



COUNTRY PRIVATE SECTOR DIAGNOSTIC

CREATING MARKETS IN JORDAN

Executive Summary

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EXECUTIVE SUMMARY

The Jordan Country Private Sector Diagnostic (CPSD) is a joint International Finance Corporation (IFC)-World Bank report that highlights the constraints as well as the opportunities facing the private sector in Jordan. It considers three sectors—tourism, logistics, and information and communication technology (ICT)—and the potential they offer for greater private sector contributions to the Jordanian economy, as well as the obstacles that they face from general or sector-specific policies and regulations. The CPSD also offers concrete recommendations to address some of these constraints.

Although this report was largely prepared prior to the COVID-19 outbreak, its analysis and recommendations remain as, if not more, valid in the context of the pandemic and of an eventual recovery. A dynamic and resilient private sector is necessary if Jordan is to break the low-growth, high-unemployment trajectory it finds itself in today. The CPSD argues that tackling some of the major obstacles facing the private sector—ensuring a stable and predictable policy environment, a level playing field in terms of competition, and labor regulations that allow employees and firms to respond more flexibly to changing market needs—is essential to firm performance, investment, and productivity. These actions are as critical—and more urgent—in times of crisis and especially afterwards to pave the way for a vigorous and sustainable recovery. Similarly, the sectors assessed by the CPSD—ICT, logistics, and tourism—continue to hold promise for the country. The pandemic has underscored the important role that digitalization, a strong ICT infrastructure, and supportive services have in creating a resilient economy and business continuity. E-commerce and logistics capabilities and services are an area put forward by the CPSD as an opportunity for Jordan in the coming years; they have boomed during the current crisis and are expected to be one of the post-pandemic growth sectors. Conversely, Tourism, which had been experiencing a strong rebound in Jordan over the past few years, is one of the sectors hardest hit across the globe by the COVID-19 crisis. In Jordan the sector accounts for about 19.2 percent of gross domestic product (GDP) (total contribution) and 32 percent of exports. Crafting a strategy that effectively addresses the many obstacles that prevent the tourism sector from attaining its potential is a necessary investment for a strong recovery—and a good use of what is likely to be a transitional period until travel re-commences.

Jordan has made progress on reforms to its economy and to the business environment in recent years, but remaining challenges are significant and have been sharpened by the COVID-19 pandemic. Growth has averaged only 2 percent since 2016, and per capita income in 2019 was 10 percent below its level a decade ago. Both will fall further in 2020 because of the impact of the crisis. Unemployment rose to 19 percent (excluding foreign labor) in 2019, with much higher rates for women and youth. The recent progress in improving the business climate has not so far translated into higher domestic or foreign investment. And although public sector finances were strengthened in 2016–17, the fiscal deficit deteriorated again in 2018–19. Government debt is very high at 99 percent of GDP (2019) and projected to rise significantly in 2020. Under those conditions, boosting the private sector’s contributions to productivity is perhaps the only sustainable path to growth for Jordan given fiscal constraints and limited economic policy levers to stimulate growth.

Opportunities abound, however, despite the constraints. Jordan is a youthful country, with a growing, increasingly educated and skilled labor force. Its central location in a geopolitically important region has brought it significant benefits, despite the costs. Its diverse geography and unique cultural, religious, and historical heritage has the potential to spur significant growth in tourism exports in the future. And perhaps most promising of all is the potential for a boost to innovation, productivity, and growth through the harnessing of ICT. Jordan already hosts an emergent ICT sector: global giants such as Cisco, Expedia, HP, Microsoft, and Oracle have already established operations in the country; Jordanian information technology outsourcing (ITO) and business processing outsourcing (BPO) companies have expanded to service regional and international clients; and a nascent digital and entrepreneurship ecosystem has emerged. Beyond the promise of the sector itself, however, ICT can catalyze and support the modernization and transformation of other industries and services. This is the case for tourism and logistics services, sectors that this CPSD studies in some depth, to name just two. Tourism and logistics are areas in which Jordan has already invested significantly in the past and in which the new opportunities afforded by exploiting ICT to modernize and create value are considerable. These opportunities include potential shifts in strategy to, for example, take advantage of emerging prospects in niche tourism segments—a trend that is likely to accelerate following the pandemic—and to restructure the logistics sector in support of new, high-potential, value chains in e-commerce.

