THE HASHEMITE KINGDOM OF JORDAN

U.S.$1,000,000,000 7.375% Notes due 2047

The issue price of the U.S.$1,000,000,000 7.375% Notes due 2047 (the "**Notes**") of The Hashemite Kingdom of Jordan (the "**Issuer**", the "**Kingdom**" or "**Jordan**") is 98.516% of their principal amount. Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 10 October 2047. See "*Terms and Conditions of the Notes—5. Redemption and Purchase*".

The Notes will bear interest from 10 October 2017 at the rate of 7.375% *per annum* payable semi-annually in arrears on 10 April and 10 October of each year commencing on 10 April 2018. Payments on the Notes will be made in U.S. Dollars without deduction for, or on account of taxes imposed or levied by, the Kingdom, to the extent described under "*Terms and Conditions of the Notes—7. Taxation*".

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS DESCRIBED UNDER THE SECTION HEADED "*RISK FACTORS*".

The Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish law and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC or which are to be offered to the public in any member state of the EU ("**Member State**"). The Prospectus constitutes a prospectus for the purposes of the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the "**Official List**") and trading on its Main Securities Market (the "**Market**"). The Market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

The Notes are expected to be rated B1 by Moody's Investors Service Limited ("**Moody's**") and BB- by Standard & Poor's Credit Market Services Europe Limited, a division of the McGraw Hill Companies, Inc. ("**S&P**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each of Moody's and S&P is established in the European Union (the "**EU**") and is registered under Regulation (EC) no 1060/2009 (the "**CRA Regulation**"). As such, each of the rating agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation as of the date of this Prospectus.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered: (a) in the United States only to qualified institutional buyers ("QIBs") (as defined in Rule 144A under the Securities Act ("Rule 144A")) in reliance on, and in compliance with, Rule 144A ("Rule 144A Notes"); and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S") ("Regulation S Notes"). Each purchaser of the Notes will be deemed to have made the representations described in "*Subscription and Sale*" and is hereby notified that the offer and sale of Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

The Notes will be in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes may be held and transferred, and will be offered and sold, in the principal amount of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes will initially be represented by two global certificates in registered form (the "**Global Certificates**"), one of which will be issued in respect of the Rule 144A Notes (the "**Restricted Global Certificate**") and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**") and the other of which will be issued in respect of the Regulation S Notes (the "**Unrestricted Global Certificate**") and will be registered in the name of a nominee of, and shall be deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking SA ("**Clearstream, Luxembourg**"). It is expected that delivery of the Global Certificates will be made on 10 October 2017 or such later date as may be agreed (the "**Closing Date**") by the Issuer and the Managers (as defined under "*Subscription and Sale*").

Joint Bookrunners

Citigroup **J.P. Morgan**

The date of this Prospectus is 4 October 2017.

RESPONSIBILITY STATEMENT

The Kingdom accepts responsibility for the information contained in this prospectus (the "**Prospectus**"). To the best of the knowledge and belief of the Kingdom (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regards to the Kingdom are honestly held by the Kingdom, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

IMPORTANT NOTICES

The Kingdom has not authorised the making or provision of any representation or information regarding the Kingdom or the Notes other than as contained in this Prospectus or as approved for such purpose by the Kingdom. Any such representation or information should not be relied upon as having been authorised by the Kingdom or the Managers.

Information included herein that is identified as being derived from information published by the Kingdom or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of the Kingdom. All other information herein with respect to the Kingdom is included herein as a public official statement made on the authority of the Ministry of Finance of Jordan.

Neither the Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstance create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Kingdom since the date of this Prospectus.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Kingdom or the Managers that any recipient of this Prospectus should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Kingdom. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Kingdom and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. The Notes have not been registered with, recommended by or approved or disapproved by the United States Securities and Exchange Commission (the "**SEC**") or any other federal or state securities commission in the United States nor has the SEC or any other federal or state securities commission confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

Prospective investors must determine the suitability of investment in the Notes in light of their own circumstances. In particular, prospective investors should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in such Notes;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of such investor's particular financial situation, an investment in the Notes and the impact that such Notes will have on such investor's overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from such investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for currency, economic, interest rate and other factors (including an analysis of the impact of the global financial crisis) that may affect such investor's investment and ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

NOTICE TO PROSPECTIVE UNITED STATES INVESTORS

The Notes have not been approved or disapproved by the SEC or any other securities commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have the foregoing authorities reviewed or passed upon or endorsed the merits of the offering of the Notes or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

This offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain acknowledgements, representations and agreements as set out in "*Subscription and Sale*" and "*Transfer Restrictions*".

This Prospectus is being furnished on a confidential basis (i) in the United States to a limited number of persons reasonably believed to be QIBs and (ii) to qualifying investors outside the United States for informational use solely in connection with the consideration of the purchase of the Notes. Any reproduction or distribution of this Prospectus, in whole or in part, in the United States and any disclosure of their contents or use of any information herein or therein in the United States for any purpose, other than in considering an investment by the recipient in the Notes, is prohibited. Each potential investor in the Notes, by accepting delivery of this Prospectus agrees to the foregoing.

NOTICE TO KINGDOM OF SAUDI ARABIA RESIDENTS

This Prospectus may not be distributed in the Kingdom of Saudi Arabia ("**Saudi Arabia**") except to such persons as are permitted under the Offer of Securities Regulations issued by the Capital Market Authority of Saudi Arabia (the "**Saudi Capital Market Authority**").

The Saudi Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective investors should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective investor does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF THE STATE OF KUWAIT

Unless all necessary approvals from the Kuwait Capital Markets Authority (the "**Kuwait Capital Market Authority**") pursuant to Law № 7/2010, its Executive Regulations and the various Resolutions, Instructions and Announcements issued pursuant thereto, or in connection therewith, have been given in relation to the marketing of, and sale of, the Notes, the Notes may not be offered for sale, nor sold, in Kuwait. No such approvals have been received or applied for in respect of the Notes. Neither this Prospectus nor any of the information contained herein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "may", "will", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology, or in relation to discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the current intentions, plans, estimates, assumptions, programmes, beliefs or expectations of the Government of the Kingdom (the "**Government**").

These statements are not historical facts, but are based on the Government's current plans, estimates, assumptions and projections. Future events may differ materially from those expressed or implied by such forward-looking statements. Therefore, prospective investors should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and the Kingdom undertakes no obligation to update any of them in light of new information or future events. Forward-looking statements involve inherent risks. The Kingdom cautions prospective investors that many factors could affect the future performance of the Jordanian economy.

These factors include, but are not limited to, external factors, such as:

- regional, political and security concerns, including the Syrian conflict and the influx of refugees fleeing regional conflicts;
- the costs associated with the presence of a large number of refugees in the Kingdom and the ability of the Government to obtain foreign aid to support such costs;
- economic conditions in Jordan's major export markets;
- the impact of changes in the international prices of commodities;
- the decisions of international financial institutions and foreign governments regarding the terms of their financial assistance to Jordan;
- the global financial crisis;
- interest rates in financial markets outside of Jordan; and
- the impact of changes in the credit rating of Jordan,

as well as internal factors, such as:

- terrorism;
- political, economic and business conditions in Jordan;
- the ability of the Kingdom to implement economic reforms, the Jordan 2025 programme and the Jordan Economic Growth Plan 2018-2022;
- the cost and timetable for infrastructure projects;
- the level of subsidies;

- the level of external and domestic debt;
- the levels of foreign direct and portfolio investment;
- domestic inflation;
- present and future exchange rates of the Jordanian Dinar; and
- the levels of Jordanian domestic interest rates.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, all annual information, including budgetary information, is based on calendar years. Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures, which precede them. It should be noted that certain historic data set out herein may be subject to amendment as a result of more accurate and updated information becoming available. Statistical information (including budgetary and economic information) reported herein has been derived from official publications of, and information supplied by, a number of agencies of the Kingdom, including the Department of Statistics and the Ministry of Finance (the "**Ministry of Finance**"), as well as the Central Bank of Jordan, Jordan's central bank (the "**CBJ**"). Certain statistical information (including budgetary and economic information) has also been derived from publicly-available information published by the World Bank and the International Monetary Fund (the "**IMF**"). Certain historical statistical information contained herein is based on estimates that the Kingdom and/or its agencies believe to be based on reasonable assumptions.

Gross domestic product ("**GDP**") is a measure of the total value of final products and services produced in a country. "**GDP at current prices**" measures the total value of final production in current prices. "**GDP at constant prices**" measures the total value of final production in constant prices, thus allowing historical GDP comparisons that exclude the effect of inflation. GDP at constant prices figures are calculated by reference to 1994 prices. GDP at constant market prices and GDP at current market prices include net taxes on products, whereas GDP at constant basic prices and GDP at current basic prices exclude such taxes.

The consumer price index ("**CPI**") measures the general price level of a fixed basket of goods and services consumed by Jordanian households (comprised of 851 commodities and services), including those imported from abroad. It is prepared by the Department of Statistics and weighted by the average household expenditure on goods and services, acquired from the results of *Household Expenditure and Income Survey* carried out in 2006.

Review and Adjustment of Statistics

The Kingdom's official financial and economic statistics are subject to review as part of a regular confirmation process. Accordingly, financial and economic information may differ from previously published figures and may be subsequently adjusted or revised. In addition, the statistical data appearing in this Prospectus have been obtained from public sources and documents, which may not have been prepared in accordance with the standards of, or to the same degree of accuracy as, equivalent statistics produced by the relevant bodies in other countries. Investors may be able to obtain similar statistics from other sources, but the underlying assumptions, methodologies and, consequently, the resulting data may vary from source-to-source, and there can be no assurance that the statistical data appearing in this Prospectus are as accurate or as reliable as those published by more developed countries. In particular, certain of the information and data contained in this Prospectus for all or part of the fiscal year 2016 and interim periods in 2017 are preliminary and subject to further adjustment or revision. In addition, GDP figures for the year 2016 and for interim periods in 2017 are preliminary and subject to further adjustment or revision. While the Government does not expect revisions to be material, no assurance can be given that material changes will not be made. See "*Risk Factors—Risks Relating to the Kingdom—Statistics*".

Data Dissemination

Jordan is a subscriber to the IMF's Special Data Dissemination Standard (the "**SDDS**"), which is designed to improve the timeliness and quality of information of subscribing member countries. The SDDS requires subscribing member countries to provide schedules indicating, in advance, the date on which data will be released, the so-called "Advance Release Calendar". For Jordan, precise dates or "no-later-than dates" for the release of data under the SDDS are disseminated no later than three months in advance through the Advance Release Calendar, which is published on the Internet under the IMF's Dissemination Standards Bulletin Board. Summary methodologies of all metadata to enhance transparency of statistical compilation are also provided on the Internet under the IMF's Dissemination Standard Bulletin Board.

The website is http://dsbb.imf.org/Pages/SDDS/CtyCtgList.aspx?ctycode=JOR. The website and any information on it are not part of this Prospectus.

Exchange Rate History

All references to "**Jordanian Dinars**" and "**JD**" refer to the currency of the Kingdom, all references to "**U.S.$**" and "**U.S. Dollars**" refer to the lawful currency of the United States of America, all references to "**Euros**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended, and all references to "**Special Drawing Rights**" and "**SDR**" refer to the international reserve asset created by the IMF.

For ease of presentation, certain financial information relating to the Kingdom included herein is presented as translated into U.S. Dollars and Euros. In October 1995 Jordan adopted a pegged exchange rate system, whereby the Jordanian Dinar is pegged to the U.S. Dollar. The exchange rate of the Jordanian Dinar against the other major currencies is determined according to the exchange rates of these currencies against the U.S. Dollar in the international financial markets. See "*Monetary System—Foreign Exchange Rates*". The inclusion of exchange rates in this Prospectus is not meant to suggest that any amount of the currencies specified above has been, or could be, converted into the applicable currency at the rates indicated or at any other rate.

ENFORCEMENT OF CIVIL LIABILITIES

The Kingdom is a sovereign state. Consequently, it may be difficult for investors to obtain or execute judgments of the courts of England or any other country against the Kingdom. The Kingdom will irrevocably appoint the Ambassador of The Hashemite Kingdom of Jordan to the Court of St. James's, currently residing at the Embassy of The Hashemite Kingdom of Jordan at 6 Upper Phillimore Gardens, London, W8 7HA, England or, in his absence, his designate as its authorised agent for service of process in England. The Kingdom will irrevocably submit to, and accept the non-exclusive jurisdiction of, the courts of England, with respect to any suit, action or proceedings which may arise out of or in connection with the Notes and to settle any dispute or difference of whatever nature howsoever arising under, out of or in connection with the Notes (including any dispute or difference as to the breach, existence or validity of the Notes). The Kingdom will irrevocably waive any objection that it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any proceedings and to settle any disputes and will agree not to claim that the courts of England are not a convenient or appropriate forum whether on the grounds of venue, residence, domicile, convenience or otherwise.

The Kingdom's waiver of sovereign immunity constitutes a limited and specific waiver for the purposes of the Notes. Investors should not under any circumstances interpret the Kingdom's waiver as a general waiver by the Kingdom or a waiver of immunity in respect of legal actions arising out of or based on English law, or, in respect of (i) present or future "premises of the mission" as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or "consular premises" as such term is defined in the Vienna Convention on Consular Relations signed in 1963 or (ii) military property or military assets of the Kingdom related thereto or (iii) property and assets located in the Kingdom and dedicated to a public or governmental use (as distinct from property in use or intended for use for commercial purposes) by the Kingdom. See "*Terms and Conditions of the Notes—17. Governing Law and Jurisdiction*" and "*Risk Factors—Risks Relating to the Kingdom—Jurisdiction and sovereign immunity*".

The enforcement of a judgment in Jordan issued by foreign courts is subject to the limitations set forth in the Enforcement of Foreign Judgments Law № 8 of 1952. A foreign judgment can be enforced in Jordan through filing an enforcement request before the Jordanian First Degree Court.

The court may only decline the request to enforce a foreign judgment if:

- the foreign court issuing the judgment lacked jurisdiction;
- the party against whom the enforcement is sought (i) had no business operations within the jurisdiction of the foreign court or was not domiciled within its jurisdiction, (ii) did not voluntarily appear before that court and (iii) did not acknowledge such court's jurisdiction;
- the defendant was not notified to appear before the court (or tribunal) which issued the judgment (or award) or was not duly or properly served with notice;
- the judgment was fraudulently procured;
- the court rules that the judgment is not final;
- the judgment relates to a claim that will not be heard by the courts of the Kingdom due to a conflict with public policy and public morals; or
- the judgment is issued by any court (or tribunal) of a country whose laws prohibit the enforcement of the judgment issued by the courts (or tribunals) of the Kingdom.

In relation to the enforcement of a final judgment against the Kingdom, Article 11 of the State Cases Law № 25 of 1958 (the "**State Cases Law**") provides that a certified copy of the final judgment must be submitted to the Prime Minister who must issue an enforcement order. Parliament has enacted the Management of State Cases Law № 28 of 2017 (the "**Management of State Cases Law**"), which will repeal and replace the State Cases Law upon its entry into effect. The Management of State Cases Law was published in the *Official Gazette* on 30 August 2017 and, pursuant to Article 1 of the law, it will come into effect 120 days from the date of its publication. Article 14 of the Management of State Cases Law replicates the enforcement procedure against the Kingdom set out in the State Cases Law.

Prospective investors in the Notes should be aware that, pursuant to applicable Jordanian law (including the Enforcement Law № 25 of 2007), the Kingdom's properties and assets in Jordan are immune from execution, attachment or other legal or judicial process and, in any Proceeding brought in Jordanian courts against the Kingdom or brought in those courts to enforce or seek recognition of a judgment obtained outside Jordan, the Kingdom's waiver of immunity referred to above would not be given effect to the extent it violates the Enforcement Law № 25 of 2007. Investors should therefore be aware that the waiver of immunity is likely to be ineffective in respect of the attachment of assets and properties located in Jordan. In addition, a Jordanian court may not uphold a contractual provision providing for the submission by a Jordanian party, such as the Kingdom, to the jurisdiction of a non-Jordanian court, or a defence by a non-Jordanian party based on lack of jurisdiction in respect of a legal action instituted by a Jordanian party against a non-Jordanian party in such Jordanian court.

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OVERVIEW

The following is an overview of certain information contained elsewhere in this Prospectus. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Prospective investors should also carefully consider the information set forth in "Risk Factors" below prior to making an investment decision.

Overview of the Kingdom

The Hashemite Kingdom of Jordan is bordered on the north by Syria, on the east by Iraq, on the east and south by Saudi Arabia and on the west by Israel and the occupied West Bank. Jordan's only outlet to the sea, the Gulf of Aqaba, which leads into the Red Sea, is to the south. Jordan occupies an area of 89,318 square kilometres, including its territorial waters in the Dead Sea and the Gulf of Aqaba; its land area is 88,778 square kilometres.

Under the Jordanian Constitution (the "**Constitution**"), Islam is the official religion of the Kingdom. The vast majority of the population is Sunni Muslim, estimated at 97.5% in 2012. The remaining 2.5% of the population is predominantly Christian, consisting primarily of Greek Orthodox Christians, with smaller numbers of Greek Catholics, Roman Catholics, Syrian Orthodox, Coptic Orthodox, Armenian Orthodox and Protestants.

Jordanians are predominantly Arab (approximately 98%), with small communities of Circassians, Armenians and Chechens. The official language according to the Constitution is Arabic, but English is used widely in civic life, including in commerce and government.

Jordan is a constitutional monarchy. The Constitution was adopted on 1 January 1952 and has been amended on a number of occasions (most recently in May 2016). In response to the events of the Arab Spring, 36 amendments were made to the Constitution in 2011 to, *inter alia*, strengthen the rule of law, enhance civil rights, establish the independence of the judiciary, increase the power of the National Assembly, establish a constitutional court and enhance accountability and transparency in Government. In addition, new legislation was enacted providing for further political reforms, including strengthening political parties and reforming the electoral process in Jordan.

Under the Constitution, the King is the Head of State, the Commander-In-Chief of the armed forces and the head of the three branches of government. The King exercises his executive authority through the Prime Minister and the Council of Ministers. The King appoints and dismisses the Prime Minister and the various ministers, upon recommendation from the Prime Minister. The Council of Ministers is accountable to the Kingdom's bicameral parliament, the National Assembly, which constitutes the legislative branch of government and comprises two bodies: (i) a lower house, the Chamber of Deputies, whose members are elected in a general direct election; and (ii) an upper house, the Senate, whose members are appointed by the King. The judicial branch is an independent branch of government.

Following elections for the Chamber of Deputies on 20 September 2016, the King reappointed Mr. Al-Mulki as Prime Minister and swore in the new Government on 28 September 2016. The newly-elected Chamber of Deputies commenced its first session on 7 November 2016, and the Government's programme was approved by the Chamber of Deputies on 24 November 2016 by a majority of 84 deputies out of 128 deputies present.

The size of the economy in Jordan, measured in terms of GDP at current market prices, was JD 27,444.8 million in 2016. Jordan's GDP at constant market prices grew by 2.0% in 2016, as compared to 2.4% in 2015. For the three months ended 31 March 2017, the Kingdom's GDP at current market prices was JD 6,492.5 million, while its GDP at constant market prices was JD 2,727.3 million. The Kingdom's GDP at constant market prices grew by 2.2% in the three months ended 31 March 2017, as compared to 2.3% in the corresponding period in 2016. For the six months ended 30 June 2017, GDP at constant market prices was JD 5,687.7 million, and GDP at current market prices was JD 13,292.1 million. The growth rate for GDP at constant market prices for the six months ended 30 June 2017 was 2.1% and for GDP at current market prices for the six months ended 30 June 2017 was 3.6%, in each case as compared to the corresponding period in 2016. See "*The Economy*".

