" association. This association seeks to upgrade the social, cultural, health, civil and economic rights of the retarded individuals and that is by the full cooperation with the governmental and scientific bodies, institutions and organization that are generally relevant to the human and specially the rights of retarded individuals. "I am a Human" association has executed a number of campaigns among them, "I belong with you" campaign, to merge in the students of disability in education, "my right to learn" campaign and "my right in the 4% of employing of retarded individuals" campaign and other campaigns that seek to raise the awareness of this category and paying attention to it.

## **Business Environment**

One of the most highlighted developments of the last quarter of the current year is the one related to the business environment to what it has witnessed of changes that will affect its performance and that which cannot be precisely predicted of its positive and negative sides as this run of events shows extreme modifications on the legislative environment or the decrease in the oil price that will lead to the expected rising on the price of electricity which show a status of uncertainty in results.

In relation to the general situation and the order of the Jordanian economy, the agency of credit rating (Moody's) has classified Jordan's credit rating among the stable level after it has dropped for about two degrees in the last two years due to the deterioration in its stand by level, raise in general debt and financial inability despite the disagreement between its global prediction that is gradually recovering and the statements of the International Monetary Fund and its predictions that keep dropping in relation to global growth. Despite that, it predicts that the pack of the latest financial reforms would reflect, especially the support reforms, positively on the kingdom's budget which allows the stability in the sovereign credit quality for the next year.

Moody's has turned in its report to the slight decrease on the consumer price index which decreased by 149 points on September to 148.7 points on October where the highest indicator level which was above medium and reached 77.96 points from 1976 until 2014. On the other hand, the National Bank has made a decision on the cost of the direct and indirect effects of the Syrian war which is represented in the cost of stand by opportunities and the lack of trade integration between the countries of the region. It was mentioned that there has been a decrease in the average of the individual share of income by 1.5% in Jordan when comparing it to the levels which was possible to be achieved despite the events occurring in the region. The study estimated the loss of the Middle East region by 35 billion dollars of the production rate according to the prices of 2007.

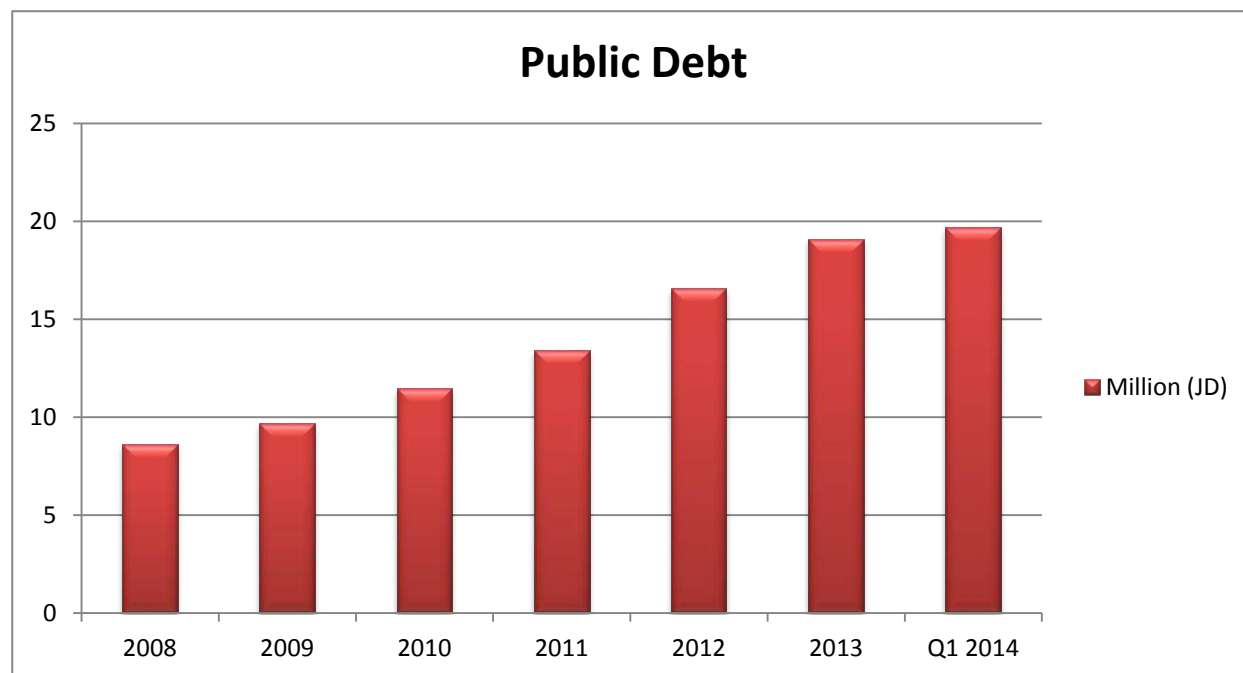
On the domestic level, upon a poll made by the Center of Strategic Studies on the performance of the current government performance after a year and half after being formatted that 60% think that things are taking the wrong direction and mentioned that the main reason is cause of the bad economic situation of poverty, unemployment and rise in prices. Whereas, rate that reached 52% said that the economic status of their families today is worse than it was like a year ago as only 13% said that their economic status has improved.