The recommendations of this CPSD should be seen as fitting within, and complementing, Jordan’s Five-Year Reform agenda. This reform agenda was presented by the government of Jordan in early 2019 and includes a set of cross-cutting reforms and sectoral policy reforms prioritized and sequenced over five years to deliver on the government’s jobs, youth, and growth agenda. These medium-term reforms aim to make the economy more efficient and reorient it toward export-led growth by creating a better business and investment environment. Reforms prioritize supporting growth and include reforms to strengthen the business environment, including reducing the cost of starting and operating a business, increasing the predictability of regulations, supporting the digital economy, and further liberalizing the foreign investment regime. Sectoral reforms include increased competition, flexibility in labor markets, development of exports, and deeper access to finance.

Key Development Challenges

A vital objective for Jordan is an economy—and a private sector—that creates more of the jobs demanded by Jordanians. Economic growth without a reduction in unemployment has been a striking feature of the Jordanian economy for decades. Growth has not led to lower unemployment for nationals nor to job creation in high-productivity or export sectors. Although jobs are being created, Jordan’s exceptionally high rate of labor force growth—one of the highest in the world, due to the massive influx of refugees and migrants, on top of a rapid rate of population growth—has meant that the new jobs that are created are only a fraction of the number needed to meet the supply of new workers joining the labor force each year. This is the case despite very low labor force participation rates for Jordanian men and, especially, Jordanian women. The number of new jobs is not the only concern; the quality of jobs has been declining. New private sector jobs are increasingly in lower-productivity sectors, and informality is rising. Many Jordanians, highly educated, aspire to well-paying jobs and high standards of living, although today these aspirations can often only be met by emigration.

The Jordanian private sector has a critical role to play in addressing another of the country’s main challenges: reviving export-driven economic growth. With its small market, Jordan’s growth needs to be driven by exports and by investment, particularly export-supporting foreign direct investment (FDI). Reviving FDI and exports is central to the effort to increase productivity and competitiveness. Trade, however, has suffered through years of regional instability and border closures. While a reopening of borders with Iraq and Syria presents potential opportunities for Jordanian exports, Jordan’s competitiveness is in question: a range of constraints on private activity contribute to low productivity.

Cross-Cutting Constraints

Private sector activity is undermined by significant constraints that limit its ability to generate jobs and to compete in international markets. The CPSD outlines some of the most important challenges faced by private activity across virtually all sectors: (a) high business costs, (b) policy unpredictability and investment risks, (c) excessive labor market segmentation, and (d) shortcomings related to market competition. The report also examines a fourth cross-cutting issue: the special subject of private investment in infrastructure, in which public and private sectors need to collaborate in order to channel resources to network and service sectors—transportation, power, public utilities—in the most effective way possible.

Business Costs

High business costs affect the competitiveness of the Jordanian private sector across the board. Energy costs are high and vary widely by sector—by a factor of eight—as a result of firm lobbying and discretionary, piecemeal policy-making. Electricity tariffs for productive sectors are more than double the average tariffs in the region and are higher than the average cost for European and non-oil-producing countries of the Middle East and North Africa. While the intent may be to use the large subsidies from industry and other large consumers to keep electricity tariffs at a socially acceptable level for many households, the result is detrimental in that it raises costs for Jordanian productive sectors. Weak competition and firm entry mean that costs for mobile connectivity and for fixed broadband are substantial relative to regional peers and competitors, hindering more rapid growth of the digital economy and uptake of digital payments and e-commerce. Transportation is expensive for the quality that users receive. This premium is especially true for land transport in the tourism sector and for trucking services between Aqaba and Amman. Regulations that are in place in part to protect users of tourism services in fact tend to inhibit competition in the sector; similarly, minimum tariffs keep inefficient cargo truck operators afloat, raising cargo transportation costs for all.