The current account recorded a deficit of JD 2,563.4 million in 2016 (representing 9.3% of GDP), as compared to JD 2,418.2 million (representing 9.1% of GDP) in 2015, an increase in the deficit of JD 145.2 million, or 6.0%, primarily as a result of a decrease in the surplus of the service account by 15.5%, which was partially offset by an improvement in the Kingdom's trade balance by 7.8%. The volume of external trade (domestic exports plus imports) decreased by 6.3% in 2016 to JD 18,166.9 million, as compared to JD 19,344.8 million in 2015. This decrease was primarily due to a 5.6% decrease in imports and an 8.4% decrease in domestic exports. See "*—Foreign Trade*". The current account deficit was JD 788.2 million for the three months ended 31 March 2017, as compared to JD 1,026.5 million in the corresponding period in 2016, representing a decrease of JD 238.3 million, or 23.2%. This decrease was primarily due to the JD 154.1 million, or 118.4%, increase in the services account surplus, which was, in turn, primarily due to an increase in travel-related receipts, as well as a 4.8% decrease in the trade deficit. In the three months ended 31 March 2017, the net trade deficit was JD 1,814.9 million, as compared to JD 1,906.3 million in the corresponding period in 2016.

The capital and financial account recorded a net inflow of JD 2,350.1 million in 2016, as compared to JD 1,945.4 million in 2015, an increase of JD 404.7 million, or 20.8%. This inflow was primarily a result of net FDI inflows of JD 1,090.3 million, portfolio investment inflows of JD 848.9 million, other investment outflows of JD 432.2 million and a decrease in CBJ reserve assets of JD 783.1 million. The capital and financial account recorded a net inflow of JD 980.6 million for the three months ended 31 March 2017, as compared to JD 994.3 million in the corresponding period in 2016, a decrease of JD 13.7 million, or 1.4%.

Gross official reserves were U.S.$13,105.4 million as at 30 June 2017, as compared to U.S.$14,499.9 million as at 31 December 2016 and U.S.$15,698.2 million as at 31 December 2015. Gross foreign reserves represented 7.4 months of imports as at 30 June 2017, 8.3 months of imports as at 31 December 2016 and 9.2 months of imports as at 31 December 2015. As at 31 August 2017, gross official reserves were U.S.$12,787.9 million, representing 7.2 months of imports.

Public debt in Jordan is comprised of the domestic and external debt of the central government (including all ministries and agencies whose budgets make up the general budget) and state-owned enterprises and public agencies, to the extent guaranteed by the central government, but excludes other debt of state-owned enterprises and public agencies. As at 31 December 2016, Jordan's total outstanding net public debt was JD 24,079.4 million (consisting of JD 10,299.0 million of external debt and JD 13,780.4 million of domestic debt (*i.e.*, central government debt, net of government bank deposits)), representing 87.7% of GDP. As at 31 July 2017, Jordan's total outstanding net public debt was JD 25,187.5 million (consisting of JD 10,905.2 million of external debt and JD 14,282.3 million of net domestic debt), of which 43.3% was denominated in currencies other than Jordanian Dinars (principally U.S. Dollars).

The budget deficit (including foreign grants as a component of revenue) decreased from JD 925.6 million in 2015 to JD 878.6 million in 2016. Accordingly, the budget deficit as a percentage of total GDP at current market prices decreased from 3.5% in 2015 to 3.2% in 2016. The budget deficit (including foreign grants) increased by JD 223.1 million, or 70.4%, to JD 539.9 million for the seven months ended 31 July 2017, as compared to JD 316.8 million for the corresponding period in 2016, primarily due to an increase in total expenditures, as well as the decrease in total revenues and grants for the seven months ended 31 July 2017, as compared to the corresponding period in 2016.

Foreign grants amounted to JD 886.2 million in 2015 and JD 836.0 million in 2016. Foreign grants received by the Kingdom as at 31 December 2016 included a JD 353.3 million grant from the United States, JD 364.3 million from the Gulf Co-operation Council ("**GCC**") Fund, JD 62.9 million in grants from the EU and JD 56.9 million in other grants, including from Canada and the World Bank's global concessional financing facility (the "**GCFF**"). Foreign grants amounted to JD 134.1 million in the seven months ended 31 July 2017, as compared to JD 248.7 million in the corresponding period in 2016.

On 24 August 2016, the Executive Board of the IMF approved a three-year SDR 514.7 million (approximately U.S.$723 million) extended fund facility (the "**EFF**") for Jordan, of which SDR 51.5 million (approximately U.S.$72.3 million) was initially disbursed in August 2016. The EFF is intended to: (i) support the economic and financial reform efforts outlined in Jordan 2025, the Government's ten-year programme for economic development and reform (see "*The Economy—Government Programme, Recent Developments and Reforms—Jordan 2025*"); (ii) advance fiscal consolidation to lower public debt; and (iii) support broad structural reforms to enhance the conditions for more inclusive growth. See "*The Economy—Government Programme, Recent Developments and Reforms—EFF Reform Measures*". In June 2017, the IMF completed its first review of Jordan's economic performance under the EFF, which enabled a further disbursement of SDR 51.5 million (approximately U.S.$71 million), bringing total disbursements under the programme to SDR 102.9 million (approximately U.S.$141.9 million).

Principal Economic Indicators

The following table sets forth the principal economic indicators for Jordan as at the end of, or for, the periods indicated.

Principal Economic Indicators[1]

	2012	**2013**	**2014**	**2015**	**2016**[2]	**Jan-June 2017**
GDP at current market prices *(JD millions)*[3]	21,965.5	23,851.6	25,437.1	26,637.4	27,444.8	—
GDP at constant market prices *(JD millions)*[4][5]	10,515.3	10,812.8	11,147.6	11,413.2	11,642.9	—
Growth rate of GDP at constant market prices *(%)*[4][5]	2.7	2.8	3.1	2.4	2.0	—
GDP per capita at current market prices *(JD)*	2,957.5	2,939.6	2,889.3	2,786.6	2,801.1	—
Unemployment rate *(%)*[7]	12.2	12.6	11.9	13.0	15.3	18.1[7]
Change in CPI *(%)*[8]	4.5	4.8	2.9	(0.9)	(0.8)	3.7
Current account balance *(JD millions)*[9]	(3,344.9)	(2,487.7)	(1,851.7)	(2,418.2)	(2,563.4)	—[10]
Net trade balance *(JD millions)*[9]	(7,486.6)	(8,270.1)	(8,495.6)	(7,336.2)	(6,761.5)	—[10]
Capital and financial account balance *(JD millions)*[9]	3,834.0	1,956.1	1,084.1	1,945.4	2,350.1	—[10]
Gross official reserves *(U.S.$ millions)*[9]	7,593.4	12,820.2	15,002.9	15,698.2	14,499.9	13,105.4[10]
Current account balance *(as % of GDP)*[9]	(15.2)	(10.4)	(7.3)	(9.1)	(9.3)	—[10]
Foreign exchange reserves *(months of imports)*[9]	4.0	6.6	7.5	9.2	8.3	7.4
Total revenues and grants *(JD millions)*	5,054.3	5,758.9	7,267.6	6,797.1	7,069.6	3,446.6[11]
Total expenditure *(JD millions)*	6,878.2	7,076.9	7,851.1	7,722.7	7,948.2	3,749.1[11]
Government budget deficit[12]						
Including foreign grants *(JD millions)*	(1,824.0)	(1,318.2)	(583.5)	(925.6)	(878.6)	(302.9)[11]
Excluding foreign grants *(JD millions)*	(2,151.3)	(1,957.3)	(1,820.0)	(1,811.8)	(1,714.6)	(420.7)[11]
as % of GDP (including grants)	(8.3)	(5.5)	(2.3)	(3.5)	(3.2)	—
Total net public debt[13]						
in JD millions	16,580.9	19,096.7	20,555.5	22,847.9	24,079.4	25,021.3[14]
as % of GDP[3]	75.5	80.1	80.8	85.8	87.7	89.2
Total external debt *(as % of GDP)*[3]	22.5	30.3	31.6	35.3	37.5	38.9
Exchange rate *(U.S.$ per JD)*[15]	1.410	1.410	1.410	1.410	1.410	1.410
Exchange rate *(€ per JD)*[9]	1.097	1.063	1.061	1.296	1.337	1.256

Sources: Department of Statistics, CBJ, Ministry of Finance

Notes:

(1) Certain figures in this table have been revised and may differ from previously published data.

(2) Preliminary data.

(3) GDP at current market prices. GDP at current market prices for the three months ended 31 March 2017 was JD 6,492.5 million. See "*The Economy—Gross Domestic Product*".

(4) GDP at constant market prices. GDP at constant market prices for the three months ended 31 March 2017 was JD 2,727.3 million, and the growth rate of GDP at constant market prices for the three months ended 31 March 2017 was 2.2%, as compared to the corresponding period in 2016. See "*The Economy—Gross Domestic Product*".

(5) Base year is 1994

(6) See "*The Economy—Employment and Labour*".

(7) In 2017, the Department of Statistics implemented a new methodology for the calculation of unemployment figures in line with new recommendations issued by the International Labour Organisation, which differs in certain respect from previously used methods. Accordingly, the comparability of statistics prepared under the new and old methodologies is limited.

(8) Period average to period average. Index based upon basket determined by the Department of Statistics, (2010 = 100). See "*Monetary System—Inflation*".

(9) Calculated at end of period.

(10) For the three months ended 31 March 2017, the current account deficit was JD 788.2 million, the trade deficit was JD 1,814.9 million and the capital and financial account surplus was JD 980.6 million. As at 31 August 2017, gross official reserves were U.S.$12,787.9 million, representing 7.2 months of imports.

(11) In the seven months ended 31 July 2017: (i) total revenues and grants were JD 4,100.6 million, as compared to JD 4,110.7 million for the corresponding period in 2016; (ii) total expenditure was JD 4,640.4 million, as compared to JD 4,417.5 million for the corresponding period in 2016; (iii) the budget deficit (including foreign grants) was JD 539.9 million, as compared to JD 316.8 million for the corresponding period in 2016; and (iv) the budget deficit (excluding foreign grants) was JD 674.0 million, as compared to JD 565.5 million in the corresponding period 2016. See "*Public Finance—2017 Interim Results*".

(12) Total central government revenues (including privatisation proceeds and grants) minus total central government expenditure. See "*Public Finance—Public Accounts*".

(13) Total net public debt is comprised of the external and net domestic debt of the central government and debt guaranteed by the central government. See "*Public Debt*". Net domestic debt is central government debt, net of government bank deposits. See "*Public Debt—Domestic Debt*".

(14) As at 31 July 2017: (i) gross public debt was JD 26,550.2 million, representing 94.1% of GDP; (ii) net public debt was JD 25,187.5 million, representing 89.3% of GDP; (iii) external public debt was JD 10,905.2 million, representing 38.7% of GDP; and (iv) net domestic debt was JD 14,282.3 million, representing 50.6% of GDP.

(15) In October 1995, Jordan adopted a pegged exchange rate system, whereby the Jordanian Dinar is pegged to the U.S. Dollar. The exchange rate of the Jordanian Dinar against the other major currencies is determined according to the exchange rates of these currencies against the U.S. Dollar in the international financial markets. See "*Monetary System – Foreign Exchange Rates*".

Overview of the Notes

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this summary. See "Terms and Conditions of the Notes" and "The Global Certificates" for a more detailed description of the Notes.

The Issuer	The Hashemite Kingdom of Jordan
Joint Bookrunners and Managers	Citigroup Global Markets Limited J.P. Morgan Securities plc
The Notes	U.S.$1,000,000,000 7.375% Notes due 2047
Aggregate Principal Amount of the Notes	U.S.$1,000,000,000
Issue Price	98.516% of the principal amount of the Notes.
Closing Date	10 October 2017.
Use of Proceeds	The net proceeds of the issue of the Notes will be used to partially finance the budget deficit for the 2017 fiscal year. See "*Use of Proceeds*".
Final Redemption	Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 10 October 2047. See "*Terms and Conditions of the Notes—5. Redemption and Purchase*".
Interest	Interest on the outstanding principal amount of the Notes will be payable semi-annually in arrear on 10 April and 10 October of each year commencing on 10 April 2018. See "*Terms and Conditions of the Notes—4. Interest*".
Status	The Notes are the direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured Public External Indebtedness of the Issuer, from time-to-time outstanding, provided, further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public External Indebtedness and, in particular, shall have no obligation to pay other Public External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. See "*Terms and Conditions of the Notes—1. Form, Denomination and Status*".
Negative Pledge	The Conditions contain a negative pledge provision, which is subject to certain exceptions. See "*Terms and Conditions of the Notes—3. Negative Pledge*".

Meetings of Noteholders .... The Conditions contain a "collective action" clause, which permits defined majorities to bind all Noteholders. If the Issuer issues future debt securities (as defined in "*Terms and Conditions of the Notes—12. Meetings of Noteholders; Written Resolutions*"), which contain collective action clauses in substantially the same form as the collective action clause in the Conditions, the Notes would be capable of aggregation for voting purposes with any such future debt securities, thereby allowing "cross-series" modifications to the terms and conditions of all affected series of Notes (even, in some circumstances, where majorities in certain Series did not vote in favour of the modifications being voted on).

See "*Terms and Conditions of the Notes—12. Meeting of Noteholders; Written Resolutions*" and "*Risk Factors—Risks Relating to the Notes—Modification and waivers, collective action clause*".

Withholding Tax..................................... All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to customary exceptions.

See "*Terms and Conditions of the Notes—7. Taxation*".

Events of Default .... The Conditions permit the holders of the requisite percentage of Notes to accelerate them following the occurrence of certain events of default. The Conditions also contain a cross default provision.

See "*Terms and Conditions of the Notes—8. Events of Default*".

Denomination... The Notes will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

See "*Terms and Conditions of the Notes—1. Form, Denomination and Status*".

Form and Settlement............................... The Rule 144A Notes will be represented by beneficial interests in the Restricted Global Certificate in registered form, without interest coupons attached, registered on or around the Closing Date in the name of Cede & Co., as nominee for DTC, and shall be deposited on or about the Closing Date with a common depositary for, and in respect of interests held through, DTC.

The Regulation S Notes will be represented by beneficial interests in the Unrestricted Global Certificate in registered form, without interest coupons attached, which will be registered on or around the Closing Date in the name of a nominee of, and shall be deposited with, a common depositary for Euroclear and Clearstream, Luxembourg.

See "*The Global Certificates*".

Ratings	The Notes are expected to be assigned the following credit ratings: • B1 by Moody's; and • BB- by S&P. The Kingdom's long-term foreign currency debt has been assigned a rating of "BB-" with a negative outlook by Standard & Poor's and a rating of "B1" with a stable outlook by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies. Any adverse change in an applicable credit rating could adversely affect the trading price of the Notes. Ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. See "*Risk Factors—Risks Relating to the Kingdom—The Kingdom's credit ratings*".
Risk Factors	There are certain risks relating to the Notes, which investors should ensure they fully understand. These include the fact that the Notes may not be suitable investments for all investors, and risks relating to the Kingdom and the market. See "*Risk Factors*".
Fiscal Agent and Transfer Agent	Citibank N.A., London Branch
Registrar	Citigroup Global Markets Deutschland AG
Governing Law	The Notes, the Agency Agreement (as defined in the Conditions), the Deed of Covenant (as defined in the Conditions) and the Subscription Agreement (as defined below) and all non-contractual obligations arising out of or in connection with them will be governed by English law.
Submission to Jurisdiction	The Kingdom has submitted to the non-exclusive jurisdiction of the courts of England to settle disputes in connection with the Notes. See "*Terms and Conditions of the Notes—17. Governing Law and Jurisdiction*".
Selling Restrictions	There are restrictions in the United States, the United Kingdom, the Kingdom of Saudi Arabia and certain other jurisdictions in connection with the offering and sale of the Notes. See "*Subscription and Sale*".
Listing and Trading	Application has been made to the Irish Stock Exchange for the Notes to be admitted to listing on the Official List and to trading on the Market.
Clearing Systems	DTC, Euroclear and Clearstream, Luxembourg.
Rule 144A CUSIP/ISIN/Common Code	418097AJ0 / US418097AJ07 / 111731187
Regulation S ISIN/Common Code	XS1577950311 / 157795031

RISK FACTORS

In general, the purchase of Notes involves substantial risks and is suitable only for, and should be made only by, investors that are fully familiar with the Kingdom and that have such other knowledge and experience in financial and business matters, as may enable them to evaluate the risks and the merits of an investment in the Notes. The risks listed below do not necessarily comprise all those associated with an investment in the Notes but do comprise those which the Kingdom regards as material or significant in respect of the Notes and in relation to the Kingdom's obligations under the Notes. Additional risks and uncertainties not presently known to the Kingdom, or those which the Kingdom currently considers to be immaterial may also have an adverse effect on the Kingdom.

Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information set forth herein and, in particular, the risk factors set forth below. Prospective purchasers of Notes should make such inquiries, as they think appropriate, regarding the Notes and the Kingdom without relying on the Kingdom or the Managers.

Risks Relating to the Kingdom

Regional concerns and Syrian conflict

Jordan is located in a region that is, and has been, subject to on-going political and security concerns. Political instability in the Middle East has increased since the U.S.-led intervention in Iraq, the Arab Spring, the outbreak of the ongoing hostilities between Israel and the Hamas movement in November 2012 and the ongoing disputes involving Israel and Palestinians, as well as the ongoing conflict in Syria, including attacks by the so-called "Islamic State of Iraq and Syria" ("**Daesh**"). As a result of these and other events, some Middle Eastern and North African countries, including certain of the Kingdom's neighbours, have experienced in the recent past, or are currently experiencing, political, social, and economic instability, extremism, terrorism, conflicts and war, some of which have negatively affected the Kingdom in the past and may do so again.

Since the Arab Spring began, a number of Arab countries have experienced significant political and military upheaval, conflict and revolutions leading to the departure of long-time rulers in Tunisia, Egypt, Yemen and Libya. In particular, conflict in Syria, precipitated by anti-government demonstrations in 2011, has resulted in millions of Syrian refugees fleeing to neighbouring countries, including Jordan. See "*—Syrian refugees*". The ongoing conflict in Syria has been the subject of significant international attention, and its impact and resolution are difficult to predict. Any further escalation of the conflict, additional international military intervention in Syria or a more aggressive stance by parties to the conflict could be a further destabilising factor for the region, including Jordan. The instability caused by the ongoing conflict has been exacerbated by terrorist attacks by Daesh and various other rebel groups in both Syria and Iraq, which has, in turn, increased the security challenges faced by the Kingdom.

Events involving the Israeli-Palestinian conflict, in particular those involving Jerusalem and the holy places in Jerusalem have also often had a "spill-over" effect in Jordan, including demonstrations by Jordanian citizens in cities across Jordan and strains on Israeli-Jordanian relations.

In March 2015, a coalition of Arab countries led by Saudi Arabia and including other GCC members, as well as Egypt, Jordan, Morocco and Sudan, among others, supported by the United States and other western governments, intervened in the civil war in Yemen on the side of the Yemeni government against the Houthi rebels, who have taken control of Yemen's capital, Sana'a. The coalition conducted air strikes in Sana'a and elsewhere, and the Saudi military has deployed troops and armour on the Saudi Yemeni border. In April 2015, Saudi Arabia announced that the coalition's intervention in Yemen would shift focus from military operations to the political process; military operations, however, continue on a reduced scale. In August 2017, the Prime Minister reiterated Jordan's support for the Yemeni government. The general lack of government control in Yemen resulting from this conflict could lead to a reduction in shipping traffic in the Red Sea, which could, in turn, negatively impact the Jordanian economy, including by reducing the ability of the Kingdom to import liquefied natural gas ("**LNG**").

On 5 June 2017, three GCC countries, Saudi Arabia, the United Arab Emirates ("**UAE**") and Bahrain, as well as Egypt and Yemen, severed diplomatic ties and cut trade and transport links with, and imposed sanctions on, Qatar. These countries have accused Qatar of supporting extremist groups. On 6 June 2017, Jordan downgraded diplomatic ties with Qatar. Diplomatic efforts to end the crisis are being undertaken by Kuwait and several other countries. It is uncertain at this stage how the events relating to Qatar will develop or how the situation may impact the Kingdom, the region or emerging markets generally.