The International Monetary Fund expects that due to these surrounding changes and internal developments that the growth rate would increase by 3.8% on 2015 that is supported in a positive way that is expected by the reduction of global oil prices which will decrease the cost of the energy bill and decrease the amount of the electricity company loss as well. The fund did not hide the existence of fears of the retreat of the levels of external remittances and its investment flows. The most important effect this reduction in oil prices will be due the reduction of trade deficit to 5.9% of GDP noting that the trade deficit has recorded an increase by 1.1% to reach 8.5 billion JD in comparison to the same period of 2013 as mentioned in the monthly report of the Department of Statistics.

The connecting of positive reflection is an effect to the decrease of oil prices on the market move and growth as the fund predicts the opposite of this reduction on the mechanisms of pricing to react with this decrease whether it was petroleum or all transactions in a try to impose this opportunity that will reduce the burden on the state budget. Therefore, it will provide the possibility to change the policies to achieve more growth and opportunities and developing the business environment or at least to reduce the pressure on it to be able to perform its role in moving the wheel of economy in a more effective and efficient way.



The community focuses on the reduction of global prices depending on the local situation on the levels of general debt as the chief of IMF mission noted to the prediction of the fund that the arbitrage of 2015 will provide more financial merging and will put the general debt on a decreasing



path despite the continuous rise in general debt to 80% from the expected GDP of 2014 to reach 20.5 billion JD. According to the reports of Ministry of Finance, the rate of remaining time for the general debt has increased from 3 years and 4 months to 5 years and 6 months in comparison to the remaining time of the external debt.

The government's efforts are increasing to gain more loans by applying for a request to the treasury states to guarantee the export of the third edition of Eurobond that worth 2 billion dollar to finance the financial needs of the public budget and face the loss for each of national electricity company and water authority of 2015. Taking into consideration that Jordan has issued the Eurobond with American guarantees and for 2014 with an amount of 1.25 billion JD at an interest rate of 1.9%.

In relation to the investment, the total amount reached the amount of Syrian capital of recorded cumulative value to the Department of Companies Control for about 194 million JD according to the general monitor of companies with the total of 4062 company, in which the most important among them are in the sector of industry and commerce. What distinguishes the Syrian investments in Jordan is its focus on the industrial sector that owns an added amount that effects on the availability of opportunities of job, increasing of incomes, decreasing the trade deficit as the Syrian investment in the industrial sector reached 74 million in total of 1581 company.

The government agreed earlier to give the Syrian investors more facilities; mechanisms have been installed to facilitate entrance of Syrian investors, and the adoption of tariff card was issued by the Jordan Investment Board (JIB) to Syrian investors who are on Jordanian territory, and for

permission to bring the Syrian skilled labor between 30% and 60% to remote areas and factories in Industrial cities and outside the provincial centers, according to the developmental needs of the provinces within the specified rules.

These investments and others in addition to the domestic private sector, subject to the possibility of business performance and achieve revenue levels economically viable, including what was done by the government of amendments to facilitate the creation and practice of business, which is expected to have positive effects on the order of Jordan in the indicators and global reports after over a period of decline, but that these measures are not enough on their own, especially if the government continued to target the private sector to achieve higher revenues. Again, the price of oil is directly linked to the business environment, including respect the costs of energy and electricity, where the government has not announced its intention to decline or re-evaluation of the gradual lifting of electricity prices for the plan, prompting the local market concerns, especially with the synchronization of the lift with the entry law into force of the new income tax.