Investment Risks and Policy Unpredictability

Rather than addressing the underlying issues behind elevated costs, a series of exceptions and exemptions have been put in place to address social demands or in response to sector or firm lobbying. This creates a vicious cycle of a multitude of piecemeal remedies that, rather than resolving the underlying cost problems, heighten the unpredictability of regulations, substantially reduce government revenues, and create a disincentive to investment. A highly restrictive environment for FDI is an additional barrier to investment. While improving the stability of the business environment has been the focus of regulatory reform efforts in recent years, progress on implementation has been limited. Some of the recurrent issues faced by investors

in Jordan today include the predictability, interpretation, and application of laws and regulations and frequent breaches of contracts. Investors consider the regulatory changes frequent and abrupt, often occurring without warning or a transition period, and without consultation with the private sector. Texts are sometimes vaguely drafted, leaving room for interpretation, particularly in tax- and customs-related matters. Furthermore, a proliferation of licensing requirements, permits, and approvals—which may well have been initially introduced to protect users and ensure a high level of service—in fact represent a significant cost in time and fees for businesses without enhancing quality. These requirements may also act as barriers to new entrants, reducing dynamism and competition, and are particularly onerous in the tourism sector. The Ministry of Tourism decided in December 2019 to abolish licenses in the sector, relying instead on a classification scheme to regulate businesses under its mandate, although further details on application of the decisions have yet to be issued.

Competition

Robust market competition helps generate the incentives for firms to innovate, reduce costs, and become more efficient, or to exit, driving productivity. Jordan would benefit from stronger institutions to enforce antitrust rules and to advocate for greater government attention to robust implementation of competition policy. The Competition Directorate suffers from an inadequate mandate, lack of institutional independence, and lack of resources, both financial and human. It also lacks mechanisms to identify and monitor restrictive policies and regulation and thus has difficulty performing the role of a competition advocate. The effectiveness of the Competition Law, which touches on a wide range of topics covered by sound antitrust laws, could be boosted by improved policy implementation as well as by some legal amendments, including increasing the investigatory and prosecutorial powers of the Competition Directorate. Competition-related issues deeply affect all three sectors analyzed in this CPSD (tourism, logistics, and ICT): (a) barriers to entry and other policies increase the market power of trucking companies, freight forwarders, and clearing agents at the expense of individual truckers in the logistics sector; (b) restrictive regulations across the entire tourism value chain artificially segment the market, undermine competition, and protect incumbents; and (c) weak enforcement of existing regulations permits discrimination and abuse of dominance against some sector players in ICT and fails to ensure equitable spectrum policy and access to infrastructure and rights of way, raising costs to end users. Regulations are often put in place in order to ensure a high quality of service or financial sustainability, but there is a balance to be found between overregulating, on the one hand, and ensuring minimal technical and financial requirements to guarantee quality and competence in service delivery, on the other. Reforms to strengthen the institutional capabilities of market regulatory agencies in these and other sectors would complement institutional and regulatory reforms on the competition agenda.

Segmented Labor Markets

Labor policies make it difficult to match workers to jobs and prevent the economy from leveraging labor, one of Jordan's main strategic resources. The situation of Jordanians in the labor market is profoundly impacted by the presence of the large number of non-Jordanians—migrant workers and refugees—in the labor market, and immigration and work permit policies have been implemented to attempt to address this reality. Disconnects between policy and reality have undermined the system, however. These disconnects include the difficulty of guaranteeing foreign workers a one-year, full-time work contract and the presence of a large number of non-Jordanian workers in the country without a work permit. The result is, on the one hand, a labor market that is formally segmented, where workers have difficulty moving across segments, leading to a suboptimal labor allocation across sectors and jobs and harming productivity. Labor segmentation is in most cases based not on education or initial skills, but on nationality, gender, sector, and legal status, and this fragmentation is increasing.¹ On the other hand, high informality has meant that although segmentation exists, there is also a wide grey area in which competition exists between Jordanians and non-Jordanians, and where Jordanians can find themselves competing at a disadvantage.² An extensive study (Razzak 2017) has found that Jordanians seek working conditions that provide on-time payment, recognition of overtime, predictable working hours, and jobs that emphasize skills rather than manual labor. For non-Jordanians, however, these conditions appear to be routinely flouted, and the enforcement of the Labor Law is undercut by limited resources and by the incentives created by an immigration system and labor laws (e.g. a lower minimum wage for non-Jordanians) that push in the opposite direction. In the end, two key objectives—more jobs for Jordanians and a labor market that helps match workers to jobs—are undercut.