The continuation or escalation of such events or the outbreak of new events in the region could further strain political stability in Jordan and the Government's finances and have had, and are likely to continue to have, a material adverse impact on the Kingdom and its economy, including, but not limited to, reductions in trade flows between Jordan and its neighbours (for example, through a disruption to the transit of Jordanian and international goods through Iraq and Syria resulting in lower exports to Iraq and Syria, higher transit fees for Jordanian exporters and losses incurred by Jordanian transportation companies and companies with subsidiaries or affiliates in Syria or Iraq) and declines in tourism flows (which are an important source of foreign receipts) as tourists seek to avoid the region. For example, any of the foregoing could also lead to a reduction in, and increased difficulty in attracting, foreign direct investment ("**FDI**") to the Kingdom, as well as the diversion of Government resources towards military and security spending (which could, in turn, reduce overall economic growth and increase the Kingdom's budget deficit).

Syrian Refugees

According to Ministry of Interior statistics, in April 2017, Jordan was host to 1.38 million Syrians, of which 0.66 million were registered with the U.N. High Commissioner for Refugees (the "**UNHCR**"). The actual number of Syrian refugees in the Kingdom may be significantly higher than published estimates. International organisations, including the UNHCR, expect Syrian refugee flows to continue and the number of refugees to grow as a result of the ongoing conflict in Syria.

In November 2016, The Ministry of Planning and International Cooperation ("**MOPIC**") estimated that 53% of the Syrian refugees are children. Approximately 21% of Syrian refugees live in refugee camps, while the other 79% live in private or public accommodation in other parts of the Kingdom. In some areas, refugees outnumber residents, and the impact on inflation, employment and access to public services and community resources has fuelled local tensions and threatened to spark social unrest. In general, the existing infrastructure in Jordan does not have adequate capacity to accommodate large population inflows. In response to these issues and with no near-term prospect for a political resolution to the events in Syria, the Government developed, together with the United Nations, the *Jordan Response Plan for the Syrian Crisis 2015*, the *Jordan Response Plan for the Syrian Crisis 2016-2018* and the *Jordan Response Plan for the Syrian Crisis 2017-2019* (the "**JRP**"), which aim to consolidate major national and international humanitarian and development efforts into a single framework. The Government, together with the United Nations, has started the planning phase for the *Jordan Response Plan for the Syrian Crisis 2018-2020*, which is expected to be published at the end of 2017. However, there can be no assurance that these efforts will be adequate or effective, which could increase the strain on Jordan's infrastructure and finances by a significant margin, and there can be no assurance that pledged foreign assistance will ultimately be received.

Providing for the needs of the Syrian refugees in Jordan has materially impacted Jordan's public finances and will continue to do so, as the Government attempts to meet the needs of the Syrian refugees in Jordan and provide security throughout the Kingdom. In addition, Government subsidies have been and are available not only to Jordanian citizens but also to all other persons in Jordan, including Syrian refugees. MOPIC has estimated the total cost of implementing the JRP in the period 2017-19 at U.S.$7.6 billion, comprised of estimated expenditures of approximately U.S.$2.65 billion (of which U.S.$1.0 billion relates to direct budget support needs) in 2017, U.S.$2.6 billion (of which U.S.$1.0 billion relates to direct budget support needs) in 2018. See "*Description of the Hashemite Kingdom of Jordan—International Relations—Syria—Jordan Response Plan*".

MOPIC estimates that the direct fiscal impact of the Syrian crisis amounted to 5.3% of GDP for 2016 and 5.1% in 2015. The Government has sought, and continues to actively seek, assistance from the international community to mitigate the fiscal impact of the Syrian refugees, including through the conferences on Supporting Syria and the Region held in London in February 2016, which led to the Jordan Compact (a new approach to the Syrian refugee crisis which aims to encourage economic development and opportunities in Jordan for the benefit of Jordanians and refugees in Jordan), and Brussels in April 2017, at which the Jordan Compact was reaffirmed by participants at the conference. According to the Jordan Response Platform Information System for the Syria Crisis ("**JORISS**"), approximately U.S.$476.3 million in grants had been contracted as of 10 September 2017, representing 18.0% of the estimated requirements of the JRP for 2017. Accordingly, there is currently a material funding gap between funds required and funds available from donors in respect of 2017, and there can be no assurance as to whether all or a material portion of this gap will be funded. In past years, the funding gap has not been fulfilled.

If the Kingdom does not receive additional and sufficient assistance from the international community, existing assistance levels are reduced or eliminated or refugee numbers increase beyond expectations, the presence of large numbers of Syrian refugees in Jordan will continue to materially strain the general resources of the Government and negatively affect the Kingdom's economy.

Conflict with Daesh

In June 2014, Daesh and aligned irregular forces began an offensive in northern and western Iraq against the Iraqi government, proclaiming itself to be a caliphate and capturing much of the territory in western Iraq, particularly in the Anbar, Nineveh and Salah Ad-Din governorates, and Iraq's second largest city, Mosul, as well as Tikrit and Fallujah, and, more recently, Ramadi. In Syria, Daesh took control of a number of cities, including Arak, Deir Az-Zur and Palmyra and has military positions close to Aleppo and Damascus. Although the territory controlled by Daesh has been significantly reduced, particularly in Iraq, Daesh has destroyed or remains in control of infrastructure (*e.g.*, dams and roads), military installations, oil fields and other assets and resources in each country. Daesh also controls a number of border crossings between Iraq and Syria, making it impossible for the Iraqi and Syrian governments to control the movement of persons, goods and arms between the two countries.

In addition to Iraqi and Syrian recruits, Daesh has recruited foreign combatants from a number of countries in the region and beyond, including the Kingdom. Due to the proximity of Jordan to Daesh-controlled territories and the relative ease for Jordanians to enter such territories from Jordan, a significant number of Jordanians have joined Daesh, and it is not possible to track their movements in and out of Jordan. Foreigners who join Daesh have generally been "radicalised" and pose a risk to their home countries, including Jordan, both because they may seek to recruit others to join Daesh or similar organisations and because they may return to their home countries, including Jordan, and seek to carry out terrorist attacks.

In addition to the territories controlled by Daesh, the Iraqi and Syrian governments have also lost control over other portions of their respective territories, including certain territories contiguous with Jordan, leading to occasional spill-over of conflict into the Kingdom and an extra burden on Jordan to secure its border. The lack of any government control in such territories has resulted in certain of these areas neighbouring Jordan becoming effectively lawless, and neither the Iraqi nor Syrian government is in control of its entire border with Jordan. If Daesh were to take control of these territories, it would pose a further risk to Jordan. In August 2017, the main border crossing between Jordan and Iraq located at Tureibil was reopened for the first time since 2015. While the reopening of the border crossing is expected to have a positive impact of trade with Iraq, there can be no guarantee that trade with Iraq will reach the same level as before the closing of the Tureibil border crossing.

The Kingdom joined the U.S.-led military coalition formed to combat Daesh in September 2014 and has carried out a number of strikes in Syria on Daesh targets. In response, Daesh killed a Jordanian pilot who was captured and published lists of other Jordanian pilots and offered bounties. Daesh also claimed responsibility for an attack on a border crossing at Tureibil (on the Kingdom's border with Iraq) in April 2015. In June 2016, Jordan sealed entry points for Syrian refugees following a suicide bomb attack on the Kingdom's border with Syria. In response to these attacks, the Government has designated sections of the northern and north-eastern border with Syria as closed military zones. See "*—Terrorism risk*" and "*Description of the Hashemite Kingdom of Jordan—Defence and National Strategy*".

These events have had, and are likely to continue to have, a material adverse impact on the economic and political situation in the Kingdom, including potential further overspill of the conflict into the Kingdom and similar effects on the Kingdom and its economy, trade and tourism flows, FDI and diversion of Government resources as discussed in "*—Regional concerns and Syrian conflict*".

Terrorism risk

In common with other countries in the region, Jordan has experienced occasional terrorist attacks in recent years, including, most recently, in June 2016. In June 2016, five employees of the National Intelligence Agency, including three intelligence officers, were killed in a terrorist attack in a Palestinian refugee camp near Amman. Also in June 2016, Jordan sealed entry points for Syrian refugees following a suicide bomb attack on the border, which killed four Jordanian soldiers, a police officer and a civil defence officer. In response to these attacks, the Government has designated sections of the northern and north-eastern border with Syria as closed military zones. See "*Description of the Hashemite Kingdom of Jordan—Defence and National Strategy*". In December 2016, ten people were killed and several people were injured in a terrorist attack in Karak. Despite Government efforts to maintain prevailing levels of domestic order and stability, there can be no assurance that extremists or terrorist groups will not continue or escalate such violent activity in Jordan. Terrorist incidents have in the past, and may in the future, negatively affect tourism and the general economy in the Kingdom and, as a result, strain the general resources of the Government.

Immigration

In addition to the Syrian refugees in Jordan, the Kingdom has long been host to a large migrant population. In the past, external events have resulted in large numbers of immigrants coming to the Kingdom. Jordan has become the home of many Palestinians from the West Bank and Gaza following a decree issued in 1948 allowing the Minister of Interior to grant citizenship to them. On 29 April 1950, the Kingdom issued a decree unifying the East Bank (Jordan) and the West Bank, which lasted until 1988 when the Kingdom renounced its claims to the West Bank. Under the *Instructions on Disengagement of 1988*, citizens residing on the West Bank before 31 July 1988 were designated Palestinian and not Jordanian. More recently, Jordanians and Palestinians moved to Jordan from the Gulf States following the 1990 invasion of Kuwait by Iraq and following the 2003 invasion of Iraq, as well as Iraqis fleeing both the aftermath of the 2003 invasion and the ongoing conflict in Iraq involving Daesh. There are also a significant number of Egyptian workers in Jordan and Syrians not classified as refugees. In addition to the fiscal impact of immigrants on the Kingdom, which can be similar to the impact of refugees, the Government faces challenges in the integration of immigrant populations into the social fabric and economy of Jordan, which, if not managed successfully, could result in tensions or unrest and increase the strain on Jordan's infrastructure. Future waves of immigration could also further strain the general resources of the Government and negatively affect the Kingdom's economy.

Political reform

The Kingdom experienced demonstrations and instances of social unrest calling for broad economic and political reforms during the Arab Spring beginning in January 2011. In response, 36 amendments were made to the Constitution in 2011 to, *inter alia,* strengthen the rule of law, enhance civil rights, establish the independence of the judiciary, increase the power of the National Assembly, establish a constitutional court and enhance accountability and transparency in Government. In addition, new legislation was enacted providing for further political reforms, including strengthening political parties and reforming the electoral process in Jordan. Two further constitutional amendments, to expand the jurisdiction of the Independent Electoral Commission (the "**IEC**") and enabling the King to appoint and dismiss the army's Joint Chiefs of Staff and the director of the General Intelligence Department, were made in 2014. Further amendments to the Constitution were made in May 2016. In March 2016, a new electoral law was adopted by the National Assembly and approved by the King (the "**2016 Electoral Law**"). The 2016 Electoral Law introduced a proportional voting electoral system, which was first used in the September 2016 elections. See "*Description of the Hashemite Kingdom of Jordan—Elections and Political Parties*". A number of other laws reforming the Jordanian political system were either passed or are in various stages in the legislative process. There can be no assurance that these reforms will be successfully implemented or deemed adequate and that there will not be calls for further reform or further instances of demonstrations or unrest in the future that could materially adversely affect the Kingdom and its economy.

Jordan 2025

In response to external factors, which have affected Jordan's economy, including the political unrest in the region, the influx of refugees into the Kingdom and the significant reduction in the Kingdom's natural gas supply from the Arab Gas Pipeline, as well as the Kingdom's exposure to international oil prices (due to a lack of domestic production) and other domestic economic challenges, including the high poverty rate, structural unemployment, low labour productivity, gender inequality, limited access to financing and bureaucratic and administrative hurdles faced by businesses, in May 2015, the Government announced a new vision for Jordan, known as "Jordan 2025". Jordan 2025 sets out more than 400 policies and measures to be implemented by the Government, the private sector and civil society to support economic development. The Government intends to implement its fiscal goals through three phased programmes, the first of which is being implemented. The estimated financing requirement for the first phased programme is U.S.$14 billion. As a result, the ability to execute some or all of this programme, and the timing thereof, is under regular assessment and subject to change. Following elections for the Chamber of Deputies on 20 September 2016, the King reappointed Mr. Al-Mulki as Prime Minister and swore in the new Government on 28 September 2016. The newly-elected Chamber of Deputies opened its first session on 7 November 2016, and the Government's programme was approved by the Chamber of Deputies on 24 November 2016 by a majority of 84 deputies out of 128 deputies present.

Jordan 2025 sets out detailed macro-economic targets for each of 2017, 2021 and 2025, including, *inter alia*, with respect to GDP growth, unemployment, inflation, reduction of corruption, ease of starting a business and the entrepreneurial environment, reduction of the fiscal deficit and public debt and government effectiveness. It also contains similar sector targets (*e.g.,* in respect of health, education, trade) and social targets (*e.g.,* in respect of poverty reduction, security, workforce participation). In May 2017, the Economic Policy Council approved the Jordan Economic Growth Plan 2018-2022 (the "**JEGP**"), a five-year programme designed, *inter alia*, to facilitate achievement of the objectives set out in Jordan 2025. Although the Government believes that the targets set out in Jordan 2025 are achievable and, as part of Jordan 2025, intends to review them on an ongoing basis, there can be no assurance that the targets will be met, the reforms will be as effective as planned, that certain important assumptions upon which such belief is based will prove correct, will be socially or politically accepted or that there will be adequate funding to implement the reforms contemplated by Jordan 2025 in full or in part. If the Jordan 2025 policies and measures are not implemented, prove less effective or more costly than planned or the targets are not met, it could also damage the Government's reputation and increase the risk of social conflict. There is also a risk that if the Government is unable to meet Jordan 2025's funding requirements, through a failure to receive expected concessional loans, grants or otherwise, certain Jordan 2025 initiatives may not be implemented or may be materially delayed. Any such developments could have a material adverse impact on the Kingdom, its economy and the Government's reputation and affect the delivery of benefits of Jordan 2025 that are being targeted.

Foreign grants

The Government's budget is dependent, to a significant extent, on foreign grants. Foreign grants amounted to JD 836.0 million, or 11.8% of total Government revenues and 3.0% of GDP in 2016, JD 0.9 billion, or 13.0% of total Government revenues and 3.3% of GDP in 2015, and JD 1.2 billion, or 17.0% of total Government revenues and 4.9% of GDP in 2014. In the seven months ended 31 July 2017, foreign grants received amounted to JD 134.1 million, as compared to JD 248.7 million in the corresponding period in 2016. The Government has budgeted JD 777.0 million for foreign grants in 2017. In particular, the Kingdom relies on the commitment of the United States to provide U.S.$1 billion per year over the period 2015-2017 in military and other aid. In addition, in October 2011, the GCC created the U.S.$5 billion Gulf Fund to fund economic and social development projects in Jordan to be granted over the following five years, which consisted of U.S.$1.25 billion grants from each of Kuwait, Qatar, Saudi Arabia and the UAE. Only Kuwait, Saudi Arabia and the UAE have committed their portion of the Gulf Fund. As at 31 August 2017, U.S.$3.7 billion (representing amounts committed by Kuwait, Saudi Arabia and the UAE) had been committed under the Gulf Fund to ongoing capital investment projects, the funding for which is expected to cease by the end of 2019. The Gulf Fund has not been renewed, and there can be no assurance that the Gulf Fund will be renewed. In February 2016, approximately U.S.$700 million of grants were pledged in support of the JRP for 2016 at the conference on Supporting Syria and the Region in London. In May 2017, the U.S. Congress approved a U.S.$1.3 billion aid package for Jordan comprised of U.S.$812.4 million in economic support funds, U.S.$13.6 million in support for non-proliferation, anti-terrorism, demining and related programmes, U.S.$4.0 million for international military, education and training programmes and U.S.$450 million in foreign military funds. At the Brussels conference on Supporting Syria and the Region held in April 2017, the international community confirmed intentions to provide U.S.$6.0 billion (including reconfirmed amounts from the February 2016 conference held in London) in funding to support humanitarian, resilience and development activities for the Syria crisis response in 2017 and U.S.$3.7 billion (including reconfirmed amounts from the February 2016 conference held in London) in funding for such activities in 2018 to 2020. In addition to grants from the international community, multilateral development banks and bilateral donors confirmed intentions to provide up to U.S.$30.0 billion of loans at the Brussels conference. The portion of such grants and loans to be received by Jordan remains uncertain.

Notwithstanding this support, the amount of foreign grants available to the Kingdom has generally been reduced in recent years, principally as a result of the impact of the global financial crisis and lower international oil prices on donors' own budgets and funds diverted to conflicts in the region. In addition, foreign grants, which form part of the assumptions used in preparation of the annual budget, are not always disbursed within the expected timeframe or at all. Moreover, foreign grants may be subject to economic, political or geopolitical conditions by the grantor and changes in political relations (including as a result of elections or following transitions of power) or public opinion may result in a decrease or elimination of grants by one of the Kingdom's existing or future grantors. There can be no assurance that the Kingdom will fully satisfy the conditions necessary for receiving full or partial amounts of such grants. The failure to receive the budgeted amount of foreign grants would increase the budget deficit. Continued reliance on foreign grants, reductions in foreign grants available to the Kingdom, a significant delay in the disbursement of such grants or the withdrawal of such aid could strain the Government's finances and negatively affect the Kingdom's economy.

Subsidy and tax reform

The Government has been reducing its spending on subsidies since such spending peaked in 2012. Total subsidies were JD 960.0 million in 2012, JD 339.8 million in 2013, JD 297.9 million in 2014, JD 291.0 million in 2015 and JD 241.4 million in 2016. However, the 2017 budget projects total subsidies to increase to JD 354.0 million, reflecting increases of subsidies for non-financial public institutions (*e.g.*, universities) and subsidies for goods (including food and oil), in turn, as a result of increased prices. In the seven months ended 31 June 2017, total subsidies were JD 151.3 million, as compared to JD 135.7 million in the corresponding period in 2016. In November 2012, the Government eliminated fuel pump subsidies and re-established an automatic pricing mechanism, which was accompanied by introducing targeted cash transfers to low- and middle-income families representing approximately 70% of the population in an effort to offset fuel price increases. The announcement of the lifting of fuel subsidies in 2012 resulted in demonstrations in Amman and other cities in Jordan, some of which were violent. This followed demonstrations earlier in 2012 in response to the Government's decision to increase electricity prices. In January 2017, the Kingdom withdrew electricity subsidies and began implementing an automatic tariff adjustment mechanism in January 2017. In line with the Government's continuing subsidy policy, water subsidies are being eliminated, while the bread subsidy remains in place. See "*The Economy—Production Sectors—Electricity and Water—Energy Policy and NEPCO*". In addition, lower international oil prices in recent years have lessened the fiscal impact of reduced subsidy spending. Any increase in international oil prices would, however, increase the cost of electricity, which could, in turn, generate calls for the reinstatement of certain subsidies.

While the Government is committed to implementing subsidy reforms, its ability to do so will depend on its ability to finance such reforms, whether through increased fiscal revenues, reduced fiscal expenditures or additional borrowing.

In addition, social pressures may limit the ability of the Government to pursue certain fiscal reforms, including the sale and income tax reforms (including, *inter alia*, the removal of general sales tax exemptions on domestic and imported goods and services and exemptions on customs duties) under consideration by the Government. Moreover, any such fiscal reforms, through either reduced subsidies or increased taxes, could have a negative impact on the growth and performance of key sectors of the Jordanian economy. See "*—Public debt and budget deficit*".

In addition, subsidy reform will likely have an inflationary impact, as prices rise to international market prices. There can be no assurance that either current or planned subsidy reforms will be implemented, that funding will be available or that the Government will not face social resistance to the implementation of subsidy reforms. Nor can there be any assurance that an increase in electricity or water prices will not also result in social unrest, exacerbate any adverse impacts of such reforms or otherwise have a negative impact on profitability and growth in key sectors of the economy. In addition, increases in the prices of electricity, water and wheat or fluctuations in electricity prices as a result of exposure to input price changes, resulting from the elimination of Government subsidies may adversely impact economic activity and hamper investment planning. A failure to introduce or implement its subsidy reforms, in full or in part, or the combined effect of these subsidy reforms with potential increasing prices for the goods and services the existing subsidies offset could have a material adverse impact on the Kingdom, its economy and its budget deficit and, consequently, the public debt.