The institutions and sectors and chambers of commerce and industrial expressed concern about the ride of the electricity tariff, as the head of Jordan Chamber of Industry expressed concern about the resort of a large number of factories to redundancies having to reduce production, which will rise more after the implementation of the decision to raise the price of electricity cost and pointed out that the industrial sector can not afford more of the costs that weaken its competitiveness and threaten its future to remain in the kingdom. This raises several concerns most important prospects for rising high unemployment and especially that the industrial sector employs more than 250 000 workers, apart from the service sector such as telecommunications affected by the expulsion of the Treasury 290 million license fee frequencies, the continued pressure on these sectors will generate other effects require high costs to deal with it and on top of unemployment.

Jordan Chamber of Commerce also warned the government about raising electricity prices to contradict this measure with developments in the global arena and energy prices, and warned of the negative effects that will touch the sector in the event of lifting implementation and will be reflected directly to the final consumer.

These warnings coincided with what was announced by the chairman of food retailers around the expectation of rising food prices in all their own identity from 3.5% to 5% in the case of raising electricity prices. That this increase would serve as outright conflict with the intensified official efforts and community to achieve the growth and development of the business environment, especially when taking into consideration the merits of variables and that made some of the decisions are not mandatory, the continued high costs and weak purchasing power for long periods of time may be taxed markets and the commercial sector, which may pose a risk of bankruptcy of businesses and investments out of the local market.

As for the legislative environment, it has been subject to many of the developments regarding the business environment and that these changes were designed to raise the level of competitiveness and efficiency of the economy by strengthening the business environment, but the speed of adjustment of this legislation economy did not grant a chance to adjust and balance, knowing that the instability of the legislative environment was the most prominent investment obstacle in the last period, and the synchronization of these changes with government austerity measures and increases in the cost of energy production and reduced efficiency in achieving the desired goal.

The Parliament recently granted the approval of the Investment Law of 2014 and the government was able to address a crippling issue of investment and bureaucracy, where united reference with respect to invest one entity is the Investment Authority, which led to the integration of many previous parties through the restructuring of institutions of law and government departments for the year 2014 and to raise the level of performance and eliminate duplication and overlap in the roles and missions.

The Investment Authority has directly been linked to the Prime Minister and the membership of representatives from the public and private sector, in addition to the application of the single window, which is considered an investment window of commissioners for all parties related to the licensing of projects in the UK and enjoy those authorized all necessary powers to license and in accordance with the legislation in force and that work on the new law collected under the umbrella of the Investment Law.

Investment law aimed at attracting and encouraging foreign investments within the framework inclusively to achieve development in an equitable and pursuant manner to achieve this goal that has been made to provide a package of automatic exemptions for investors when investing in the foundations and uniform standards for projects within the same sector and to ensure the prevention of duplication exemptions to achieve justice and equality between projects and especially medium and small enterprises. Law provided additional benefits of economic activities in specific geographic areas in the Kingdom, and it depends on the extent of the contribution of these activities to achieve the requirements of development and Jordanian workers and local value added.

The new law contributes to the popularization of development by editing the link incentives and exemptions within the custom-free zones and development to include all provinces and remote areas, which will lead to achieving a comprehensive development of the real sense. On the opposite side, this law did not focus on the mechanics of ensuring investment in terms of linking the foreign investor to local partner or the introduction of new capital. The effectiveness of this law remains in achieving its objectives and the extent depending on the actual application of it.

The parliament approved of the partnership between the public sector and private sector project. The adoption of the partnership project between the public and private sectors in conjunction with the rise in public debt to exceed the threshold of 20 billion JDs, representing thusly, a cause to spare no effort in speeding up the real reform is based on the process foundations and strategies of direct benefit and quick impact on the national economy.

Under the draft laws that are subject to discussion and analysis and the setting in a continuous quest to complete the economic reform process in accordance with the reform program scheduled with the International Monetary Fund, which always focused on the importance of the role of the private sector in the development process and attract investment as ways to improve the national economy and as a solution to the many challenges partnership law comes between the public and private sectors.

Despite the confusion which occurred in the corridors of the parliament when the vote on the law was induced by the concerns that are considered legitimate concerns, as a result of corruption during the period of privatization in the past decades, but this law paves the way for drawing legislative framework based on the principles of transparency and competitiveness, justice and

ensure the provision of public services and the business in the long long to be organized for the process of cooperation (partnership) between the public and private sector.