Financing Infrastructure

Relative to comparators, Jordan's performance in attracting investment through public-private partnerships (PPPs), at 2 percent of GDP per year over the past five years, has been remarkable, particularly considering the country's modest sovereign long-term credit rating. The government hopes to continue this trend: the need to improve investment efficiency, combined with fiscal constraints, has encouraged the government to prioritize the leveraging of private finance to fill infrastructure gaps in the coming years. Jordan's success, however, masks a number of vulnerabilities in the upstream planning of public investment that need to be addressed before embarking on the pursuit of PPP projects. This is particularly important because future projects will be in sectors in which financial sustainability is more challenging to attain (e.g. in water and sanitation, among others); many past project were in power generation,

which generates a stable cash flow to recover most operating and capital costs), and in which government subsidies are likely to be required. Going forward, public investment management mechanisms need to be put in place to ensure that only high-quality investments are approved, fiscal commitments and contingent liabilities are tracked, and the financial viability and governance of subsovereign entities are strengthened. In parallel, the PPP framework will need to foster project origination in subsectors in which private investment can deliver excellent value for money but in which more extensive support from the state is needed to attract private investment and finance. There is also a need to further develop infrastructure-financing opportunities in local currency that can tap domestic investors such as pension funds.

Sector Analyses

The CPSD delves more deeply into three sectors—tourism, logistics, and ICT—in order to increase understanding of the concrete opportunities for private sector investment and growth, and the policy, regulatory, and other obstacles that may hamper them. These three sectors were selected for the importance of their potential contributions to growth, employment, and productivity and competitiveness, and for their more geographically inclusive impacts that can benefit locations and populations beyond Amman. The COVID-19 crisis only serves to highlight the importance of enhancing the performance of these services sectors that rely on Jordan’s relative skill abundance—particularly skilled women—and emerging ICT capacities.

Tourism

Jordan has many of the building blocks for an economically productive and sustainable tourism sector, yet it has not been able to fully leverage its tourism potential. Rather than a sector of widespread excellence, it is one mired in business environment uncertainties, bureaucracy, and uneven delivery of what should be highly competitive products. The COVID-19 pandemic and its severe impact on the tourism sector globally and in Jordan will necessitate the implementation of purposeful near-term policies to mitigate the impact of the crisis on the sector, followed by measures to help in the adaptation to what will undoubtedly be a changed business environment as the crisis abates. Globally, the crisis is expected to result in some increased consolidation in the sector as firms, especially SMEs, are forced to exit; this is likely to be true for Jordan as well. Measures taken in the near term should therefore endeavor to minimize outcomes that lead to greater concentration in a market that already suffers from a number of competition constraints, a topic further developed in this report. This is important in order to enhance the competitiveness of tourism in Jordan and contain prices while supporting an improvement in the quality and range of tourism services.

As a recovery in tourism emerges, moving forward will require a new understanding of the sector, of changes in consumer sentiment, and a sharpening of the tourism strategy by development new products and modalities to keep pace with the shifts that are affecting the sector globally. Responses to prepare for a recovery will certainly need to focus on health standards and protocols. But in addition, increased internet access and a growing number of electronic platforms that channel tourism activities are changing the sector; disintermediation is enabling travelers to search widely and customize their travels to a much greater extent than what is offered in Jordan today. The COVID-19 crisis is also likely to change the shape of the industry in the medium term: there is likely to be an increased demand for exceptional experiences, high-quality service, outdoor (adventure) and wellness tourism, and a deeper concern for ecology and health and cleanliness guarantees. The transition also presents an opportunity to rethink and re-focus marketing and promotion, and to adequately fund them. More specifically, Jordan will need to respond with a shift in strategy: rather than targeting all segments of the industry equally—cultural, medical, faith-based, conferences, wellness, adventure, film, sports—spreading resources too thinly and diluting messaging and impact, a focus on specific promising segments needs to be developed. The challenge will be to raise and consistently maintain high standards and tailored, seamlessly unified experiences in the selected segments. The CPSD suggests three tourism segments, building on its cultural tourism offering, in which Jordan can develop an advantage: adventure tourism, faith-based tourism, and medical tourism. Beyond injecting greater focus into sector strategy, boosting competition and eliminating excessively restrictive regulations are essential to encouraging greater private investment and to fulfilling tourism’s promise and catalyzing private investment in areas with identified service gaps such as the provision of quality transport, construction of three-star hotels and other accommodation to fill the needs of domestic and long-term tourists, and management of tourism sites, among others. Finally, making good use of the hiatus in tourist activity to invest in employment and training support and capacity building would be a critical investment.