Public debt and budget deficit

In recent years, the Government has incurred significant internal and external debt, principally for purposes of financing its budget deficits. Expenditures during this period, mainly consisting of military expenditures, payments for wages, salaries and allowances, social benefits, subsidies and interest payments, have exceeded revenues For example, domestic revenues in the seven months ended 31 July 2017 have been lower than budgeted amounts for that period, which could result in cuts in budgeted expenditures for the remainder of 2017 or an increase in the overall budget deficit, which, in turn, could result in increased Government borrowing to finance the budget deficit. As a result of past budget deficits, the Kingdom has high levels of public debt, as measured by the ratio of net public debt to GDP, which was 89.3% (JD 25.2 billion) as at 31 July 2017, as compared to 87.7% (JD 24.1 billion) as at 31 December 2016, 85.8% (JD 22.8 billion) as at 31 December 2015 and 80.8% (JD 20.6 billion) as at 31 December 2014. The ratio of gross public debt to GDP was 94.1% (JD 26.6 billion) as at 31 July 2017, as compared to 95.1% (JD 26.1 billion) as at 31 December 2016, 93.4% (JD 24.9 billion) as at 31 December 2015 and 89.0% (JD 22.7 billion) as at 31 December 2014. The ratio of external public debt to GDP was 38.7% as at 31 July 2017, as compared to 37.5% as at 31 December 2016, 35.3% as at 31 December 2015 and 31.6% as at 31 December 2014, and the ratio of net domestic debt to GDP was 50.6% as at 31 July 2017, as compared to 50.2% as at 31 December 2016, 50.5% as at 31 December 2015 and 49.2% as at 31 December 2014. Net public debt increased from JD 16.6 billion as at 31 December 2012 to JD 24.1 billion as at 31 December 2016 (an increase of 45.2%, as compared to as at 31 December 2012) and JD 25.2 billion as at 31 July 2017 (an increase of 15.8%, as compared to as at 31 December 2012). Relatively high levels of indebtedness, if not reduced, could negatively affect the Kingdom's credit rating and could have a material adverse effect on the Kingdom's economy and, as a result, on its capacity to repay principal and make payments of interest on the Notes and affect the market price of the Notes.

In order to reduce the Kingdom's levels of indebtedness, the Government announced that, in the context of the EFF (under which tax reform is identified as a key benchmark), it is considering several measures to raise additional tax revenue through, *inter alia*, targeted sales and income taxes. There can be no assurance, however, that these or other revenue enhancing measures will be implemented in full or in part or, if implemented, will be successful in increasing revenues. These tax reforms carry similar risks to the subsidy reforms described above. See "*—Reliance on multilateral and bilateral creditors*".

In addition, pursuant to the Public Debt Management Law № 26 of 2001 (the "**Public Debt Management Law**"), outstanding net domestic public debt and outstanding external public debt each may not exceed 60% of GDP at current prices of the latest year for which data is available (under Articles 21 and 22 of the Public Debt Management Law, respectively) and total net public debt (domestic and external) may not exceed 80% (under Article 23 of the Public Debt Management Law). Article 24 of that law provides that the Council of Ministers shall determine the date on which Articles 22 and 23 enter into force. The Council of Ministers adopted Resolution № 6743 during its meeting of 26 November 2014 suspending the resolution by which Articles 22 and 23 came into force thereby suspending the application of Articles 22 and 23 of the Public Debt Management Law for a period of three years, commencing on 26 November 2014. On 19 October 2015, the Special Council for the Interpretation of Laws issued a decision interpreting Article 24 of the Public Debt Management Law and confirming the authority of the Council of Ministers to suspend application of the Council of Ministers' decision by which Articles 22 and 23 came into force for such period or periods as it deems appropriate. As such, the legality of Resolution № 6743 has been confirmed by the decision of the Special Council for the Interpretation of Laws and, accordingly, Articles 22 and 23 of the Public Debt Management Law are currently suspended. Pursuant to the Jordanian Constitution, the resolutions of the Special Council for the Interpretation of Laws, once published in the *Official Gazette*, are binding and authoritative. The Council of Ministers adopted Resolution № 2763 during its meeting of 23 April 2017 extending the suspension of the application of Articles 22 and 23 of the Public Debt Management Law until the end of 2024.

Although the Government intends to reduce the Kingdom's debt to GDP ratio, there can be no assurance that it will be successful in doing so or that it will be able to comply with the debt to GDP ratios set forth in the Public Debt Management Law, as and when these ratios are once again in effect. Failure to so comply could limit the Government's ability to finance deficits or refinance existing debt. The Government has been in excess of the debt to GDP ratios set out in the Public Debt Management Law in the past. Any past, existing or future breach of the borrowing limits set out in the Public Debt Management Law, however, will not invalidate the issuance of the Notes.

Current account deficit

Jordan's current account deficit widened in 2015 and 2016, registering deficits of JD 2.4 billion in 2015 and JD 2.6 billion in 2016, as compared to a JD 1.9 billion deficit in 2014. The increases in the current account deficit reflect the impact of reduced tourism (as measured by both visitor numbers and spending by visitors) and reduced export levels, as a result of the impact of the conflicts with Daesh and the Iraqi border closure in place during 2015 until August 2017, which substantially eliminated trade with Iraq and Syria, two countries bordering on Jordan. For the three months ended 31 March 2017, the current account recorded a deficit of JD 788.2 million, as compared to JD 1,026.5 million in the corresponding period in 2016, representing a decrease of JD 238.3 million, or 23.2%. This decrease was primarily due to the JD 154.1 million, or 118.4%, increase in the services account surplus, as well as a 4.8% decrease in the trade deficit, although there can be no assurance that this trend will continue. Continued increases in the current account deficit could materially adversely affect the Kingdom's economy and finances and put additional strain on the Kingdom's foreign reserves, which may, in turn, result in increased foreign currency borrowings and increased public debt levels.

Tourism

Tourism has traditionally been a source of foreign exchange, although the number of tourists and volume of tourism revenues have historically fallen in times of instability and tension in the Middle East. For example, the events in Syria and the surrounding region, involving Daesh and others, together with past demonstrations and other events in the Kingdom, have negatively impacted the number of tourists visiting Jordan. The impact of these events on Jordan's tourism sector is compounded by the fact that visitors often visit Jordan as part of a trip to other places in the region, such as Syria or Egypt. As a result, visitor numbers decreased from 6.8 million visitors in 2011 to 4.8 million visitors in 2016. In the eight months ended 31 August 2017, tourist visitors to Jordan increased by 9.7% to 3.5 million from 3.2 million in the corresponding period in 2016. Any reduction in tourism levels may have a material adverse effect on the Kingdom's economy.

Reliance on multilateral and bilateral creditors

As at 30 June 2017, multilateral and bilateral debt accounted for 31.6% and 14.1% of the Kingdom's external debt, respectively. The Government expects to rely on multilateral and bilateral support to provide a significant portion of its public and external financing requirements in the coming years. Changes in the level of support by the Kingdom's multilateral and bilateral creditors or changes in the terms on which such creditors provide financial assistance to the Kingdom or fund new or existing projects could materially adversely affect the Kingdom's economy and finances.

On 24 August 2016, the Executive Board of the IMF approved a three-year SDR 514.7 million (approximately U.S.$723 million) extended fund facility, or EFF, for Jordan, of which U.S.$72.3 million was initially disbursed in August 2016. The EFF is intended to: (i) support the economic and financial reform efforts outlined in Jordan 2025; (ii) advance fiscal consolidation to lower public debt; and (iii) support broad structural reforms to enhance the conditions for more inclusive growth. Further disbursements under the EFF are subject to the completion of six reviews by the IMF and the meeting of certain targets. The IMF published the preliminary findings of its review under the EFF in November 2016 and conducted a further staff-level visit to the Kingdom in March 2017. In June 2017, the IMF completed its first review of Jordan's economic performance under the EFF, which enabled a further disbursement of SDR 51.5 million (approximately U.S.$71 million) made in June 2017, bringing total disbursements under the EFF to SDR 102.9 million (approximately U.S.$141.9 million). As part of the first review under the EFF, the Executive Board also approved the Government's request for a waiver of non-observance of performance criteria under the EFF relating to the net international reserves of the CBJ and the rephasing of access. The IMF also consented to the resetting of target dates to achieve certain structural benchmarks, including certain key benchmarks related to tax reform. The second review of Jordan's economic performance under the EFF, which is expected in December 2017, identifies the implementation of tax reform measures as a key benchmark. There can be no assurance, however, that any further reviews will be successful or that compliance with certain targets set by the IMF in connection with the EFF can be achieved, which may result in the IMF delaying, reducing or eliminating further disbursements under the EFF.

The Government also relies on funding from the World Bank through the World Bank's Country Partnership Strategy for Jordan and project-specific funding. In July 2016, the World Bank approved its Country Partnership Strategy for Jordan for the period 2017-2022. A total of U.S.$1.4 billion of funding is available over the six years of the Country Partnership Strategy, including U.S.$300 million in concessional rate loans supported by the World Bank's GCFF (comprised of a U.S.$51 million contribution from the GCFF and a U.S.$249 million loan from the International Bank for Reconstruction and Development and the International Development Association), the first tranche of which was disbursed in November 2016. A second financial package of U.S.$250 million, consisting of a U.S.$25 million contribution from the GCFF combined with a U.S.$225 million loan supported by the GCFF was approved and disbursed by the World Bank on 1 December 2016. Agreements for emergency health projects with aggregate GCFF funding of U.S.$34.9 million and supporting loans of U.S.$115.1 million have also been signed in 2017. There can be no assurance that the IMF, World Bank or other international organisations will continue to provide such funding on the same or similar concessionary conditions, or at all.

In addition, in recent years, the Kingdom has issued bonds that benefit from guarantees issued by the United States of America, acting through the U.S. Agency for International Development ("**USAID**"). Access to such guaranteed funding reduced the Kingdom's borrowing costs with respect to such bonds as their respective interest rates are lower due to the U.S. guarantee. There can be no assurance, however, that funding at such costs will be available in the future or that the United States will continue to provide aid to the Kingdom at historic levels or at all, especially in light of the change in U.S. administration that took place in January 2017.

The entry into, and continued availability of funds under, the Kingdom's multilateral and bilateral funding arrangements, in particular, the EFF, are important to attracting additional multilateral and bilateral aid, as well as other support, and, accordingly, maintaining the Kingdom's relationship with the IMF (including by continuing to work toward its structural and fiscal reform objectives) and other international financial institutions is very important to the Kingdom. If the Kingdom is unable to meet the conditions to benefit from disbursements under existing credit agreements or benefit from similar future credit agreements with its multilateral and bilateral creditors, its borrowing costs may increase, which could, in turn, materially adversely affect the Kingdom's economy and finances and materially impair the Kingdom's capacity to service its debt, including the Notes

Energy

Energy imports and NEPCO

In 2016, the Kingdom imported approximately 95% of its domestic consumption of oil. It is also dependent on supplies of natural gas from abroad for electricity generation purposes. Since 2011, the Arab Gas Pipeline, which supplies natural gas to several countries from Egypt, has been attacked in Egypt on a number of occasions. Although a long-term natural gas supply agreement between Jordan and Egypt sets fixed volumes to be delivered to Jordan, deliveries have come to an almost complete halt. Consequently, Jordan has had to import replacement fuels, such as LNG and fuel oil, to power its power plants, which have cost the Jordanian economy an estimated U.S.$2 billion annually. In September 2016, Noble Energy Inc. ("**Noble Energy**") announced the execution of a gas sales and purchase agreement to supply natural gas from the Leviathan natural gas field, which is located in the eastern Mediterranean Sea off the coast of Israel, to the publicly-owned National Electric Power Company ("**NEPCO**") for consumption in Jordan's power production facilities. There can be no assurance that this supply will be delivered as expected, or at all. If such supply is delayed, disrupted or fails to materialise, the Government will be required to seek other, most likely more expensive, energy sources. In addition, since the announcement, there have been political protests regarding the purchase of natural gas from a field controlled by Israel. There can be no assurance that political pressure and domestic opposition, or geopolitics, will not have an impact on gas deliverables under this agreement. See "*The Economy—Production Sectors—Electricity and Water—Energy Policy and NEPCO*".

As a result of the Kingdom's dependence on energy imports, losses of NEPCO increased from 0.9% of GDP in 2010 to 5.3% of GDP in 2012, although such losses have since decreased to 4.6% of GDP in 2013 and 2014, 0.9% in 2015, as a result of material decreases in oil prices, imports of LNG and the reduction of subsidies. Although NEPCO was profitable in 2016, there can be no assurance that it will be so in future years. The Government's policy, as agreed with the IMF, is that NEPCO shall operate on a cost recovery basis and that its tariffs shall be set accordingly. However, any material increases in oil prices and corresponding increases in electricity tariffs in Jordan could adversely impact economic activity and investment planning and lead to social and economic pressure for this policy to be adjusted in order to protect electricity consumers in Jordan. As at 31 December 2016, NEPCO's total current and non-current liabilities amounted to approximately JD 1.2 billion. The import bill has had a materially adverse effect on the economy and finances of the Kingdom and, if not addressed, will continue to do so.

The Government is currently at various stages of implementing new energy generation projects, including renewable solar and wind projects, oil shale and a nuclear project, which are intended to reduce the Kingdom's reliance on energy imports over time. The Government has developed a new LNG import facility in Aqaba, including a floating storage and regasification unit ("**FSRU**"). NEPCO began importing LNG through this facility in July 2015. Funding for certain proposed projects has not yet been fully secured, and these projects may result in higher Government expenditures and thus increase the budget deficit. In addition, the Kingdom will remain dependent on energy imports, which are subject to disruptions and price increases, as described above, for the foreseeable future. This continued exposure to volatility in energy imports includes the price of LNG, which is linked to Brent oil prices. Because these energy projects will take several years to complete, the economy of the Kingdom is generally negatively affected by rises in international crude oil, natural gas and other energy commodity prices. While the Kingdom has benefited from the lower oil prices in recent years, increases in international oil prices, as well as in other commodity prices, could affect the feasibility of the proposed energy generation projects and would negatively impact the Kingdom's current account deficit. Accordingly, any further significant disruptions of energy supplies or future increases of energy commodity prices, as well as any delay, failure to implement or cost overruns with respect to the proposed energy generation projects could materially adversely affect the Kingdom's economy and finances.

Nuclear programme

Following the conclusion of a competitive bidding process, in 2014, the Jordan Atomic Energy Commission (the "**JAEC**") entered into a Project Development Agreement with ROSATOM, a Russian state-owned nuclear company that would cover the development phase for Jordan's first nuclear power plant project, should a decision be taken to proceed. The project involves constructing two nuclear reactors with a capacity of 1,000 MW each, the first of which would, if approved, be expected to be completed in 2024, while the second would be expected to be completed by 2025. The final decision as whether or not to proceed with the project has not yet been taken and, accordingly, construction of the plant has not yet commenced. There can be no assurance that the project will be completed. The total cost of the project would be expected to be less than U.S.$10 billion, although there can be no assurance that the costs for the project will not rise significantly. In addition, financing for the project has not yet been arranged, and there can be no assurance that financing will be available on commercially-acceptable terms or at all. Jordan 2025 targets nuclear energy to contribute a significant amount of Jordan's total energy mix by 2025 in order to reduce Jordan's overall energy costs. If the nuclear power plant is not completed or it is not possible to run the nuclear power plant efficiently, it will not be possible to meet this target, which could, in turn, result in higher energy costs than expected and have a materially adverse effect on NEPCO's finances and the economy and finances of the Kingdom.

Water

Water scarcity

The Kingdom is one of the most water-deprived countries in the world. It has extremely limited water resources and is highly dependent on unpredictable and limited rainfall. Although the Government is undertaking a number of projects to increase the water supply available in the Kingdom, and water security is prioritised in the policies set out in the JEGP, the population and the economy of the Kingdom remain subject to the risk of adverse changes in rainfall patterns and disruptions to ground and other water supplies. In order to meet the country's growing demand for water, groundwater aquifers are being exploited on average at more than double their sustainable yield. For a number of years, water demand in the Greater Amman Area has outstripped supply; in the summer months, the Water Authority of Jordan has had to implement a rationing mechanism to deal with the shortage. The Government has plans to reduce this water shortage, principally relying on the development of desalination plants in the future. Such projects are expensive, are reliant on local and international funding and will take years to complete once funded. Accordingly, there can be no assurance that the Kingdom will not suffer from water shortages in the future, which could materially adversely affect the Kingdom's economy and may lead to social unrest.

Water Authority

The financial performance of the Water Authority has been severely affected in recent years by the additional demand from Syrian refugees and increased electricity prices, and its losses have been funded by the Government. In the context of the SBA with the IMF, in August 2013, the Government launched a medium-term strategy to bring the Water Authority to cost recovery through revenue improvement and cost reduction. Targeted actions under the strategy included increasing collection efficiency, reducing accounts receivable, reducing illegal connections, adjusting tariffs, increasing energy efficiency, introducing renewable energy in the water sector and restructuring the water systems. In

2016, the Water Authority's losses represented 0.8% of GDP, partially reflecting higher-than-expected capital expenditures and borrowing costs. The Government has announced its intention to allocate budgetary resources to help finance the Water Authority's capital expenditures (representing approximately 1% of GDP) and has updated its medium-term strategy for the Water Authority with the aim of achieving operations and maintenance cost recovery by 2021. Any failure to prevent further losses by the Water Authority could have a material adverse effect on the economy and finances of the Kingdom.

Unemployment

In 2016, the general unemployment rate in Jordan was 15.3%, as compared to 13.0% in 2015. The general unemployment rate in the three months ended 31 March 2017 was 18.2% and in the six months ended 30 June 2017 was 18.1%. The increase in the unemployment rate in 2017 is primarily due to limited economic growth and fewer job opportunities for Jordanians due to an increase in the number of employment positions occupied by Syrian nationals. In addition, the Department of Statistics has implemented a new methodology for the calculation of unemployment figures in line with new recommendations issued by the International Labour Organisation, which differs in certain respect from previously used methods. Accordingly, the comparability of statistics prepared under the new and old methodologies is limited. See "*—The Economy—Employment and Labour*". The unemployment rates for graduates and young people (between the age of 15 and 24) has historically been higher than the general unemployment rate, at 21.0% and 48.3% in 2016 and 2015, respectively, according to figures published by the Department of Statistics. The large and growing youth population in Jordan has contributed to this high unemployment rate. Immigration from neighbouring countries has led in the past, and may lead in the future, to increased unemployment and downward pressure on wages. Such difficulties in the labour market could also be exacerbated by the influx of non-Jordanian refugees fleeing the Syrian crisis. See "*—Informal Economy*". Sustained high levels of unemployment or increases in unemployment may materially adversely affect the Kingdom's economy and lead to social tensions.

Inflation

Inflation, as measured by the CPI, has fluctuated in recent years and was 4.5% in 2012, 4.8% in 2013, and 2.9% in 2014. There was deflation of 0.9% in 2015 and 0.8% in 2016. For the eight months ended 31 August 2017, inflation was 3.3%. The increase in inflation in the eight months ended 30 June 2017, as compared to the corresponding period in 2016, was primarily due to higher global oil prices and the pass-through effect of increased fuel excises and the removal of certain general sales tax exemptions, which were introduced in the 2017 budget. The CBJ raised interest rates in June 2011, February 2012, May 2012, March 2017 and June 2017, in part, to counter inflationary pressures, as well as to preserve foreign exchange stability. Inflation rates in the Kingdom are susceptible to large fluctuations in international commodities and energy prices, which exposure will increase due to the Kingdom's withdrawal of electricity subsidies. Fiscal consolidation measures, which include the reduction or removal of fuel subsidies, may lead to increases in domestic commodity prices, which may, in turn, lead to an increase in inflation.

