
FACT SHEET

Economic Commitments of the European Union - Jordan Compact

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The Jordan Compact is an aid partnership drafted at the Supporting Syria and the Region Conference that took place in London in February 2016. This conference was co-hosted by the UK, Germany, Kuwait and Norway, and the United Nations. Its aim was to raise funds to support host communities that have been at the forefront of the response to the Syrian refugee crisis.

European Union - Jordan Commitments

The EU-Jordan Compact can be described as a new approach to aid that assists in meeting long-term development goals rather than providing short-term humanitarian assistance. This assistance covered six main areas: enhancing macroeconomic stability, private sector development, education and training for social cohesion, sustainable use of natural resources, strengthening cooperation on stability and security, and justice and political reform. The following describes the structure of the economic programmes and policies to be implemented with EU support.

Enhancing Macroeconomic Stability

Jordan committed to developing an investment programme that minimises debt burden and sustains job creation, with financial resources and support made available by the EU. This includes easing of regulations surrounding foreign investment, and incentives for investment in Jordan.

Macroeconomic stability would also be ensured with a programme of macro-financial assistance, including concessional loans and other financial assistance. The Neighbourhood Investment Fund was made available for access, which also offers concessional financing for large-scale investment and infrastructure projects.

Private Sector Development, Business Climate, Trade and Investment, Job Creation

Private sector development included an element of job creation in Jordan. Employment was directly related to hiring Syrian refugees in Jordan, a policy perceived to be

sustainable in the long-term in terms of self-sustenance, improving refugee livelihoods, and preserving human dignity. This included confronting the pre-existing condition of the informal labour market in Jordan and further expediting refugee administrative status to simplify processes in place to access services and formal work.

Following the theory of export-led development, preferential trade terms were made available to Jordan's manufacturing industry. These terms included a ten-year relaxation of EU rules of origin on 52 industrial products manufactured in 18 designated special economic zones. These products included a range of items, including minerals, essential oils, plastics, wood articles, leather articles, carpets, and various metal and electronic products. This agreement stated that these goods, if manufactured in Jordan with a minimum of 15 per cent Syrian production, could be exempted from EU rules of origin requirements. When Jordan will achieve a target of 200,000 economic opportunities for Syrian refugees, these zones will be reconsidered.¹

Observable Impacts

Since the compact, a number of changes have been made to investment regulations and policy. The New Law for Non-Jordanian Investors, no. 77 (2016), relaxed previous restrictions on non-Jordanian ownership of businesses and investments in Jordan. Minimum capital prior to this change was JD 50,000; this has since been set at JD 2.

Work permit policy for Syrian refugees has been relaxed as well – work permit fees for Syrian refugees have been waived, and five sectors were opened for their employment: agriculture, construction, manufacturing, food & beverage, and wholesale & retail trade. In agriculture and construction, non-employer specific permits have been issued, meaning that refugees can formally work as freelancers in these sectors. Further, short-term work permits (40 days to 6-month duration), have recently been approved, so that short contracts of less than one year can be formalised. Since the first work permit grace period, implemented in April 2016, over 70,000 work permits have been issued to Syrian refugees.

¹ European Commission, Jordan Compact, 2016