Logistics

The CPSD proposes a shift in Jordan’s vision and policies in the logistics sector. Jordan aspires to become a regional logistics hub. But competition is fierce in the region in the provision of traditional logistics services, and Jordan is at a disadvantage because of a number of factors outlined later in the report. For cargo transiting from the Jordanian port of Aqaba to Iraq, Umm Qasr (Iraq) presents significant competition with similar capacity and a shorter road connection to Baghdad.³ For transit cargo from Europe, Aqaba must compete with the port of Mersin, Turkey. Mersin and Syrian ports are better placed to supply reconstruction activities in Syria. There are limited opportunities for liquid bulk due to proximity to Saudi Arabian ports. There is scope, however, for Jordan to transition to a focus on modern logistics. While traditional logistics focus on the provision and deployment of equipment and storage facilities, modern logistics is asset light. It emphasizes efficient use of available assets rather the acquisition of new assets. It improves the flow of goods by simplifying transactions and improving coordination between supply chain participants. It organizes value-addition activities in a more efficient manner. It also adds value to the goods moving through

these supply chains by increasing the amount and accuracy of information about the goods. Finally, it facilitates the exchange of information between the regulator and the supply chain participants. A shift toward an emphasis on modern logistics would take advantage of the country's human capital endowment, in particular the technical skills available in the ICT field; the core business of both logistics and ICT is the management of information. To support such a transition in Jordan, and also to reinforce traditional trade competitiveness, it will be necessary to accelerate reforms in trade facilitation, improve the level of service and sustainability of road transport, and invest in improved distribution of consumer goods domestically. Regulatory reforms will also be required to make the investment climate less cumbersome and facilitate the functioning of markets in a smoother way.

Information and Communication Technologies

The ICT sector is already an important sector for Jordan, with a total contribution estimated at 12 percent of GDP, and has potential for significant growth. This potential has only expanded with the COVID-19 pandemic: ICT is an enabler of growth in sectors that rely on digital infrastructure for aspects of their businesses, and a key pillar supporting the acceleration of existing trends towards home-based work, e-commerce, e-health, online education among numerous other developments. Two areas of the digital economy hold notable potential in Jordan: information technology outsourcing and digital entrepreneurship. Jordan already has impressive examples of ITO in companies like Aspire and Cisco, while Jordan's start up ecosystem is continuing to grow. However, various challenges are hampering the attainment of this potential. Chief among them are problems in digital infrastructure. As already noted, the affordability of Jordan's mobile internet as well as its fixed broadband is lower than that in most peer countries and internet speeds remain far behind the global average. High costs are driven by high taxes and uncompetitive markets. The changeable and costly business environment is also a barrier to both digital entrepreneurs and ITO. Digital platforms and digital payments are slowly developing in Jordan, and the full range of benefits that these could bring to the ICT sector are yet to be realized. Jordan is also notable for the large number of ICT graduates who are unable to find employment in their sector. This situation is caused primarily by a lack of job creation in ICT, but it also reflects a poor match between the skills of graduates and the needs of ICT employers.

Priority areas for reform to unlock Jordan's potential in ICT include measures to increase competition in digital infrastructure, such as enforcing infrastructure sharing and number portability; ensuring competitive bidding for the 5G spectrum; and guaranteeing that mobile network operators cannot block over-the-top competitors. The digital payments ecosystem would benefit from the implementation of e-KYC (electronic know-your-customer) and the acceleration of digitization efforts for government-linked payments to increase use. Short courses for ICT graduates to provide soft skills can also help reduce skills mismatches. Finally, the ICT sector would also be a notable beneficiary of a lower cost and more predictable business environment.