Despite the fundamental differences between each of the Privatization Law and the Partnership Law, whereas the first refers to the sale of public property created from Treasury Funds to the private sector, while the second requires the transfer of ownership of the project, which is created with funding from the private sector after the entry into force and duration of the contract stipulated by law that does not exceed 35 years, but he allowed the cabinet extension 15 years in the initial version, which was instituted to 35 years based on the recommendations of the Senate to be based on the public interest. The fear of loopholes may open the door to future issues of corruption, especially in light of the lack of ruling terms for such possibilities.

This testifies that the law contained in the text of Article 20, which requires publication of a detailed report on each project of partnership projects from the door to ensure the application of the principles of transparency, fairness and competitiveness in implementation of the Royal directives.

The flaw that may be the most controversial, is the lack of representation of the private sector in the Council, which is opposite to the substance of the law and even called "partnership law between the public and private sectors."

The principle of partnership is that there are many goods and services needed and could be afforded by the consumer, especially in the field of energy, transportation, telecommunications, water and infrastructure that can be provided more efficiently through the involvement of the private sector for what that sector has shown by the administrative capabilities and the use of technology and specialized skills in addition to the ability of financing available to the sector, which is a major challenge for the public sector.

Partnership law allows optimal distribution of risk between the public and private sector and facilitates the distribution to institutions that can deal with it more effectively. Whereas this law is based on mutual benefit and ensuring that no conflict of interest between both sectors occurs, while the public sector benefits from the private sector efficiently in the implementation of various projects at a lower cost and effectiveness of the highest to provide goods and high-quality services to the consumer in addition to increasing the capabilities of the public sector by the return of the property to it after the end of the project period (assessed 35 years whereas the Council is entitled to extend the contract for a period that does not exceed 15 years - has been adjusted to up to 35 years based on the recommendations of the Senate- to meet the public interest), while as other private sectors will benefit by providing investment opportunities that were not previously available in under the legislative environment provided by this law.

It is noteworthy that through the application of the partnership in some countries, some failures took place especially that the aim of the partnership was focused on lower borrowing levels within the public sector which led to assign more projects to the private sector and resulted bypass many of these projects to their budgets and did not provide the added value they desired, and in some cases increased the financial closure of some of the cost of projects, rather than having it completed.

The foundation for the success of this law is the element that may instil confidence among all parties, including public opinion, where trust is the main entrance for private sector's participation which means trusting the Government's intention, to ensure the success of these projects in a flawless, corruption-free environment, as well as confidence in the role of the private sector to get

involved process development and development and community participation away from profitability, in addition to the confidence of taxpayers and financiers and the actual beneficiaries of the sectors.

The government represented by the partnership must secure the contracting process as they contain the largest share of importance in the development of the terms of contracts which is of paramount importance to the contracting parties in adding more detail and accuracy to suit the specificity of each project.

It also can not be complacent in the conceptualization of how to exploit this opportunity that will allow the public sector to focus more on evaluating imbalances within local economy and create a vision of how to ensure the readiness of the public sector to complement the operation of these projects within the efficiency and effectiveness after the expiration of their contracts.

The highlight before the end of 2014 was the adoption by Parliament of the Income Tax Law in its final form after several attempts to pass the law that stretched over two years, and it was the fulfillment of the government pledge to the International Monetary Fund to approve the law in hope of achieving financial returns through 2015, the single most important factor to pressure the government about speeding up the review of the law, which contained 81 terms of operation by the Senate that reviewed and approved of the law as stated by the Parliament without giving any comments or amendments, and it was only during a single session despite the Senate's expression of having a say in the law. However, it is necessary to require approval of the commitment the government's promises to the international institutions and the Senate proposed to the government to submit draft amendments in the next regular session to have the amendments.

The Economic Watch published earlier an economical presentation on the discussion of the Income Tax Law operations, the Watch in which it stressed the importance of considering the Income Tax Law from a holistic perspective in line with the economic efforts in order to raise the levels of growth and achieve comprehensive development so that these laws do not conflict with each other, causing the loss of those efforts.

The Watch also recommended that the review be limited to the most possible extent in order to achieve financial returns without considering the added burdens of taxes and laws packages and higher energy cost to all sectors. The law included many discussions about the content of the law and its articles and has been criticized for a number of materials, including equal treatment of individuals / companies and people with money companies despite the differences in the extent of responsibility and accountability of all of them financially and legally. The discussions also revolved around the exemptions of certain sectors within certain limits or fully sectors such as agriculture. Under this law, consequent income tax on bank profits of 35% and income tax on the industrial sector, the amount of only 14%, The Council also re-discussed this article in previous sessions and may be imposed for each of the first 100,000 JD for the industry tax of 14% and 20% of every following JD. Income tax of 20% is to be imposed for all people of non-industry, banks, telecommunications companies and power companies and the mining sector distribution. The Council has also imposed a tax of 24% for all dinars for basic telecommunications companies and distribution companies, power generation and mining companies basic materials, insurance companies, reinsurance companies and brokerage firms, financial companies and legal persons who engage in leasing activities.