Foreign direct investment and remittances

FDI and remittances play an important role in the Kingdom's economy. Net FDI has remained relatively stable in recent years (JD 1.1 billion in 2016), but has declined as a percentage of GDP from 5.0% in 2012 to 4.0% of GDP in 2016. Levels of FDI have been, and may in the future be, adversely affected by regional instability and a potential slowdown of GCC economies, including as a result of, *inter alia*, declines in global oil prices, the continuation or escalation of the Qatar diplomatic crisis, the imposition of new taxes on expatriates located in GCC countries, the events of the Arab Spring and the conflicts in Syria, Iraq and Yemen. Total workers' remittances have fluctuated in recent periods reaching JD 2.6 billion in 2016 and are subject to the same regional factors. In 2016, remittances decreased by 2.4%. During the seven months ended 31 July 2017, remittances increased by 1.2% to JD 1,538.4 million, as compared to JD 1,519.7 million in the corresponding period in 2016. See "*External Sector—General*". The Government uses FDI and remittances to finance the Kingdom's current account deficit, build up its foreign currency reserves, encourage growth in employment rates and raise standards of living. Accordingly, a failure to attract FDI and remittances could materially adversely affect the Kingdom's economy and its finances.

Perceived risks of corruption and business environment

As in many other emerging market jurisdictions, the incidence and perception of elevated levels of corruption remains a significant issue in Jordan. Jordan was ranked 57 out of 176 countries in Transparency International's 2016 Corruption Perceptions Index. Jordan's score in the 2016 index was 48 (with 1 the most corrupt score and 100 being the least corrupt). Jordan's business climate and competitive indicators are also negatively affected by the need for reform in investor protection arrangements, the cost of establishing a business, the tax system, resolving insolvency and contract enforcement. In the World Bank's *Doing Business Survey*, Jordan ranked 118 out of 190 countries for ease of doing business, while Jordan ranked 63rd out of 138 countries in the World Economic Forum 2016-17 *Global Competitiveness Index*. Failure to address continued or perceived corruption and governance failures in the public sector and any future allegations, or perceived risk, of corruption in Jordan, as well as failure to implement the proposed reforms to improve Jordan's business climate, including the initiatives to increase trade and competitiveness set out in Jordan 2025 and the JEGP, could have a material adverse effect upon Jordan's ability to attract foreign investment and lead to further instances of political instability, which could, in turn, have a material adverse effect on the Jordanian economy.

Informal Economy

A significant portion of the Jordanian economy is comprised of an informal, or shadow, economy. The informal economy is not recorded and is only partially taxed, resulting in a lack of revenue for the Government, ineffective regulation, unreliable statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and an inability to monitor or otherwise regulate this portion of the economy. The size of the informal economy has increased in recent years, as a result of the arrival of large numbers of Syrian refugees, in particular, in the agriculture, construction, food services, retail trade and home-based production sectors. The size of the informal economy may also limit the effectiveness of the Government's planned tax reforms, including, *inter alia*, income and general sales tax reforms and the proposed broadening of the tax base. Although the Government is attempting to address the informal economy, there can be no assurance that such reforms will adequately address the issues and bring the informal economy into the formal sector, which could, in turn, have a material adverse effect on the Jordanian economy.

Jordan maintains relations with certain sanctioned countries

In the past, Jordan has had trade relations with, and individuals and entities in Jordan have engaged, and may currently be engaged, in trading activities with, certain countries or entities that are the subject of sanctions administered by the Office of Foreign Assets Control ("**OFAC**") of the U.S. Department of the Treasury, the EU and other member states of the EU and the U.N. Security Council (collectively, "**Sanctions**"). Jordan also maintains diplomatic relations with, and has embassies in, certain countries that are the subject of Sanctions. Jordan believes that these trade relations and diplomatic activities have not violated, and do not violate, any Sanctions, and Jordan has maintained a strong and longstanding partnership with the United States and the EU. The existence of Sanctions, however, and the trading activities of Jordanian individuals and entities with parties in sanctioned countries, leaves open the possibility that Sanctions could be enforced against Jordanian individuals or entities, adversely affecting Jordan's trade flows or its international reputation. Moreover, further Sanctions could be imposed, which could further affect Jordan's trade flows due to its trade relations and proximity to sanctioned countries, which could adversely affect Jordan's trade flows and its economy.

Concentration of export markets

The Kingdom's exports are a significant source of foreign exchange. The Kingdom's exports are relatively concentrated, with the top seven export markets accounting for 67.6% of the Kingdom's total exports in 2016. In 2016, the United States accounted for 23.7% of the Kingdom's exports (due in part to a trade agreement between the Kingdom and the United States) and neighbouring Saudi Arabia and Iraq accounted for 14.7% and 7.5%, respectively. In recent years, there has been a disruption to the transit of Jordanian and international goods through Syria and Iraq resulting in lower exports to Syria and Iraq, as well as higher transit fees for Jordanian exporters and losses incurred by Jordanian companies with subsidiaries or affiliates in Syria. Although the Kingdom is seeking to diversify its export markets, including through the policies and initiatives set out in Jordan 2025 and the JEGP, there can be no assurance that it will be able to do so. Unless the Kingdom is able to diversify its export markets, the ability of the Kingdom to continue its current levels of exports will be dependent, to an extent, on internal and external events affecting a small number of countries, including events in Iraq and Syria, as well as such countries' internal markets and government policies. If there is a significant decline in the economic growth of any of the Kingdom's major trading partners, this could have a material adverse impact on the Kingdom's balance of trade and the Kingdom's economy.

Exchange rate

Since October 1995, the Jordanian Dinar has been pegged to the U.S. Dollar. The Government and the CBJ believe that maintaining the peg is important to support financial stability in Jordan. While the CBJ has been successful during the past several years in maintaining the peg, through the use of its foreign exchange reserves and interest rate policy, which is indirectly tied to U.S. monetary policy, there is no assurance that the CBJ will continue to do so in the future. If the CBJ cannot maintain a stable exchange rate or the peg to the U.S. Dollar, it could reduce confidence in the Jordanian economy, reduce FDI and adversely affect the Kingdom's finances and economy.

In addition, because of the peg to the U.S. Dollar, the CBJ does not have any flexibility to devalue the Jordanian Dinar to stimulate the Kingdom's exports market, and the CBJ's ability to manage interest rates in order to stimulate internal economic activity is constrained. The CBJ raised interest rates in June 2011, February 2012, May 2012, March 2017 and June 2017, in part, to counter inflationary pressures, as well as to preserve foreign exchange stability. Future increases in interest rates may adversely affect economic growth and lead to an increase in non-performing loans, which could, in turn, negatively impact Jordan's banking sector. See "*Monetary System—Jordanian Banking Sector*".

The CBJ's lack of flexibility could have a material adverse effect on the Kingdom's foreign trade and the Kingdom's economy, and have corresponding adverse effects on unemployment and other related matters. The Kingdom also has debt denominated in other currencies, such as Euros and Japanese Yen. Any appreciation of such currencies against the U.S. Dollar would increase the burden of servicing and repaying the Kingdom's foreign currency debt.

Refinancing risk

The Kingdom faces significant debt maturities in the coming years, with JD 517.9 million in external debt due in 2017 and JD 750.5 million in 2018, based on outstanding debt as at 30 June 2017. In addition, Jordanian banks have historically held a substantial majority of the Kingdom's domestic debt, holding JD 10,169 million, or 65.3%, as at 30 June 2017, JD 10,788 million, or 68.3%, as at 31 December 2016 and JD 11,395 million, or 73.6% as at 31 December 2015. These banks' ability to continue purchasing such securities is tied, in large part, to the continued growth of their deposits. Any significant net deposit outflows would adversely affect these banks' ability to purchase securities issued by the Government, including the Notes, which could, in turn, limit the ability of the Kingdom to refinance its debt. If the Kingdom is not able to refinance its debt on favourable terms or at all, it could materially impair the Kingdom's capacity to service its debt, including the Notes.

The Kingdom's credit ratings

The Kingdom's long-term foreign currency debt has been assigned a rating of "BB-" with a negative outlook by Standard & Poor's and a rating of "B1" with a stable outlook by Moody's. In April 2016, Standard & Poor's revised its outlook on the Kingdom's long-term rating from stable to negative reflecting the expected impact of lower growth prospects between 2016 and 2019 on Jordan's efforts to reduce structural fiscal imbalances and an increased reliance on international support. In April 2017, Standard & Poor's affirmed its negative outlook on the Kingdom's long-term rating, citing ongoing challenges presented by fiscal consolidation in the context of a low growth environment and ongoing regional tensions.

The Kingdom's ratings are sub-investment grade. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes.

The Kingdom cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. A suspension, downgrade or withdrawal at any time of the credit rating assigned to the Kingdom may adversely affect the market price of the Notes and cause trading in the Notes to be volatile.

Jurisdiction and sovereign immunity

The Kingdom is a sovereign state. Consequently, it may be difficult for investors to obtain or execute judgments of the courts of England or any other country against the Kingdom, as described in "*Enforcement of Civil Liabilities*". The Kingdom's waiver of sovereign immunity constitutes a limited and specific waiver for the purposes of the Agency Agreement and the Notes. Investors should not under any circumstances interpret the Kingdom's waiver as a general waiver by the Kingdom or a waiver of immunity in respect of legal actions arising out of or based on English law, or, in respect of: (i) present or future "premises of the mission" as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or "consular premises" as such term is defined in the Vienna Convention on Consular Relations signed in 1963; (ii) military property or military assets of the Kingdom related thereto; or (iii) property and assets located in the Kingdom and dedicated to a public or governmental use (as distinct from property in use or intended for use for commercial purposes) by the Kingdom.

In addition, Article 28 of the Jordanian Code of Civil Procedures № 24 of 1988 provides that Jordanian courts have jurisdiction in suits or actions instituted against a non-Jordanian party that has no domicile or residency in Jordan if, *inter alia*: (i) the subject matter of the action relates to property (movable or immovable) located in Jordan; (ii) the action arises from an obligation created in Jordan; or (iii) the action arises from an obligation performed or ought to have been performed in Jordan. Accordingly, a Jordanian court may not uphold a contractual provision providing for the Kingdom's submission to the jurisdiction of a non-Jordanian court or a defence of a non-Jordanian party based on lack of jurisdiction in respect of a legal action instituted by a Jordanian party, such as the Kingdom, against a non-Jordanian party.

Prospective investors in the Notes should be aware that, pursuant to applicable Jordanian law (including the Enforcement Law № 25 of 2007), the Kingdom's properties and assets in Jordan are immune from execution, attachment or other legal or judicial process and, in any Proceeding brought in Jordanian courts against the Kingdom or brought in those courts to enforce or seek recognition of a judgment obtained outside Jordan, the Kingdom's waiver of immunity referred to above would not be given effect to the extent it violates the Enforcement Law № 25 of 2007. Investors should therefore be aware that the waiver of immunity is likely to be ineffective in respect of the attachment of assets and properties located in Jordan.

Statistics

A range of Government ministries, the Department of Statistics and the CBJ produce statistics relating to the Kingdom and its economy, including those relating to the GDP, balance of payments, revenues and expenditure of the Government and the indebtedness of the Kingdom. Although efforts are being made by the relevant Government agencies and ministries to produce accurate and consistent social and economic data, there may be inconsistencies in the compilation of data and methodologies used by some of these bodies, and, in common with many developing economies, given the relative size of the informal economy in Jordan, there may be material omissions or misstatements in the statistical data prepared by such bodies. The statistical data appearing in this Prospectus have been obtained from public sources and documents, but may not have been prepared in accordance with the standards of, or to the same degree of accuracy as, equivalent statistics produced by the relevant bodies in more developed countries. Investors may be able to obtain similar statistics from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source and there can be no assurance that the statistical data appearing in this Prospectus are as accurate or as reliable as those published by other countries.

The Kingdom subscribed to the IMF's Special Data Dissemination Standard in January 2010, but data improvements in certain areas are still required. In its Staff Report for the 2014 Article IV Consultation, dated 23 March 2014, the IMF noted that "while progress has been made over the last few years in improving quarterly estimates of the national accounts from the production approach, Jordan has still to develop quarterly national accounts from the expenditure approach. Also, further efforts are needed to ensure that the compilation of the national accounts is compliant with the System of National Accounts 2008". These and other statistical weaknesses, if they persist, may impede the ability to accurately assess the level of indebtedness and the general economic condition of the Kingdom.

The Kingdom's official financial and economic statistics are subject to review as part of a regular confirmation process. Accordingly, financial and economic information may differ from previously published figures and may be subsequently adjusted or revised. Certain of the information and data contained in this Prospectus for all or part of the fiscal year 2016 and interim periods in 2017 are preliminary and subject to further adjustment or revision. No assurance can be given that material changes will not be made.

The Jordanian legal system

Jordan's legal and regulatory systems and institutions are in various stages of development and are not yet as sophisticated as similar institutions characteristic of more developed markets. As a result, procedural safeguards, as well as formal regulations and laws, may not be applied consistently. In certain circumstances, it may not be possible to obtain the legal remedies provided under the relevant law and regulations in a timely manner. As the legal environment remains subject to ongoing development, investors in Jordan may face uncertainty as to the security of their investments. Any unexpected changes in Jordan's legal system may have a material adverse effect on the rights of Noteholders.

Emerging markets risks

Investing in securities involving emerging markets countries, such as the Kingdom, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. These higher risks include, but are not limited to, higher volatility, limited liquidity and changes in the economic and political environment. The Jordanian economy is susceptible to adverse effects similar to those suffered by other emerging market countries. In any event, there can be no assurance that the market for securities bearing emerging market risk, such as the Notes, will not be affected negatively by events elsewhere, especially in emerging markets.

International investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect were to occur, the Kingdom could be adversely affected by negative economic or financial developments in other emerging market countries. The Kingdom has been adversely effected by "contagion" effects in the past, including recent volatility in the Middle East and North Africa, as well as the global financial crisis. No assurance can be given that it will not be affected by similar effects in the future. In addition, any event which has an adverse impact on Jordan's trading partner markets, particularly in the EU, as well as global financial markets, could, in turn, have a material adverse effect on the Kingdom's foreign trade and economy. The impact of the United Kingdom's decision to leave the EU on the EU and the Kingdom cannot yet be determined, but may be negative.

In addition, the economies of emerging markets are more susceptible to influence by macroeconomic policy decisions of developed countries than other sovereign issuers. In particular, emerging markets economies have in the past demonstrated sensitivity to periods of economic growth and interest rate movements of developed economies. No assurance can be given that this will not be the case in the future, especially given recent capital outflows from emerging markets and the likelihood of interest rate increases in developed economies in the near-term.

As a consequence, an investment in the Kingdom carries risks that are not typically associated with investing in more mature markets. These risks may be compounded by any incomplete, unreliable or unavailable economic and statistical data on the Kingdom, including elements of information provided in this Prospectus. Prospective investors should also note that emerging economies, such as the Kingdom's, are subject to rapid change and that the information set out in this Prospectus may become out-dated relatively quickly. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Prospective investors are urged to consult with their own legal and financial advisers before making an investment decision.

Risk Factors Relating to the Notes

Volatility of the trading market

The market for the Notes issued is influenced by economic and market conditions in the Kingdom and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, EU countries and elsewhere. There can be no assurance that events in Jordan, the Middle East or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect. The Notes may trade at a discount to the offering price for the Notes, depending upon prevailing interest rates, the market for similar securities, defaults or the risk of potential defaults (particularly in Europe and the Gulf region), general economic conditions and the financial condition of the Kingdom.

Activity in the trading market

There can be no assurance that an active trading market for the Notes will be maintained or that it will be liquid. If an active trading market for the Notes is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. If the Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Kingdom. Although an application has been made to the Irish Stock Exchange for the Notes to be admitted to trading on the regulated market of the Irish Stock Exchange and to be listed on the official list of the Irish Stock Exchange, there can be no assurance that such application will be accepted or that an active trading market will develop.

Security of the Notes

The Notes constitute unsecured obligations of the Kingdom.

Minimum denomination

The Notes are issued in the minimum denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Accordingly, the Notes may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case a holder who, as a result of trading such amounts, holds a principal amount of less than U.S.$200,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Note (an "**Individual Note Certificate**") in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least U.S.$200,000 in order to receive a definitive Note.

If Individual Note Certificates are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

Modification and waivers, collective action clause

The Terms and Conditions of the Notes contain provisions regarding amendments, modifications and waivers, commonly referred to as a "collective action" clause. Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. The relevant provisions also permit, in relation to reserved matters, multiple series of debt securities (as defined in "*Terms and Conditions of the Notes—12. Meetings of Noteholders; Written Resolutions*") issued by the Issuer (including the Notes) to be aggregated for voting purposes (provided that each such series also contains an equivalent collective action clause in its terms and conditions).

In the future, the Issuer may issue debt securities (as defined in the Terms and Conditions of the Notes) which contain collective action clauses in the same form as the collective action clause in the Terms and Conditions of the Notes. If this occurs, then this could mean that the Notes would be capable of aggregation with any such future debt securities. This means that a defined majority of the holders of such debt securities (when taken in the aggregate) would be able to bind all holders of debt securities in all the relevant aggregated series, including the Notes.

Any modification or actions relating to reserved matters, including in respect of payments and other important terms, may be made to the present series of Notes only with the consent of the holders of 75% of the aggregate principal amount outstanding of such Notes, and to multiple series of debt securities with the consent of both (i) the holders of 66⅔% of the aggregate principal amount outstanding of all series of debt securities being aggregated and (ii) the holders of 50% in aggregate principal amount outstanding of each series of debt securities being aggregated.

In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition as defined in the Terms and Conditions of the Notes), any such modification or action relating to reserved matters may be made to multiple series of debt securities with the consent of 75% of the aggregate principal amount outstanding of all series of debt securities being aggregated only, without requiring a particular percentage of the holders in any individual affected series of debt securities to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some series of debt securities only and, for the avoidance of doubt, the provisions may be used for different groups of two or more series of debt securities simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk therefore that the Terms and Conditions of the Notes may be amended, modified or waived in circumstances whereby the noteholders voting in favour of an amendment, modification or waiver may be holders of a different series of debt securities and as such, less than 75% of the Noteholders of the Notes would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple series of debt securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to any Notes may adversely affect their trading price.

No obligation to effect equal or rateable payment(s) with respect to the Notes or any other Public External Indebtedness

The Notes will at all times rank at least *pari passu* in right of payment with all other unsecured Public External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Issuer, from time-to-time outstanding. However, the Issuer will have no obligation to effect equal or rateable payment(s) at any time with respect to the Notes or any other Public External Indebtedness and, in particular, will have no obligation to pay other Public External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. See "*Terms and Conditions of the Notes—Condition 1(b) (Status)*".

No limitation on issuing pari passu securities

There is no restriction on the amount of securities which the Kingdom may issue and which rank equally in right of payment with the Notes, which may or may not be consolidated with such Notes. Such further issuances may affect the Kingdom's ability to make payments on the Notes and may reduce the amount investors could recover in respect of such Notes in certain scenarios.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the U.S. Dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. Dollar would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes, as they bear a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

The credit rating(s) assigned to the Notes at any time may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal Investment Considerations May Restrict Certain Investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

USE OF PROCEEDS

The proceeds of the issue of the Notes are expected to amount to U.S.$985,160,000. The net proceeds that the Kingdom will receive from the offering, after paying estimated Managers' commissions in connection with the offering and transaction expenses, including admission to listing, will be approximately U.S.$984,613,802.

The net proceeds of the issue of the Notes will be used to partially finance the budget deficit for the 2017 fiscal year.

DESCRIPTION OF THE HASHEMITE KINGDOM OF JORDAN

Overview of the Kingdom

The Hashemite Kingdom of Jordan is bordered on the north by Syria, on the east by Iraq, on the east and south by Saudi Arabia and on the west by Israel and the occupied West Bank. Jordan's only outlet to the sea, the Gulf of Aqaba, which leads into the Red Sea, is to the south. Jordan occupies an area of 89,318 square kilometres, including its territorial waters in the Dead Sea and the Gulf of Aqaba; its land area is 88,778 square kilometres.