RECOMMENDATIONS

Cross-Cutting Themes

ISSUE	RECOMMENDATIONS
<p>Promoting healthy competition: antitrust enforcement and competition advocacy</p>	<ul style="list-style-type: none"> • Limit the scope of and establish objective criteria for granting exemptions under the Competition Law; revamp anticartel enforcement and investigation of abusive practices by dominant firms; strengthen the fines regime to meet international best practices and establish a settlement procedure. • Improve the effectiveness of merger control through providing clarity on what transactions fall under the merger control regime, amending the notification trigger by including a turnover criterion and setting criteria to guide the substantive analysis of merger review. • Strengthen the institutional set-up through enabling the Competition Directorate to independently decide on cases and to implement greater transparency and due process during and after the investigation, in addition to increasing the Directorate's human and financial resources. • Condition the application of price controls on the Competition Directorate's prior approval. • Enhance advocacy efforts to increase compliance with the Competition Law by the business community and remove regulatory restrictions to entry, expansion, and competition in key markets.
<p>Labor markets</p>	<ul style="list-style-type: none"> • Consider measures to encourage formalization of workers, such as harmonizing the minimum wage across sectors, reducing the difficulty and time required to obtain work permits, easing the procedures to shift jobs across sectors, and making nationality and sector quotas more flexible (these are in any case circumvented by workers). • Increasingly tie public wage increases to prevailing wages in the private sector where possible. • Prioritize entry of migrants with in-demand skills – especially highly-skilled workers. • Institute a code of conduct to address harassment in the workplace and public spaces; progress has begun on this, but compliance mechanisms are needed, with the transport sector the top priority. • Use a wide range of media-based campaigns to disseminate tailored messages to change social norms around female employment. • Expand the public sector provision of childcare services and consider a stimulus package to support private sector-led provision of childcare.

Business costs and unpredictability

- A number of critical reforms are underway, but implementation and avoiding policy reversal are key.
- Continue to reduce equity limits on foreign direct investment (FDI) by reforming the negative list of foreign investment; this is particularly important for high-potential services sectors.
- Simplify regulatory requirements and procedures affecting business entry, licensing, and business operation to reduce burdens on businesses.
- Reduce the number of exceptions and exemptions provided—in particular to individual businesses or subsectors—and instead focus on addressing the underlying drivers of cost.
- Institute a mandatory consultation process when policy changes are required. This would ensure that the private sector (including a wide range of stakeholders) is sufficiently consulted and that there is an adjustment period for compliance.
- Strengthen the institutional and operational effectiveness of the Jordan Investment Commission to strengthen governance, support its investment promotion mandate, allow hiring and managing outside the confines of the public sector, and buttress the Investor Grievance Mechanism.

Infrastructure finance and maximizing finance for development (MFD)

- Continue progress to operationalize the revised public-private partnership (PPP) law, underpinned by a Council of Ministers-approved public investment management (PIM)-PPP framework policy and implementation plan to ensure more selectivity and better management of the government's contingent liability exposure.
 - Undertake a review to identify, consolidate, and record fiscal commitments and liabilities incurred in past PPPs.
 - Revamp the PPP framework to foster project origination in subsectors in which private investment could deliver excellent value for money but requires more extensive support from the state to attract private investment and finance.
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Sector Assessments⁴

Tourism

ISSUE	RECOMMENDATION
<p>Lack of competition, excessive segmentation of tourism sector, and resistance to new entrants</p>	<ul style="list-style-type: none"> • Revise bylaws for tour operators, tour guides and specialized tourism transport to reconsider fees, licensing requirements, minimum capital requirements, employment restrictions, allowed business activities, among other constraints • Enhance ease of entry to the domestic flights market. • Level the playing field, including by ensuring that the same level of incentives, tax exemptions, if any, are available to restaurants regardless of location and consider allowing non-local investment in hotels in Petra. • Continue to pursue liberalization of FDI equity restrictions in transportation services and transport auxiliary services, as per Investment Bylaw No. 77-2016, as amended by Bylaw No. 80-2019 for non-Jordanian investments.
<p>Noncompetitive levels of service in tourism and hospitality entities</p>	<ul style="list-style-type: none"> • Improve the quality of service delivery in all links of the tourism value chain by (a) introducing and further expanding international certification and professionalization schemes; (b) expanding technical and language training (offerings and locations), designed with the private sector and in accordance to its needs; (c) designing and launching a national awareness program reinforcing the value of the sector for all Jordanians and the employment opportunities for all.
<p>Poorly developed and managed sites</p>	<ul style="list-style-type: none"> • Accelerate and expand the 2016 Site Management Bylaw that allows for private sector concessions at tourism sites.
<p>Uneven geographic distribution of lodging and shortage of three-star accommodations</p>	<ul style="list-style-type: none"> • Support upgrading and new development of three-star lodging entities, particularly in less developed regions. • Diversify sources and methods of financing.

