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DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

SUPPORT TO THE MIDDLE EAST AND NORTH AFRICA (MENA)

Jordan's Statement from the London Conference on "Supporting Syria and the Region" held on 4 February 2016

Room Document 1

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**The Jordan Compact:
A New Holistic Approach between the Hashemite Kingdom of Jordan and the
International Community to deal with the Syrian Refugee Crisis**

Jordan has assumed a heavy burden due to its hosting of refugees and is carrying out a global public good on behalf of the international community. The latest refugee influx due to the war in Syria has stretched already limited resources and imposed severe stress on Jordan's economy, host communities, fiscal position and public services. The international community has helped; but matching resources with needs is increasingly difficult.

Continuation of the existing approach means urgent needs will not be met. A new paradigm is necessary, promoting economic development and opportunities in Jordan to the benefit of Jordanians and Syrian refugees.

New investment in Jordan is needed. A vital part of attracting business and stimulating economic growth is improved access to the EU market. Host communities need to be better supported. Support is needed urgently to address Jordan's fiscal problems, ideally through grants and as part of an approach agreed with the IMF. Progress on these issues will define progress on commitments made in this compact on overall development and the job opportunities available.

Specifically, this approach is anchored on three interlinked pillars, to support Jordan's growth agenda whilst maintaining its resilience and economic stability:

1. Turning the Syrian refugee crisis into a development opportunity that attracts new investments and opens up the EU market with simplified rules of origin, creating jobs for Jordanians and Syrian refugees whilst supporting the post-conflict Syrian economy;
2. Rebuilding Jordanian host communities by adequately financing through grants the Jordan Response Plan 2016-2018, in particular the resilience of host communities; and
3. Mobilizing sufficient grants and concessionary financing to support the macroeconomic framework and address Jordan's financing needs over the next three years, as part of Jordan entering into a new Extended Fund Facility program with the IMF.

The Government of Jordan is committed to improving the business and investment environment and is taking forward a detailed plan on what measures, changes to regulation, structural reforms and incentives can be offered to domestic and international businesses. The aim is to produce this by the summer with technical assistance provided by key donors and World Bank/IMF. The Government has followed IMF advice on sound macroeconomic and fiscal management, and will embark on a new program with the IMF (Extended Fund Facility) as a continuation to its fiscal adjustment and structural reforms that are also in line with the Jordan 2025 Vision.

An integral part of incentives to businesses is access to European markets under easier terms than those currently available. The Government intends, as a pilot, to designate five development zones and provide these with maximum incentives under the new investment law. These have the potential to provide additional jobs for Jordanians and Syrian refugees. In addition to the existing preferential access to Jordan's products into the EU market, such as zero tariffs, and no quotas for most traded goods, the EU will accelerate plans to revise preferential rules of origin with a view to an outcome by summer 2016 at the latest. The more generous the access to EU markets, the greater number of jobs likely to be created. Changes to preferential access to the US market provided a transformative export boost.

Jordan has significant fiscal needs of its own, exacerbated by conflict in the region, the cutting of its principal exports routes and markets and the cost of hosting refugees. It needs additional funding to provide direct support for Syrian refugees, as well as ensuring that the communities hosting them are not adversely affected. Jordanians need to see that the international community is not prioritising support to refugees to their detriment.

Pledges made in London amount to around \$700 million of grants in support of the Jordan Response Plan for 2016, the majority for priorities outlined in the resilience component of the plan targeting host communities. Additional pledges already made will contribute to the aim of providing around \$700 million in grants for 2017 and 2018 too. Donors will support job creation programmes such as P4P for Syrian refugees and host communities. The Multilateral Development Banks have identified the potential to increase their financing from \$800 million to \$1.9 billion. It will be important this funding is provided on as concessional terms as possible. Additional pledges of around \$300 million of grant or grant equivalent have already been made. More is expected. The current levels will be sufficient to reduce the terms of around half of the MDB lending to IDA equivalent terms. The aim is to provide at least similar amounts in future years, thereby contributing to debt sustainability. The international community commits to continuing to work with Jordan in the years ahead to manage any remaining financing gaps.

The Government will undertake the necessary administrative changes to allow Syrian refugees to apply for work permits both inside and outside of the zones. These will be renewed annually in accordance with prevailing laws and regulations.

In addition, Syrian refugees will be allowed by the summer to formalise their existing businesses and to set up new, tax-generating businesses, including access to investor residencies, in accordance with the existing laws and regulations. The Government of Jordan will also provide for a specific percentage of Syrian involvement in municipal works, through private sector employment on a contract basis, with no pension or other long-term financial obligations, for projects funded by donors in areas with a high ratio of non-Jordanian workers.

The number of jobs will depend on the level of international support. Any restrictions preventing small economic activities within the camps hosting Syrian refugees, and on commerce with people outside the camps, will be removed.

We encourage municipalities and communities in donor countries to strengthen collaboration with municipalities and communities in host countries e.g. by sharing know-how through a network of experts.

What we are announcing today is the start of a process. With the right investment and access to EU markets, the designated development zones could provide hundreds of thousands of jobs for Jordanians and Syrian refugees over the coming years. Outside the zones, the sectors where there is low Jordanian participation and a high ratio of foreign workers (e.g. construction, agriculture, service industry, cleaning) and where there is a high degree of skills match (e.g. handicrafts, textiles), could provide roughly 50,000 job opportunities for Syrian refugees over the next year. Cumulatively these measures could in the coming years provide about 200,000 job opportunities for Syrian refugees while they remain in the country, contributing to the Jordanian economy without competing with Jordanians for jobs.

Co-hosts and others will work closely with the Government of Jordan to put in place by the summer a mechanism for implementing, communicating and monitoring the commitments on both sides.

All services have been adversely affected in Jordan, but education deserves a special mention. The war in Syria has disrupted the education of a whole generation of children. It is vital that all children in Jordan can access learning. A lost generation of Syrian children will not only cause social tensions in Jordan but also prevent these children playing a full role in a post conflict Syria. Education needs should be addressed as part of the overall requirements set out in the Jordan Response Plan.

Tremendous leadership by the Government has in recent months sped forward a landmark commitment to ensure that every child in Jordan will be in education in the 2016/17 school year. This level of ambition is ground-breaking and met with equal measures of substance. A cross-donor group of education technical experts have verified that the Jordanian 'Accelerating Access to Quality Formal Education' plan presented at this Conference represents a credible plan to achieve the ambition of all Syrian children in education. The inclusion of Syrian children in Jordanian schools must not endanger the quality of education provided to Jordanian students.

Every school will offer a safe, inclusive and tolerant environment with psychosocial support available to refugee children. Access to vocational training for Syrians and to tertiary/higher education opportunities for all vulnerable youth (Jordanian and Syrian) will be increased.

The Government estimates that delivery of this plan will cost up to US\$1 billion finance over the next three years. The International Community recognises the scale of this requirement, welcomes the resources mobilised at the London Conference to support delivery of the plan and endorses Jordan's call for donors to provide predictable, multi-year funding to meet the timeframes committed to by the Jordanian Government. Financial pledges will include the cost of construction to build new and refurbish existing classrooms as outlined in the Jordan Response Plan 2016-2018. The Government of Jordan will implement the plan in proportion to the resources the International Community provides for the aforementioned costs.