Population growth in Jordan has been relatively high over the past 50 years. The Department of Statistics estimated that, as at 31 December 2016, the population of Jordan was 9.8 million, as compared to 9.6 million in 2015 and 7.0 million in 2011. Population growth was 4.8% during the period 2004-2016. The relatively high rates of population growth in Jordan have resulted from a combination of high birth rates and several waves of migration, including Palestinians from the West Bank and the Gaza Strip in the late 1960s, Jordanians returning and Palestinians arriving from Gulf states following the 1990 invasion of Kuwait, Iraqis and other migrants following the 2003 invasion of Iraq and, more recently, the influx of migrants as a result of the unrest in Syria. According to Ministry of Interior statistics, in April 2017, Jordan was host to 1.38 million Syrians, of which 0.66 million were registered with the UNHCR. The actual number of Syrian refugees in the Kingdom may be significantly higher than published estimates. International organisations, including the UNHCR, expect the Syrian refugee flows to continue and the number of refugees to grow as a result of the ongoing conflict in Syria. See "*Risk Factors—Risks Relating to the Kingdom—Syrian refugees*".

Jordan's population has become increasingly urbanised in recent years, which has contributed to rapid population growth in the Kingdom's cities. From 1980-2013, the percentage of the population living in cities (the largest of which are Amman, the capital, Zarqa and Irbid) increased from approximately 70% to 83%, according to figures published by the Department of Statistics. Overall, the estimated population density, including Syrian refugees, as at 31 December 2016, was 109.8 people per square kilometre.

The population of Jordan is young; as at 31 December 2016, 34.3% of its population was under the age of 15 and 3.7% was at least 65 years old. As at 31 December 2016, there were more males than females in Jordan with an overall gender ratio of 52.9% males and 47.1% females.

Jordanians are predominantly Arab (approximately 98%), with small communities of Circassians, Armenians and Chechens. The official language according to the Constitution is Arabic, but English is used widely in commerce and government.

Under the Constitution, Islam is the official religion of the Kingdom. The vast majority of the population is Sunni Muslim, estimated at 97.5% in 2012. The remaining 2.5% of the population is predominantly Christian, consisting primarily of Greek Orthodox Christians, with smaller numbers of Greek Catholics, Roman Catholics, Syrian Orthodox, Coptic Orthodox, Armenian Orthodox and Protestants.

Jordan is a constitutional monarchy. The Constitution was adopted on 1 January 1952 and has been amended on a number of occasions (most recently in May 2016). In response to the events of the Arab Spring, 36 amendments were made to the Constitution in 2011 to, *inter alia,* strengthen the rule of law, enhance civil rights, establish the independence of the judiciary, increase the power of the National Assembly, establish a constitutional court and enhance accountability and transparency in Government. In addition, new legislation was enacted providing for further political reforms, including strengthening political parties and reforming the electoral process in Jordan. Two further constitutional amendments, to expand the jurisdiction of the IEC and enable the King to appoint and dismiss the army's Joint Chiefs of Staff and the director of the General Intelligence Department, were made in August 2014. In May 2016, further constitutional amendments were made. See "*—Constitution and Political System*".

Under the Constitution, the King is the Head of State, the Commander-In-Chief of the armed forces and the head of the three branches of government. The King exercises his executive authority through the Prime Minister and the Council of Ministers. The King appoints and dismisses the Prime Minister and the various ministers, upon recommendation from the Prime Minister. The Council of Ministers is accountable to the Kingdom's bicameral parliament, the National Assembly, which constitutes the legislative branch of government and comprises two bodies: (i) a lower house, the Chamber of Deputies, whose members are elected in a general direct election; and (ii) an upper house, the Senate, whose members are directly appointed by the King. The last election for members of the Chamber of Deputies was held on 20 September 2016, which were the first elections held under the 2016 Electoral Law. The European Union deployed an Election Observation Mission to monitor the elections, which noted in its preliminary statement that the IEC delivered a well-administered and inclusive election. The judicial branch is an independent branch of government. See "*—Elections and Political Parties*" and "*Risk Factors—Risks Relating to the Kingdom—Political risks*".

The size of the economy in Jordan, measured in terms of GDP at current market prices, was JD 27,444.8 in 2016. Jordan's GDP at constant market prices grew by 2.0% in 2016, as compared to 2.4% in 2015. In the three months ended 31 March 2017, Jordan's GDP at constant market prices grew by 2.2%, as compared to 2.3% in the corresponding period in 2016. See "*The Economy—Gross Domestic Product*".

Geography

Three climatic zones characterise Jordan, running from west to east in the country. These include: the Jordan River valley, which is largely below sea level and considered semi-tropical; the highlands east of the Jordan River valley, which range in elevation from 400 to 1,500 metres above sea level and have a Mediterranean-style climate; and the low-lying desert to the east of the highlands. Over 80% of the total area of Jordan is characterised by semi-desert or desert conditions; however, there are wetlands, including the Azraq Basin in the north-east of the Kingdom.

A major part of Jordan is comprised of a plateau lying 700-1,000 metres above sea level. The plateau stretches to Jordan's neighbours, including Syria, Iraq and Saudi Arabia. To the west of the plateau is a mountainous area rising a further 300-700 metres above the plateau, which falls to the Jordan River valley to the west. This valley, at the northern end of the Great Rift Valley, contains the Dead Sea, which is the lowest point on the earth's surface at 416 metres below sea level, with a maximum depth of 396 metres. The valley also contains the Jordan River, some 152 kilometres of which lies within Jordanian territory and which is the country's most fertile area.

Jordan has extremely limited water resources, and demand frequently exceeds supply. A significant portion of the land in Jordan could be arable if adequate water resources were available. Only 2.6% of its land, however, was arable in 2013, according to statistics published by the World Bank. Jordan depends heavily on rainfall. Other sources of water come from non-renewable (fossil water) reservoirs, such as the Disi reservoir on the Jordanian-Saudi border, and desalinated water. The Jordan River and the Yarmouk River are also sources of water for Jordan, but both have been reduced in importance due to upstream diversion and overuse by Syria and Israel. The King Talal Dam, completed in 1977, created Jordan's largest above-ground water reservoir. See "*Risk Factors—Risks Relating to the Kingdom—Water Scarcity*" and "*The Economy—Production Sectors—Electricity and Water—Water*".

History

The area comprising modern Jordan has been home to some of the oldest civilisations on earth. Archaeological remains on the west bank of the Jordan River date back as far as 9000 B.C., and those at Beidha, in the south of the country close to Petra, are thought to be the remains of the first ever recorded human settlement. In around 2000 B.C., Semitic Amorites settled around the Jordan River in the area called Canaan, and the warring kingdoms of Edam, Gilead and Moab prevailed on the east bank of the river and in the nearby mountains. Subsequent invaders and settlers included Hittites, Egyptians, Israelites, Assyrians, Babylonians, Persians, Greeks, Romans, Arab Muslims, Christian Crusaders, Mameluks and Ottoman Turks. Jordan was part of the Ottoman Empire until the end of World War I.

At the end of World War I, the League of Nations awarded the territory now comprising Israel, Jordan and the occupied Palestinian territories (the West Bank, the Gaza Strip and Jerusalem) to the United Kingdom, as the mandate for Palestine and Transjordan. In 1922, the British divided the mandate in two, establishing the then-semi-autonomous Emirate of Transjordan ruled by the Hashemite Prince Abdullah (who later became King Abdullah I), while continuing the administration of Palestine under a British High Commissioner. Six years later in 1928, Transjordan obtained a further degree of independence from the United Kingdom. Transjordan became fully independent on 25 May 1946, three days after the British mandate ended.

In 1948, Transjordan was one of the Arab states that took part in the war with the newly-founded State of Israel. On conclusion of the hostilities, the armistice agreements of April 1949 left Jordan in control of the West Bank but provided that the demarcation lines be without prejudice to future territorial settlements or boundary lines. In 1950, Transjordan became The Hashemite Kingdom of Jordan, and the Kingdom issued a decree unifying Jordan and the West Bank. In 1957, Jordan ended its special defence treaty relationship with the United Kingdom.

In May 1967, Jordan signed a mutual defence pact with Egypt. Jordan took part in the June 1967 war against Israel with Syria, Egypt and Iraq following Israel's attacks on the Kingdom, Syria and Egypt. During the 1967 war, Israel gained control of the West Bank and all of Jerusalem, and large numbers of Palestinians moved to Jordan, resulting in the Palestinian refugee population in the Kingdom growing to approximately one million. The power and importance of Palestinian resistance elements within the Palestinian *diaspora* in Jordan constituted a threat to the sovereignty and security of the Kingdom, and open fighting broke out in September 1970 between the Jordanian armed forces and Palestinian militants. A ceasefire was signed on 25 September 1970 under which Palestinian militants withdrew from Jordanian towns and cities.

No fighting occurred in the October 1973 war with Israel along the 1967 Jordan River ceasefire line, although Jordan sent a brigade to Syria to fight Israeli units on Syrian territory. In 1988, Jordan renounced all claims to the West Bank in order to facilitate the establishment of a Palestinian state, but it retained an administrative role pending resolution of the Palestinian-Israeli conflict.

Jordan did not participate in the Gulf War in 1991. In 1991, together with Syria, Lebanon and Palestinian representatives, it agreed to participate in direct peace negotiations with Israel sponsored by the United States and Russia. Following the Oslo peace accords in 1993, the Kingdom negotiated an end to hostilities with Israel and signed a formal peace treaty with Israel in 1994, which also allowed for a continuing Jordanian role in administering Muslim holy places in Jerusalem. Jordan has since sought to remain at peace with all of its neighbours and to promote a resolution to the Palestinian-Israeli conflict.

Since the Syrian conflict began in March 2011, Jordan has called for a political solution to end the conflict. In response to the influx of Syrian refugees into Jordan, the Government has developed the JRP, which aims to integrate the refugee response into national development plans and to implement effective service delivery programmes to meet the needs of both refugees and host communities. Approximately U.S.$700 million of grants were pledged in support of the JRP for 2016 at the conference on Supporting Syria and the Region held in London in February 2016. According to statistics compiled by JORISS, as at 31 December 2016, U.S.$1.6 billion in grants had been contracted with the international community (of which, a U.S.$495.0 million grant from the United States, U.S.$141.3 million in grants from the EU, U.S.$ 120.2 million from Germany, U.S.$125.0 million from the United Kingdom, U.S.$73.0 million from Canada and U.S.$116.0 million from multilateral grants) in support of the JRP for 2016 (of which, U.S.$615.0 million relates to refugee support and U.S.$646.7 million relates to resilience support). This represents approximately 62.0% of the estimated U.S.$2.7 billion funding requirement for the JRP in 2016. A total of U.S.$476.3 million in grants had been contracted as of 10 September 2017, representing 18.0% of the estimated requirements for 2017. A number of major international donors have not yet specified their pledges and commitments for 2017, if any At the Brussels conference on Supporting Syria and the Region held in April 2017, the international community confirmed intentions to provide U.S.$6.0 billion (including reconfirmed amounts from the February 2016 conference held in London) in funding to support humanitarian, resilience and development activities for the Syria crisis response in 2017 and U.S.$3.7 billion (including reconfirmed amounts from the February 2016 conference held in London) in funding for such activities in 2018 to 2020. In addition to grants from the international community, multilateral development banks and bilateral donors confirmed intentions to provide up to U.S.$30.0 billion of loans at the Brussels conference. The portion of such grants and loans to be received by Jordan remains uncertain. See "*—International Relations—Syria*" and "*Risk Factors—Risks Relating to the Kingdom—Syrian refugees*". In February 2016, the Jordan Compact was issued, which outlined a new approach to the Syrian refugee crisis to encourage economic development and opportunities in Jordan for the benefit of Jordanians and refugees. In July 2017, following the conclusion of its Article IV Consultation, the IMF Executive Board called for greater international donor assistance to help Jordan cope with the refugee crisis.

Since September 2014, as part of a coalition led by the United States, Jordan has carried out air strikes on sites controlled by Daesh. See "*Risk Factors—Risks Relating to the Kingdom—Conflict with Daesh*", "*—International Relations—Syria*" and "*—International Relations—Iraq*".

In March 2015, a coalition of Arab countries led by Saudi Arabia and including Jordan, other GCC members, Egypt, Morocco, Sudan and others, supported by the United States and other western governments, intervened in the civil war in Yemen on the side of the Yemeni government against the Houthi rebels, who have taken control of Yemen's capital, Sana'a, and most of the country, although government control has since been re-established in certain areas. The coalition conducted a number of air strikes in Sana'a and elsewhere, and the Saudi military has deployed troops and armour on the Saudi-Yemeni border. In August 2017, the Prime Minister reiterated Jordan's support for the Yemeni government. See "*Risk Factors—Risks Relating to the Kingdom—Regional concerns and Syrian conflict*".

In June 2016, five employees of the National Intelligence Agency, including three intelligence officers, were killed in a terrorist attack in a Palestinian refugee camp near Amman. In June 2016, Jordan closed certain entry points for Syrian refugees following a suicide bomb attack on the border, which killed four Jordanian soldiers, a police officer and a civil defence officer.

In June 2016, the King appointed Mr. Hani Al-Mulki as caretaker Prime Minister, after dissolving the Chamber of Deputies following the expiry of its four year term. Pursuant to the Constitution, elections must take place within four months of the dissolution of the Chamber of Deputies, and such elections were held on 20 September. Candidates who supported the Government won a majority of the 130 seats. On 28 September 2016, the King reappointed Mr. Al-Mulki as Prime Minister and swore in the new Government.

On 5 June 2017, three GCC countries, Saudi Arabia, the UAE and Bahrain, as well as Egypt and Yemen, severed diplomatic ties and cut trade and transport links with, and imposed sanctions on, Qatar. These countries have accused Qatar of supporting extremist groups. On 6 June 2017, Jordan downgraded diplomatic ties with Qatar. The Government has also revoked the licence of Doha-based television channel, Al Jazeera. Diplomatic efforts to end the crisis are being undertaken by Kuwait and several other countries. See "*Risk Factors—Risks Relating to the Kingdom—Regional concerns and Syrian conflict*".

In August 2017, the main border crossing between Jordan and Iraq located at Tureibil was reopened for the first time since 2015. Before the border closure, domestic exports to Iraq represented 16.1%, or JD 828.7 million, of total Jordanian domestic exports in 2014, as compared to 7.5%, or JD 333.8 million in 2016. While the reopening of the border crossing is expected to have a positive impact on trade with Iraq, there can be no assurance that trade with Iraq will reach or be similar to the historic level of trade prior to the closing of the Tureibil border crossing.

Social and Demographic Development

Despite political instability and generally poor economic performance in the Middle East region, Jordan has been able to steer a path towards sustainable and equitable economic development. The development of a skilled labour force, protection of the poor and improving the level and quality of public services are three of the main principles underlying the Government's programme of structural reforms.

Literacy in Jordan exceeds 93.3%, and approximately 15.1% of the population had a university education in 2015, according to statistics published by the Department of Statistics. The Jordanian university system is extensive and attracts significant numbers of foreign students. It comprises over 75 public and private universities and institutes of higher learning, and is considered to be of a high standard, particularly in the Arab world. According to statistics published by the Department of Statistics and the World Bank, demand for university education grew rapidly between 2000 and 2007, with enrolments almost tripling between the 2000/01 and 2006/07 school years (growing at an annual rate of 14%) from 77,841 to 218,900 students. As at 31 December 2016, an estimated 276,903 students were registered for bachelor's degree programmes in Jordan, of whom 4,106 were foreign students.

Jordan has a relatively low child mortality rate and a large, exporting pharmaceutical industry. It is also a centre for medical expertise in the region, serving thousands of patients annually from surrounding countries. The health sector is a major contributor to job creation, GDP and export of both goods and services, as are tourism and other service sectors.

Constitution and Political System

The Kingdom is a parliamentary government with a hereditary monarchy, ruled since February 1999 by King Abdullah II. His father, King Hussein, ruled from 1952 until his death in 1999. The Constitution was adopted on 1 January 1952 and has been amended on a number of occasions including in September 2011, following the establishment by the King in April 2011 of the Royal Committee on Constitutional Review and the Royal Committee's subsequent presentation of its conclusions to the King in August 2011. In 2011, 2014 and 2016, further constitutional amendments were passed. See "*—Constitutional and Political Reforms*". The National Assembly also approved a new law establishing the IEC in March 2012, new Political Parties Laws in May 2012 and September 2015 and electoral laws in July 2012 and March 2016. See "*—Elections and Political Parties—Electoral Reforms*".

The Constitution outlines the functions and powers of the state, the rights and duties of Jordanians, the guidelines for interpretation of the Constitution and the conditions for constitutional amendments. It mandates the separation of powers in respect of the executive, legislative and judicial branches of government and outlines the framework of the budget, as well as the adoption and repeal of laws. The Constitution guarantees the rights of Jordanian citizens, including freedom of speech, press, association, academic freedom, organisation of political parties, freedom of religion and the right to elect parliamentary and municipal representatives.

Under Article 126 of the Constitution, the Constitution may be amended by a vote in favour by two-thirds of each house of the National Assembly, and amendments take effect following ratification by the King.

See "*Risk Factors—Risks Relating to the Kingdom—Political risks*".

Constitutional and Political Reforms

Prior to the Arab Spring, Jordan had already begun the process of reforming institutions of state. Since 1989, Jordanian political institutions have worked to increase democracy, liberalisation and consensus building. Reforms, which were commenced by the late King Hussein and continued by King Abdullah II, have resulted in greater empowerment and involvement of citizens in Jordanian civic life, contributing to increased stability and stronger national institutions.

The Kingdom accelerated these efforts when, similar to other countries in the region, the Kingdom experienced civil demonstrations and some instances of social unrest during the Arab Spring. As part of such efforts, the Royal

Committee proposed amendments to the Jordanian Constitution (representing approximately one-third of the Constitution), intended to, *inter alia*, strengthen the rule of law, enhance civil rights, establish the independence of the judiciary, increase the power of the National Assembly, establish a constitutional court and enhance accountability and transparency in Government. 36 of these amendments were implemented in 2011. Under the Royal Committee's proposals, the King retained his role as the head of the three branches of government and Commander-In-Chief of the Kingdom's armed forces.

The principal constitutional reforms included:

- the enhancement of civil liberties, including, *inter alia*, the right to privacy and freedom of speech, and the criminalisation of infringement on rights and public freedoms;
- the establishment of a constitutional court to monitor the constitutionality of laws and regulations, replacing a tribunal, which was headed by the speaker of the Senate (see "*—Legal System*");
- the resolution of electoral disputes by the judiciary instead of the National Assembly;
- the prohibition of torture;
- the introduction of limitations on the ability of the Council of Ministers to issue temporary laws when the National Assembly is not in session;
- the limitation of the State Security Court's jurisdiction to cases of high treason, espionage, and terrorism, with citizens being otherwise tried in civilian courts; and
- the introduction of the requirement that the Council of Ministers shall resign within one week from the date of dissolution of the National Assembly.

In addition, the Government enacted legislation providing for further political reforms, including strengthening political parties and the electoral process in Jordan. As part of these reforms, following the 2013 elections and although then not required to do so, the King consulted with the newly-elected Chamber of Deputies as to the selection of the Prime Minister.

See "*—Elections and Political Parties—Electoral Laws and Electoral Reform—Independent Electoral Commission*" and "*Risk Factors—Risks Relating to the Kingdom—Political reform*".

In August 2014, two further constitutional amendments were introduced to expand the jurisdiction of the IEC and to permit the King to appoint and dismiss the army's Joint Chiefs of Staff and the Director of the General Intelligence Department.

Further amendments were made in May 2016 granting the King certain additional powers, including the right to appoint the crown prince, the regent and the president of the Higher Judicial Council, and granting citizens with dual nationality the right to occupy senior public posts and parliamentary seats.

In May 2016, the National Assembly approved the Integrity and Anti-Corruption Law, which merged the Jordan Anti-Corruption Commission and the Ombudsman Bureau to create the Integrity and Anti-Corruption Commission with a broader anti-corruption mandate. In January 2017, the Integrity and Anti-Corruption Commission launched its national strategy for 2017-2025, which includes programmes aimed at combatting corruption and promoting integrity. The Integrity and Anti-Corruption Commission comprises two directorates: the Directorate of National Integrity (which comprises general and private compliance divisions); and the Directorate of Prevention (which, *inter alia*, is responsible for the promotion of awareness of integrity and anti-corruption matters, monitoring and conducting sectorial studies).

National Government

The King

The King is the Head of State and the Commander-In-Chief of the Kingdom's armed forces. The King exercises his executive power through the Prime Minister and the Council of Ministers. Under Article 31 of the Constitution, the King ratifies laws and promulgates them and directs the enactment of such regulations, as may be necessary for their implementation. The King also has the constitutional authority to declare war and peace and to ratify treaties.