Logistics

ISSUE	RECOMMENDATIONS
Supply of road transport and competition	<ul style="list-style-type: none"> • Develop a regulatory framework allowing introduction of an electronic market and operation of digital platforms to facilitate matching supply and demand for trucking services, particularly for individual truckers. This would provide independent operators with direct access to shippers; • Eliminate restrictions that impact the level playing field, including (a): some rules on access to Aqaba port, such as for the number of trips, number of 20-foot containers, and access by individuals; (b) some rules on the licensing and registration of trucks by individuals and companies such as those that suspend the registration of heavy trucks in the name of individuals and that set a minimum number of owned/leased trucks as a requirement for obtaining a license as a company; (c) minimum or reference prices set by associations along the transport and logistics value chain (mainly shipping agents, customs clearance agents, and freight forwarders) and that are contrary to the competition law • Introduce environmental standards as part of the annual truck inspection; this should ensure that the remaining fleet is able to meet future environmental standards.
Trade Facilitation	<ul style="list-style-type: none"> • Introduce tariff classifications for new imported products to reduce delays at customs caused by the agents' lack of knowledge of product purpose. • Introduce procedures to facilitate e-commerce to respond to expected new challenges for clearing cargo, collecting duties and taxes, and detecting anomalies. • Reduce the exceptionally high rate of physical inspection by Customs in Jordan through greater use of risk-based methods • Accelerate efforts at government agencies other than Customs to make the cargo clearing process more agile, matching the improvements in Customs processes.
Potential e-commerce logistics hub	<ul style="list-style-type: none"> • Conduct a market study of both domestic and regional e-commerce activities. • Expedite the introduction of proposed customs reforms. • Conduct a review to reduce conflicting regulations, simplify procedures, and provide a business environment comparable to that in competing hubs.

Information and Communications Technologies

ISSUE	RECOMMENDATIONS
<p>Supporting competition in digital infrastructure</p>	<ul style="list-style-type: none"> • Enforce number portability and review rules on mobile virtual network operators (MVNO) • Enforce rules on right of passage and infrastructure sharing • Establish a competitive selection process for the 5G spectrum. • Enable and require mobile network operators to provide support for voice and video services offered by over-the-top service providers
<p>Tailoring digital skills to market demand</p>	<ul style="list-style-type: none"> • Support private sector–led digital skills development, including establishment of the National Skills Council for ICT (SC-ICT) as a financially and administratively independent legal entity • Enhance digital skills competencies for public school students.
<p>Enhancing the environment for digital entrepreneurship</p>	<ul style="list-style-type: none"> • Support building business-to-business (B2B) links between Jordanian high-potential tech start-ups and potential partners or investors in regional and global value chains • Support upgrading and equipping three to five technology hubs (Tech Hubs) as “for fee” venues.
<p>Digital Platforms</p>	<p>Government platforms</p> <ul style="list-style-type: none"> • Assess available services, and interoperability, capabilities, and data governance in the Jordan e-government program and incentivize creation and upgrading of foundations for e-Government • Build capacity at MoDEE and other government agencies to implement the Digital Jordan program <p>Private sector platforms</p> <ul style="list-style-type: none"> • Address regulatory and taxation issues, including classification of economic activity and avoid uncertainty in domestic regulations and taxation. • Address issues related to the regulation of freelancers. • Support adoption of the gig economy through outreach, awareness-building campaigns, and training on how to access and offer services.
<p>Boosting use of digital payments</p>	<ul style="list-style-type: none"> • Accelerate the digitization of government payments (National Aid Fund, bread subsidy, health and transport) to generate use cases for digital payments. • Develop a government e-payments services implementation roadmap. • Develop an overarching government payment architecture. • Develop a high-level change management framework. • Develop regulatory guidelines and policies regarding digital government-to-person (G2P) payments and financial inclusion.

NOTES

- 1 The divide between female and male labor markets, for instance, is stark, and women have barely increased their formal labor force participation rate over the past two decades. A large public sector and public sector wages that are much higher than those in the private sector inflate the reservation wage of many Jordanian job seekers; this is exacerbated by remittances.
- 2 Moreover, segmentation, burdensome regulation, and an immigration policy that has encouraged the entry of low-skilled workers, while limiting that of skilled ones, may also have encouraged the shift toward sectors that rely on lower skills by creating an abundance of low-skilled workers and unintentionally increasing the incentives to work informally.
- 3 Iraq's geopolitical struggles have hampered transportation and trade in the country. While Umm Qasr has a more favorable land transportation cost and time to Baghdad than Aqaba, Iraq's unfavorable shipping transit times may present Aqaba with an opportunity to attract cargo through its port.
- 4 Refer to individual Sector Assessments for more details.

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