According to the tax law, a certain tax is to be collected on the taxable income of any person by the following percentages: the 7% for each dinars of 10 thousand JDs for the first and 14% of all dinars from 10.000 JDs following 10.000 for the first and 20% for each JD that follows.

And according to this law, the gross income of a person resident is exempted on no more than twelve thousand dinars for dependents. The law also that a person and his dependents are to be granted an exemptions amount of 4000, provided that bills be presented the size of the exemption granted to a person and people responsible for families up 28.000 JDs, where the Parliament increased the exemptions provided ratios them about what was stipulated in the applicable law.

The bill passed the materials required in charge of tax by organizing records and documents and necessary financial data to determine the amount of tax due, provided that they are prepared according to international accounting standards and audited and certified by a chartered accountant and keep them for four years in the absence of regulation of these records according to the regulation issued under the law is which determines the earnings list of goods ratio, or goods or services that deal with commercial, industrial and service sectors, as it may not be a taxpayer using the computers in the organization of records provided to achieve the conditions contained in the law, with the exception of the organization of these records of people working in the field of medical and engineering consulting legal. Material in the law approved, states that if the taxpayer was to submit the tax return within the period specified in the law, the Income Tax Department will issue a decision preliminary estimate where the estimated value of the tax is determined on the taxpayer and any fines and the amounts of other unfulfilled him and is in charge of a notice in writing of the outcome of the initial decision estimated.

The Parliament passed text in the law that imposes a fine of \$ 4 per 1000 for each week delay of the value of the estimated strike on any costly if it does not adhere to the deadlines for payment of the tax. Also approved material in the Income Tax Law, the tax director of grants and justifiable reasons installment amount due on the charge of tax in accordance with the conditions and procedures and adheres to the taxpayer to pay the extra amount to the amount in installments amounting to nine per cent per annum. According to the reasons for the law, it has been developed in implementation of the provisions of Article 11 of the Constitution in order to achieve the principle of equality and social justice, and not to exceed the ability of taxpayers to the performance and the need for state money has been put this bill to bring more clarity on tax compliance and raise voluntary compliance among taxpayers ratio.

It is natural of economic laws exposed to interactions and conflicts to affect the lives of people and businesses directly, but that the provision of economic interest dominates the sectoral interests, however, the justified criticism of the income law is represented through tax evasion, which could have been collected estimated by a study of the Economic Council and Social by 800 million, which increased the criticism is not to focus on the law to tighten tax collection process as required, rather than raising tax rates on those committed by the foundation. As is the case in non-targeting certain sectors which account for high levels of income such as business in the field of real estate and medical consultations.

As official efforts continue to prepare the "Economic and Social Integrated Framework Jordan in 2025" after the Ministry of Planning and International Cooperation collects proposals from all spectrums of society parties and civic and private sector institutions are to be included within the community's ten-year plan. And the Steering Committee reviewed the main document to see Jordan in 2025, which included an analysis of reality and forward-looking vision of what will be the



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The Committee instructed the sectoral committees to hold intensive meetings to introduce the required amendments to the document, which entered the final preparation stage of its preparation for the adoption and submission to His Majesty the King. This plan is mainly aimed at strengthening the foundations of the economy and to achieve stability based on production values and promote self-reliance and down to achieve comprehensive and sustainable development.

Decimal vision is a vision for a longer period, "ten years" to indicate the form of the future, taking into account variables as much as possible that there will be stops for review and evaluation over the first six years at the rate of once every three years, and after a pause, evaluation after 4 years. One of the Economic Watch's suggestions was part of what made the Ministry of Planning and International Cooperation for the government engage an independent non-governmental actors as institutions of civil society to monitor the levels of achievement and provide periodic reports and to ensure transparency on the one hand and the actual application confirmation according to a clear time frames in order to avoid any delays and a statement of any excesses or obstacles and work to resolve them immediately.

Analysis of reality and forward-looking vision of how the economic and social conditions will be, taking into account the developments in the region and its repercussions on Jordan.



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