The King appoints the members of the Senate, subject to the eligibility criteria set forth in the Constitution. The King also appoints and dismisses regional governors and the mayor of Amman, approves Constitutional amendments and declares war. As head of state, the King concludes and ratifies treaties and international agreements, after the approval of the Council of Ministers and the National Assembly. The King may also grant special pardons and amnesties.

Pursuant to Article 28 of the Constitution, the throne of the Kingdom is passed down through the dynasty of King Abdullah I in the direct line of his male heirs. Since 1921, Jordan has been ruled by four kings: King Abdullah Ibn Al-Hussein (1921-1951), son of Sharif Hussein of Mecca; King Talal bin Abdullah (1951-1952), eldest son of King Abdullah; King Hussein bin Talal (1952-1999), eldest son of King Talal; and, King Abdullah II bin Al-Hussein (1999-present), eldest son of King Hussein.

The Government

The King appoints and dismisses the Prime Minister and the various ministers, upon recommendation from the Prime Minister and, since the 2013 elections, after consultation with the Chamber of Deputies. Every newly-formed Government must present a statement of the Government programme, including its key policies, to the Chamber of Deputies and request a vote of confidence on the Government programme within a month of its formation (or, if the Chamber of Deputies has been dissolved, within a month of the Chamber of Deputies' opening session). The Chamber of Deputies may consider motions of no confidence in the Government, the Prime Minister or any individual minister. If such a motion passes by an absolute majority of all members of the Chamber of Deputies, the relevant minister or ministers must resign. Ministers may also be impeached by a two-thirds majority in the Chamber of Deputies.

The day-to-day administration of Jordan's internal and external affairs is managed by the Prime Minister and the Council of Ministers. Article 51 of the Constitution provides that each minister is accountable to the Chamber of Deputies.

The National Assembly

The Kingdom's bicameral parliament, the National Assembly, constitutes the legislative branch of government and is comprised of two bodies: (i) a lower house, the Chamber of Deputies, which is comprised of 130 members and (ii) an upper house, the Senate, which is comprised of 60 members. The most recent elections for the Chamber of Deputies were held on 20 September 2016.

Members of the Chamber of Deputies are elected in a direct election in accordance with Jordan's 2016 Electoral Law, which also reserves 15 seats for female members, representing one from each of the 12 governorates and one from each of the three *bedouin* districts. The Constitution sets forth certain eligibility criteria for members of the Chamber of Deputies. See "*—Elections and Political Parties*". Members of the Senate are appointed by the King.

The term of the National Assembly is four years and may, by Royal Decree, be extended for a period of not less than one year and not more than two years. The Senate meets simultaneously with the Chamber of Deputies and is suspended in the event that the Chamber of Deputies has been dissolved.

Laws must be approved by a majority of both houses of the National Assembly. The Constitution stipulates that the King must approve laws before they can take effect, although his power of veto can be overridden by a two-thirds majority in both houses of the National Assembly.

Local Government

The Kingdom is divided into twelve governorates, each headed by a governor who is appointed by the King on the nomination of the Minister of Interior and approval of the Council of Ministers, and subdivided into administrative regions. The governorates are an extension of the central government and are supervised by the Ministry of the Interior. Governors enjoy wide administrative authority and, in certain cases, can exercise the powers of ministers.

Municipal councils within a governorate are elected by local residents for a four-year term. However, in cases of legal disputes or lack of a quorum, the governor can appoint a municipal committee for a renewable two-year term. Commencing in July 1995, municipal council elections were held nationwide, with a number of female candidates winning seats for the first time.

New Municipalities Law

In December 2015, a new municipalities law, which grants eligible voters two votes each in municipal election, was approved by the King. Under the municipalities law, local councils are elected for a four-year term. The Government appoints 25% of the members of local councils.

New Decentralisation Law

In April 2014, the Council of Ministers approved drafts of a plan for the decentralisation of governorate councils. However, following approval by the Chamber of Deputies and the Senate, this decentralisation law was vetoed by the King in November 2015.

In 2016, a revised decentralisation law was approved by the National Assembly, which provides for the establishment of governorate councils. The governorate councils are intended to decentralise certain Government decisions and encourage the planning and approval of projects and services at the governorate level. The governorate councils must be comprised of a minimum of 10% of female members in order to encourage their participation in local government. The decentralisation law sets out the powers of the governorate councils, which include, *inter alia*: (i) approving the strategic and operational plans of the governorate council; (ii) approving the draft budgets of the municipalities in line with limits set by the Ministry of Finance or in the State budget; (iii) monitoring local budget implementation; (iv) approving service, investment and development projects; (v) monitoring the implementation of projects, plans and programmes; (vi) proposing investment projects and conducting joint projects with other governorates; (vii) developing recommendations and proposals to improve the functioning of local authorities; (viii) identifying areas in the governorate in need of services and development; and (ix) considering other items referred to the councils by the relevant Governor.

On 15 August 2017, municipal and governorate elections were held to elect representatives of more than 100 municipalities across Jordan, as well as the members of the 12 newly-formed governorate councils. According to statistics released by the Electoral Commission, voter turnout for the elections was 31.7%. The governorate councils held their first meetings on 10 September 2017 at which they elected their respective presidents and vice-presidents.

Legal System

Article 97 of the Constitution guarantees the independence of the judiciary, stating that judges are "subject to no authority but that of the law." While under the Constitution, the King must approve the appointment and dismissal of judges for the civil and religious courts, in practice such matters are supervised by the Higher Judicial Council, which independently considers nominations submitted to it by the Ministry of Justice.

Jordan's courts are divided into three categories under Article 99 of the Constitution: (i) civil courts; (ii) religious courts; and (iii) special courts.

Civil courts exercise their jurisdiction in respect of civil and criminal matters and have jurisdiction over all persons in all civil and criminal matters, including cases brought against the Government. The civil courts include the Magistrates Courts, the Courts of First Instance, the Courts of Appeal, the High Administrative Courts and the Court of Cassation (*i.e.*, the Supreme Court). The Jordanian civil legal system has its foundations in the *Code Napoléon*, the French legal code. Due to its historic ties with the United Kingdom during the British Mandate, English law and procedure are also influential in the civil courts.

Religious courts include *shari'a* (*i.e.*, Islamic law) courts and the tribunals of other religious communities, namely those of the Christian minorities. The religious courts are comprised of primary and appellate courts and deal only with matters involving personal status, such as marriage, divorce, inheritance and child custody. *Shari'a* courts also have jurisdiction over matters pertaining to the Islamic *waqfs*, or charitable trusts. In cases involving parties of different religions, civil courts have jurisdiction.

Special courts are courts that deal with cases outside the jurisdiction of regular and religious courts. They include the police court, military councils, the income tax and state security courts and the Constitutional Court. A special State Security Court, which is composed of both military and civilian judges, tries both military personnel and civilians, and its jurisdiction includes offences against the external and internal security of the Kingdom, as well as certain drug-related and other offences. The findings of this court are subject to appeal in the civil court system.

In May 2012, the National Assembly passed a law establishing the Constitutional Court mandated by the constitutional amendments enacted in 2011. The Constitutional Court passes on the constitutionality of laws and regulations in force and, when requested, interprets provisions of the Constitution. The Council of Ministers and each house of the National Assembly may refer questions to the Constitutional Court. On 6 October 2012, the King issued a decree appointing the president and the eight other members of the Constitutional Court, who are serving six-year terms. Members cannot be re-appointed.

Jordan 2025 identifies a number of initiatives to improve the rule of law, including measures to improve the efficiency of the judicial system, initiatives to ensure the quick enforcement of law and the introduction of automated processes to judicial proceedings.

Elections and Political Parties

The late H.M. King Hussein initiated a path to political reform and the resumption of elections in 1989, following the lifting of martial law and the legalisation of political parties. Under King Abdullah II, a number of reform initiatives have been implemented to establish and promote democratic institutions and encourage civic participation. These initiatives included the National Agenda Committee (2005 and 2007) and the National Dialogue Committee (2011).

Since the resumption of elections in 1989, Jordan has held regular multi-party elections, with parliamentary elections taking place in 1989, 1993, 1997, 2003 (following a two-year suspension), 2010, 2013 and, most recently, in 2016. Similarly, municipal elections have taken place in 1995, 1999, 2003, 2007 and 2013. Disagreements among political parties and controversies regarding the electoral law and electoral policies in place prior to 2012 led to widespread calls for electoral reform in Jordan. These calls resulted in the introduction of a new electoral law in July 2012 (the "**2012 Electoral Law**") and the establishment of the IEC in 2012. See "*—Electoral Laws and Electoral Reform*".

Members of the Chamber of Deputies are elected through direct, universal suffrage by all Jordanian citizens over the age of 18. The supplemental Naturalisation Law № 56 of 1949 granted Jordanian citizenship to all residents of the areas controlled by Jordan east and west of the Jordan River. Those individuals and their descendants are Jordanian citizens and have the right to vote and hold public office. Jordan has a multi-party political system, and the main political organisations include the Arab Ba'ath Socialist Party, the Ba'ath Arab Progressive Party, the Call Party, the Democratic People's Party, the Democratic Popular Unity Party, the Islamic Action Front, the Islamic Centre Party, the Jordanian Communist Party, the Jordanian National Party, the Jordanian United Front, the Life Party, the Message Party, the National Constitution Party and the National Movement for Direct Democracy. In total, there are over 30 political parties in Jordan of varied philosophies. However, political parties are not well developed, and citizens have generally voted for individuals rather than parties. Professional associations are also politically influential.

In November 2007, candidates who supported the Government won a majority of the seats. The Islamic Action Front, an Islamist opposition party, won six of the 22 seats it contested, having won 17 in the 2003 elections. Candidates in the 2007 election generally ran as independents, with the support of tribal or other groups, other than the candidates who ran as members of the Islamic Action Front.

The Chamber of Deputies was dissolved in November 2009 by Royal Decree. Elections to select a new Chamber of Deputies were held on 9 November 2010. The Islamic Action Front and several other groups boycotted the 2010 elections. On 1 February 2011, following a series of demonstrations that began in January 2011, the King exercised his constitutional power to dismiss the then-Prime Minister and Council of Ministers. A new Prime Minister and Council of Ministers were sworn in on 9 February 2011. Members of the opposition Islamic Action Front were invited but declined to join the new Council of Ministers.

On 17 October 2011, the King again dismissed the then-Prime Minister and his Council of Ministers. The then-Prime Minister, Mr. Awn Khasawneh, a former judge of the International Court of Justice, took office and, among other things, directed the drafting of the 2012 Electoral Law and implemented measures to enhance government accountability. On 24 April 2012, Prime Minister Khasawneh resigned. Two days later, Mr. Fayez Al-Tarawneh was named Prime Minister by the King. The then-Government was sworn in on 2 May 2012 for a limited transitional period. During this period, the National Assembly passed a number of laws, including the 2012 Electoral Law. On 9 October 2012, one week after the Chamber of Deputies was dissolved and pursuant to the requirements of the Constitution, Prime Minister Al-Tarawneh and the Council of Ministers resigned and a new caretaker government, headed by Dr. Abdullah Ensour, an independent politician, was formed to hold office until the next parliamentary elections were held in 2013.

In the January 2013 parliamentary elections, candidates who supported the Government won a majority of the seats, while a minority of 37 seats were won by Islamist and other opposition candidates. 18 seats were won by female candidates, while Jordanians of Palestinian origin more than doubled their representation from 16 to 33 seats. The January 2013 parliamentary elections were the first elections to be conducted under the 2012 Electoral Law.

In March 2013, the King, after consultation with the Chamber of Deputies, reappointed Dr. Abdullah Ensour as Prime Minister.

In March 2016, the 2016 Electoral Law, which replaced the 2012 Electoral Law, was approved by the King. The 2016 Electoral Law introduced a proportional voting electoral system, which was first used in the September 2016 elections. See "*—Electoral Laws and Electoral Reform*" and "*—Electoral Reforms—2016 Electoral Law*".

In June 2016, the King appointed Mr. Hani Al-Mulki as caretaker Prime Minister, after dissolving the Chamber of Deputies following the expiry of its four-year term. Pursuant to the Constitution, elections must take place within four months of the dissolution of the Chamber of Deputies, and such elections were held on 20 September 2016. Turn out for these elections was 37%, which was lower than previous elections largely due to the fact that Jordanian expatriates were not permitted to cast ballots.

In the elections, candidates who supported the Government won a majority of the seats, with the minority of seats won by Islamist and other opposition candidates. The Islamic Action Front, the political wing of the Muslim Brotherhood in Jordan, won ten seats, having boycotted the parliamentary elections in 2013 and 2010. Female Candidates won 20 seats, including the 15 seats reserved for female candidates under the 2016 Electoral Law. Of the 50 registered political parties in Jordan, 39 contested the election with candidates, and the remaining 11 political parties supported the process. The election was contested with 226 candidate lists, including 1,252 individual candidates. The number of non-party affiliated-candidates exceeded the number of party-affiliated candidates by approximately four times. There were 252 female candidates, which represented an increase of approximately 25% from the 2013 parliamentary elections. According to statistics published by the IEC, voter turnout for the elections was approximately 36%. Following the elections, the Chamber of Deputies is composed of 37 party-affiliated, 16 female non-party affiliated and 77 male non-party affiliated Deputies. In accordance with the 2016 Electoral Law, there were 39 appeals contesting election results. These appeals were rejected by the relevant courts of appeals or abandoned by the claimants.

The elections were observed by 847 international observers and 13,000 domestic observers. The EU deployed an Election Observation Mission to monitor the elections, which noted in its preliminary statement that the IEC delivered a well-administered and inclusive election that was conducted in an overall transparent manner. The mission observed that there remained room for additional improvement to the legal framework, including respect for key principles, such as the universality and equality of the vote, and the enhancement of the right to stand as a candidate. The International Republican Institution and the National Democratic Institute also sent a joint international election observer delegation, which reported that the elections took place in a largely peaceful atmosphere and were efficiently organised.

Following the elections, Mr. Al-Mulki was reappointed as Prime Minister, and he and the members of his Government were sworn in by the King on 28 September 2016. Of the 29 ministers of the new Government, 22 held positions in Mr. Al-Mulki's interim Government formed in June 2016. The Chamber of Deputies opened its first session on 7 November 2016, and the Government's programme was approved by the Chamber of Deputies on 24 November 2016 by a majority of 84 deputies out of 128 deputies present. Since Mr. Al-Mulki was reappointed as Prime Minister, his Council of Ministers has been reshuffled on two occasions, with three ministers being replaced in January 2017 and five ministers being replaced in June 2017. The Government's programme remains substantially unchanged. See "*Risk Factors—Risks Relating to the Kingdom—Political Risks*".

Electoral Laws and Electoral Reform

The constitutional amendments passed in 2011 included the requirement that parliamentary elections shall be organised by an independent electoral commission, rather than a Government ministry. In June and July 2012, the National Assembly passed two laws—a law establishing the IEC (the "**IEC Law**") and the 2012 Electoral Law. In March 2016, the 2016 Electoral Law was approved by the King. The 2016 Electoral Law replaced the 2012 Electoral Law.

Independent Electoral Commission

The IEC was established to supervise parliamentary and municipal elections, a function previously carried out by the Government. The law establishing the IEC requires it to act independently and impartially and establishes similar criteria for commissioners, who serve a single six-year term. Commissioners may only be removed in certain exceptional circumstances. The secretariat of the Commission is composed of professionals who do not have links with candidates standing for election. The Commission also plays a role in establishing electoral districts. The main functions of the IEC are to supervise and monitor all phases of the parliamentary election process, set the dates of parliamentary elections, draw up the schedules, plans and programmes necessary for the electoral process and take the necessary measures to manage candidate nominations and voter registration, in accordance with electoral laws.

The IEC issues the final elections results and may annul results from specific polling stations in the event of an irregularity and order a recount or repeat election. The 2016 Electoral Law also sets forth detailed rules for campaigning, which may be supplemented by additional regulations issued by the IEC. See "*—Constitution and Political System—National Government—The National Assembly*".

In May 2012, King Abdullah II appointed former Minister of Foreign Affairs, H.E. Abdel Elah Khatib, as the chairman of the IEC Board of Commissioners. The Board also includes H.E. Ryad al-Haka'ah, a former Minister of Justice.

Municipal elections took place in August 2013. While the IEC did not then have a constitutional mandate to oversee such elections, it was tasked with a supervisory role. The municipal elections highlighted a number of inconsistencies between the municipal and parliamentary electoral processes. In August 2014, the Constitution was amended to expand the mandate of the IEC to cover parliamentary, municipal and any other general elections. Further municipal elections took place in August 2017. See "*—Constitutional and Political System—Local Government*".

In summer 2014, the Government announced that it was preparing a number of draft laws relating to the electoral process and further expanding the mandate of the IEC. These draft laws included: (i) a political parties law, which amends the current regulatory framework and promotes the establishment of political parties and was passed in 2015 (see "*—New Political Parties Law*"); (ii) a draft municipalities law, amending the electoral framework for municipalities and local authorities, which was passed in December 2015 (see "*—New Municipalities Law*"); (iii) an amendment to the IEC law, providing a legal basis for the IEC's expanded mandate to administer municipal and other elections, as well as parliamentary elections, which was passed in December 2015 (see "*—New IEC Law*); (iv) a decentralisation law, establishing governorate councils, a portion of the seats for which would be directly elected (see "*—New Decentralization Law*); and (v) an elections law, which was signed into force by the King in March 2016, further amending the framework for parliamentary elections (see "*—2016 Electoral Law*").

2016 Electoral Law

In March 2016, the 2016 Electoral Law, which replaced the 2012 Electoral Law, was approved by the King. The 2016 Electoral Law divides the Kingdom into 23 electoral districts; one for each governorate, except for: Amman, which is split into five districts; Irbid, which is split into four districts; and Zarqa, which is split into two districts. Each of the three *bedouin* districts is considered to be a governorate for purposes of the 2016 Electoral Law. The 2016 Electoral Law allocates 115 constituency seats, with 15 seats reserved for women candidates.

The 2016 Electoral Law introduced a proportional voting electoral system, which was first used in elections to the Chamber of Deputies in September 2016. Pursuant to this system candidates stand for election on the basis of a multimember ticket. The 2016 Electoral Law also abandoned the previous voter card system, thereby permitting any person with a national identity card to vote. This measure significantly increased the number of eligible voters for the September 2016 elections. According to statistics published by the IEC, there were 4.1 million registered voters for the elections in September 2016, an increase of 80% in the number of registered voters, as compared to the 2013 parliamentary elections. However, Jordanian expatriates are not granted the right to vote under the 2016 Electoral Law.

New Political Parties Law

In September 2015, the new political parties law was passed. This law provides the right for all Jordanians to form and join political parties in accordance with the provisions of the Constitution and for such political parties to have the right to participate in elections in the Kingdom. Pursuant to the provisions of the law, at least 150 founding members are required to establish a political party, all of whom must, *inter alia*, be at least 18 years of age, have been a Jordanian national for at least ten years, be usually resident in the Kingdom and not be associated with the judiciary or the armed forces.

Amendments to the IEC Law

Pursuant to amendments to the IEC Law introduced in December 2015, the IEC is responsible for the management of parliamentary and municipal elections, as well as any other general elections in the Kingdom. These amendments bring the IEC Law in line with constitutional amendments made in August 2014.

Press and Media

Jordan has a varied press with a number of publications in Arabic and English, including, *inter alia*, *Al Dustour*, *Al Rai*, *Al Ghadd* and *Al Arab al Yawm*, all Arabic-language and privately-owned daily newspapers, and the English-language *Jordan Times* and *The Star*, sister publications to *Al Dustour* and *Al Rai*, respectively.

Jordan Radio and Television is state-run and operates the main network Channel One, the sports network Channel Two, the film network Channel Three and the Jordan Satellite Channel. In addition, there are other privately-owned television channels.

International Relations

Jordan has consistently maintained good diplomatic relations worldwide and has had close relations with the United States. Jordan has traditionally played a significant role in Middle Eastern diplomacy.

Israel and the West Bank

A principal concern of Jordan's regional foreign policy is Israel and the West Bank. A substantial portion of Jordan's inhabitants are of Palestinian origin. Most of these hold Jordanian passports, but many remain with temporary citizenship and refugee status.

Jordan and Israel signed a non-belligerency agreement (the Washington Declaration) in Washington, DC on 25 July 1994 and a peace treaty on 26 October 1994. The United States has participated with Jordan and Israel in trilateral development discussions in which key issues have been water sharing and security, cooperation on the Jordan River valley development, infrastructure projects and trade, finance and banking issues. Jordan also participates in regional multilateral peace talks.

Jordan has been working to maintain lines of communication between Israelis and Palestinians. These efforts contributed to the resumption of Israeli-Palestinian peace negotiations at the Annapolis peace conference in November 2007. More recently, Jordan succeeded in arranging for the Israeli government and the Palestinian Authority to hold exploratory talks in January 2012. Jordan has also played an important role in facilitating the peace process through the training of several thousand Palestinian security force personnel.

In November 2014, Jordan recalled its ambassador to Israel for the first time since the signing of the Jordan-Israel peace treaty in 1994, citing Israeli violations of the treaty in respect of the Al Harim Sharif Compound in Jerusalem (*i.e.,* the Dome of the Rock). Jordan returned its ambassador to Israel in February 2015 noting improvements in the situation at the compound.

In September 2016, Noble announced the execution of a gas sales and purchase agreement to supply LNG from the Leviathan natural gas field in the eastern Mediterranean Sea to NEPCO for consumption in Jordan's power production facilities. See "*Risk Factors—Risk Relating to the Kingdom—Energy—Energy Imports and NEPCO*" and "*The Economy—Production Sectors—Electricity and Water—Energy Policy and NEPCO*".

On 20 July 2017, an Israeli diplomatic security agent stationed at Israel's embassy in Amman killed two Jordanians after one of them allegedly attacked him. Israeli embassy staff returned to Israel and have not been readmitted to Jordan.

Syria

The Kingdom supports United Nations and international efforts toward the achievement of a peaceful, political solution in Syria in accordance with U.N. Security Council and Arab League initiatives. See "*Risk Factors—Risks Relating to the Kingdom—Regional concerns and Syrian conflict*". Unrest in Syria has resulted in a large influx of refugees from Syria, and this trend is expected to continue as long as violent clashes between the Syrian army and rebel forces and conflict with Daesh continues. Jordan is monitoring the situation in Syria carefully and has called for an end to the violence. Since September 2014, as part of a coalition led by the United States, Jordan has carried out air strikes on sites in Syria controlled by Daesh. See "*Risk Factors—Risks Relating to the Kingdom—Conflict with Daesh*".

According to Ministry of Interior statistics, in April 2017 Jordan was host to 1.38 million Syrians, of which 0.66 million were registered with the UNHCR. The actual number of Syrian refugees in the Kingdom may be significantly higher than published estimates. International organisations, including the UNHCR, expect the number of Syrian refugees to continue to grow. In January 2017, the United Nations, together with more than 240 partners, launched the Regional Refugee & Resilience Plan for 2017 and 2018, which is aimed at assisting Syrian refugees in Turkey, Lebanon, Jordan, Iraq and Egypt (the "**3RP**"). The 3RP anticipates that the number of Syrian refugees in Jordan will be 637,000 in December 2018. In November 2016, MOPIC estimated that 53% of the Syrian refugees are children. In July 2012, the Government, in co-operation with UNHCR, opened a refugee camp for those fleeing the Syrian conflict in the Zaatari area; an additional camp close to al-Azraq was opened in April 2014 to accommodate additional inflows of Syrians fleeing the conflict. According to statistics published by UNHCR, approximately 80,000, 54,732 and 7,315 Syrian refugees were housed in the Zaatari, Azraq and the Jordanian-Emerati Mreijeb Al Fhoud camps, respectively, as at 30 June 2017. The Government and others have also built field hospitals.

The Government has launched numerous appeals, often jointly with the United Nations, for international aid to assist with the provision of health, education and other basic services to Syrian refugees in Jordan. In July 2017, following the conclusion of the Article IV Consultation, the IMF Executive Board also called for greater international donor assistance to help Jordan cope with the refugee crisis. To date, assistance has been provided by, *inter alia*, the EU, Germany, the United States, the United Kingdom, Canada and a number of Arab countries.

Jordan Response Plan

In 2015, MOPIC published the Jordan Response Plan, a one-year programme aimed at consolidating all major national and international efforts to address the Syria crisis within the framework of a co-ordinated broad-spectrum response. In 2016, MOPIC published a new JRP covering the period 2016-18. The JRP for 2017-19 was published at the end of 2016.

The JRP, which is supported by the United Nations, non-governmental organisations and other members of the international community, is a programme of high-priority interventions to enable the Kingdom to respond to the effects of the Syria crisis and develop resilience to this and future shocks without jeopardising its development.

Accordingly, the JRP embeds the Kingdom's response to the influx of Syrian refugees into national development plans across twelve sector strategies (education, energy, environment, health, justice, livelihoods, food security, local governance and municipal services, social protection, shelter, transport and water, sanitation and hygiene ("**WASH**")), as follows:

- ***Education*** – In the education sector, the JRP aims to ensure educational services for children and youth impacted by the Syria crisis by: (i) increasing the capacity of the education authorities to ensure the continuous delivery of quality, inclusive education services; (ii) improving the provision of education facilities to sustain access to adequate, safe and protective learning spaces; and (iii) increasing the provision of adequate, protective and safe learning spaces and facilities.

- ***Energy*** – In the energy sector, the JRP aims to adopt and accelerate efficient and effective responses to Jordan's growing energy demands in a sustainable manner to alleviate the incremental demand pressures from Syrian refugees by: (i) introducing and promoting innovative renewable energy and energy efficient technologies; and (ii) providing refugees and Jordanians with access to an adequate, safe and sustainable supply of energy for every household.

- ***Environment*** – In the environment sector, the JRP aims to minimise the impact of the Syria crisis on vulnerable ecosystems and communities by: (i) improving the mechanisms to mitigate pressure and competition for resources, such as land and water, resulting from the influx of Syrian refugees; (ii) enhancing national and local capacities to manage hazard waste; (iii) strengthening monitoring and mitigation of air pollution; and (iv) institutionalising mainstream environment mechanisms.

- ***Health*** – In the health sector, the JRP aims to improve health standards both in host communities and among Syrian refugees and to strengthen the national health system and services by: (i) increasing access to, and the quality of, healthcare in impacted areas; and (ii) strengthening the adaptive capacity of the national health system to address current and future stresses.

- ***Justice*** – In the justice sector, the JRP aims to ensure quality and prompt access to the justice system in governorates affected by the Syria crisis and to augment the capacity of the sector.

- ***Livelihoods***– In the livelihoods sector, the JRP aims to ensure dignified and sustainable livelihoods, to create economic opportunities for both Jordanians in host communities and for Syrian refugees and to strengthen institutional capacity through: (i) promoting protection, human dignity and social cohesion; (ii) increasing access to formal employment opportunities; (iii) increasing opportunities to develop sustainable, market-orientated entrepreneurial activities; (iv) increasing the capacity of the Ministry of Labour to implement the livelihoods aims set out in the Jordan Compact and improve labour market governance; and (v) enhancing participation in local economic development programmes and Public-Private Partnerships ("**PPPs**").

- ***Food Security*** – In the food security sector, the JRP aims to protect food security and enable people to cope with, and recover from, the impact of the Syria crisis, as well as strengthen the capacity to adapt to future shocks by: (i) increasing the availability of, and access to, quality food for vulnerable people affected by the Syria crisis; and (ii) promoting and maintaining food security through the productive use of agricultural resources..

- ***Local Governance and Municipal Services*** – In the local governance and municipal services sector, the JRP aims to improve the responsiveness of the Jordanian local governance system to the needs of host communities and refugees by: (i) improving municipal service delivery; (ii) revising local development priorities, projects, processes and systems to reflect and respond to changes and priorities arising from the Syria crisis; and (iii) strengthening the resilience of local governance systems and communities to crises with a particular focus on social cohesion.

- ***Social Services*** – In the social services sector, the JRP aims to provide all vulnerable groups affected by the Syria crisis with access to improved social protection services and legal protection frameworks by: (i) strengthening social protection systems to meet the needs of vulnerable groups in the governorates most affected by the Syria crisis; (ii) improving social protection and poverty alleviation mechanisms in order to ensure that basic household needs are met; and (iii) providing access to emergency care to Syrian refugees and vulnerable people affected by the Syria crisis.

- ***Shelter*** **–** In the shelter sector, the JRP aims improve access to shelter by: (i) providing sustainable and gender appropriate access to adequate shelter and basic facilities and services for Syrian refugees in camps; (ii) providing appropriate shelter and basic facilities and services for vulnerable Syrian refugees and Jordanians in host communities; and (iii) strengthening housing markets in order to meet shelter needs in Jordan.

- ***Transportation*** – In the transportation sector, the JRP aims to ensure the safe transportation of people and goods in areas affected by the Syria crisis via an upgraded and efficient public transportation service and road network by: (i) addressing the transportation needs of the increased populations in Irbid, Zarqa and Mafraq; and (ii) increasing the capacity of road networks to accommodate increased traffic in Irbid, Zarqa and Mafraq.

- ***WASH*** **–** In the WASH sector, the JRP aims to support the provision of sustainable WASH services to those affected by the Syria crisis by: (i) improving the quantity, quality and efficiency of safe drinking water delivery; (ii) expanding sanitation services; (iii) expanding WASH services in schools and other public institutions; (iv) enhancing planning, monitoring and implementation capacities of WASH agencies; (v) providing safe water services in camps and host communities; (vi) providing gender-appropriate sanitation services; and (vii) reducing the impact of WASH services on the environment.

The JRP estimates that the total financing needs during the three-year period will be U.S.$7,642.3 million, including U.S.$4,680.5 million in programmatic responses (comprising U.S.$2,181.6 million for refugee interventions and U.S.$2,498.9 million for resilience strengthening) and U.S.$2,961.7 million in budget support needs (such as, the cost of subsidies, security costs, *etc.*)

The following table sets out the financing requirements for the JRP for the years indicated, as set out in the JRP 2017-19:

JRP Financing Requirements

	2017	2018	2019	Total
		(U.S.$ millions)		
JRP Programmatic Responses				
Education	336.8	431.1	416.7	1,184.5
Energy	69.0	71.2	54.8	195.0
Environment	3.8	5.4	1.9	11.2
Health	191.2	169.0	146.3	506.5
Justice	12.2	14.5	11.8	38.4
Livelihoods	117.2	68.6	62.1	248.1
Food Security	209.8	211.0	216.3	637.2
Local Governance and Municipal Services	73.0	66.4	55.1	194.4
Social Protection	388.2	246.2	199.5	833.9
Shelter	34.5	29.9	27.4	91.9
Transport	36.3	29.4	12.8	78.5
WASH	228.9	265.5	164.5	658.9
Sectors Sub-Total	**1,701.8**	**1,609.1**	**1,369.7**	**4,680.5**
Subsidies for Syrian Refugees	237.8	247.3	257.6	742.7
Security Support	426.9	456.5	495.4	1,378.0
Accelerated Infrastructure Depreciation	172.9	175.9	177.8	526.6
Income Loss	111.0	104.8	97.2	313.0
Budget Support Sub-Total	**948.9**	**984.7**	**1,028.2**	**2,961.8**
Total	**2,650.6**	**2,593.7**	**2,397.9**	**7,642.3**

Source: MOPIC

According to statistics compiled by MOPIC, as at 10 September 2017, U.S.$476.3 million in donor commitments had been contracted with the international community (of which, U.S.$181.4 million from Germany, U.S.$45.7 million from the United Kingdom, U.S.$43.8 million from Japan, U.S.$39.1 million from the EU, U.S.$27.2 million from Saudi Arabia, U.S.$22.0 million from France, U.S.$20.4 million from the United States and the remainder from other donors, including multilateral funds) in support of the JRP for 2017 (of which, U.S.$134.7 million relates to refugee support, U.S.$336.1 million relates to resilience support and U.S.$5.6 million relates to budget support), representing 18.0% of the estimated requirements for 2017. See "*Risk Factors—Risks Relating to the Kingdom—Syrian Refugees*".

Donor Conferences and Funding Initiatives

At the Kuwait III donor conference held in March 2015, Jordan appealed to the international community for aid to fund the JRP. In March 2015, MOPIC and the United Nations signed an agreement launching the Jordan Resilience Fund, which serves as a unified channel for donor contributions to mitigate the impact of the Syrian crisis on Jordan and is jointly managed by the Government, the United Nations and donors.

In October 2015, the World Bank, the United Nations and the Islamic Development Bank (the "**IDB**") launched a Middle East and North Africa ("**MENA**") financing initiative (the "**MENA Financing Initiative**") to encourage international support for the Syrian crisis and improve co-ordination among international organisations. This initiative plans to provide concessional rate financing, with an initial focus on Jordan and Lebanon. In April 2016, Canada, the EU, France, Germany, Japan, the Netherlands, Norway, the United Kingdom and the United States pledged a package of approximately U.S.$1.6 billion to the initiative (comprising U.S.$141 million in grants, U.S.$1 billion in soft loans and U.S.$500 million in guarantees). In July 2016, the World Bank announced that two projects in Jordan aimed at improving job opportunities for over 200,000 Syrian refugees and addressing the need for the rehabilitation of municipal infrastructure in Jordan would be financed using U.S.$340 million of the pledges announced in April 2016.

The MENA Financing Initiative aims to raise U.S.$1 billion in grants over a five-year period in order to provide Jordan and Lebanon with U.S.$3-4 billion in concessional financing to support refugees and host communities in key sectors such as jobs, education, health and infrastructure.

The Jordan Compact, which was issued in connection with the conference on Supporting Syria and the Region held in London in February 2016, outlined a new approach to the Syrian refugee crisis to encourage economic development and opportunities in Jordan for the benefit of Jordanians and refugees. The Jordan Compact has three pillars: (i) turning the Syrian refugee crisis into a development opportunity, by promoting investment and opening up the EU market with simplified rules of origin to promote exports and create job opportunities; (ii) rebuilding host communities and strengthening their resilience through grant financing under the JRP for 2016-18; and (iii) mobilising grants and concessional financing to support the macroeconomic framework between 2016 and 2019. Pursuant to the Jordan Compact, the Government has committed to creating 13 development zones and industrial areas to encourage investment, as well as to increasing labour participation and educational opportunities for Syrian refugees. In July 2016, the Government and the EU announced plans to simplify the rules of origin Jordanian importers apply in trading with the EU. See "*External Sector—Foreign Trade*". Approximately U.S.$700 million of grants were pledged in support of the JRP for 2016 at the London conference. The Jordan Compact was reaffirmed in April 2017 at the Brussels conference on Supporting Syria and the Region.

Impact of the Syrian Refugee Crisis on Jordan

MOPIC estimates that the direct fiscal impact of the Syrian crisis amounted to 5.3% of GDP for 2016 and 5.1% for 2015. The Government has incurred a range of direct budgetary costs and sustained decreases in revenues as a result of the Syrian crisis. The IMF estimates that the hosting of refugees and the closing of land routes and border crossings have contributed to an increase in the non-oil current account deficit by approximately 9% of GDP over the past two years. According to MOPIC estimates published in the JRP for 2017-19, the fiscal burden of the presence of Syrian refugees in Jordan amounts to U.S.$2.9 billion in budgetary support requirements. MOPIC estimates that, for 2017, the additional budgetary requirements of the Kingdom in respect of the Syrian refugees include: (i) U.S.$237.8 million for subsidies on food, gas, water and electricity for Syrian refugees; (ii) U.S.$426.9million for increased security costs on activities directly related to the refugee operation, including those provided by the military, civil defence and police services; (iii) U.S.$111 million in revenue losses; and (iv) U.S.$172.9 million in accelerated infrastructure depreciation.

The presence of a large number of Syrian refugees has placed significant strains on, *inter alia*, housing, healthcare and education and the Government's budget, as well as the provision of public services.

According to Ministry of Education estimates published in the JRP for 2017-19, the direct financial cost of providing education to Syrian refugees will be U.S.$138 million in 2017, U.S.$139 million in 2018 and U.S.$141 million in 2019 based on an estimated cost of U.S.$709 per student, U.S.$660 per student and U.S.$622 per student in 2017, 2018 and

2019, respectively. The Ministry of Education estimates that approximately 195,000 Syrian refugees will enrol in Jordanian public schools in 2017. The large number of Syrian students has resulted in overcrowding in approximately 47% of Jordanian schools.

In the healthcare sector, from 2012-2016, approximately 1.8 million Syrian refugees received Government-funded healthcare services, resulting in an increase of approximately 33% in the occupancy of health centres and hospitals and the usage of medical and non-medical healthcare equipment, according to statistics compiled by the Ministry of Health.

The presence of Syrian refugees has led to increased pressure on employment and an increase in the informal economy. Syrians of working age (between 18 and 59 years) account for approximately 45.6% of total registered refugees (or 300,000 individuals), according to statistics compiled by MOPIC. According to Jordan's 2016 census, there are 500,000 working age Syrians residing in Jordan, although the actual number may be considerably higher. The Ministry of Labour estimates that approximately 135,000 Syrians are unofficially working in Jordan. The Jordan Compact aims, *inter alia*, to create jobs for Jordanians and Syrian refugees living in Jordan in the formal sector. In June 2017, the International Labour Organisation coordinated an agreement between the Government and trade unions, which permits trade unions to issue 10,000 first-time applicant refugees with 12-month renewable work permits. In August 2017, trade unions began issuing work permits directly to refugees working in the construction sector, and the first job centre inside of a refugee camp was opened at the Zaatari camp. See "*Risk Factors—Risks Relating to the Kingdom—Informal Economy*" and "*The Economy—Informal Economy*".

Municipal services, including waste management, are struggling to cope with the increased demand from the influx of Syrian refugees, with landfill facilities at capacity and excess solid waste. Since 2011, there has been an increase of approximately 10% in demand for water across the Kingdom (40% in northern areas of the Kingdom heavily populated by Syrian refugees), according to statistics compiled by MOPIC. Almost 70% of the population (including Syrian refugees) has access to less than the national standard of water (being 100 litres per person per day). See "*The Economy—Electricity and Water*".

See "*Risk Factors—Risks Relating to the Kingdom—Syrian refugees*".

Iraq

Since the invasion of Iraq in 2003, Jordan has played a pivotal role in supporting the restoration of stability and security in Iraq. The Government facilitated the training of over 50,000 Iraqi police cadets and officers at a Jordanian facility near Amman, which was completed in February 2012. Jordan also established the Al-Karama Free Zone, adjacent to the Iraqi border in 2004 as a transit zone for the Middle East. The Zone has become a major land-route to and from Iraq.

Jordan plays host to a significant Iraqi refugee population and has worked closely with donor agencies and the international community to address their humanitarian needs. According to statistics published by UNHCR, as at 31 December 2016, approximately 33,118 Iraqi refugees were registered with the UNHCR and residing in Jordan.

In 2008, Jordan appointed and sent an ambassador to Iraq in an effort to strengthen bilateral ties. As a neighbouring country, Iraq is a natural trading partner for Jordan, and, accordingly, the Government's policy is to support the regeneration of a stable Iraq, as instability in Anbar province connecting the two countries has affected the security of Jordan's overland trade routes.

Since September 2014, as part of a coalition led by the United States, Jordan has carried out air strikes on sites in Iraq controlled by Daesh.

Trade with Iraq has further deteriorated since 2014 as a result of the regional instability, conflict with Daesh and the Iraqi closure of its border with Jordan, which was in place between 2015 and August 2017. For example, according to external trade figures published by the CBJ, imports from Iraq accounted for 1.6% of total imports in 2013, 0.03% of total imports in 2014, 0.005% of total imports in 2015 and 0.01% in 2016. In August 2017, the main border crossing between Jordan and Iraq located at Tureibil was reopened for the first time since 2015. Before the border closure, domestic exports to Iraq represented 16.1%, or JD 828.7 million, of total Jordanian domestic exports in 2014, as compared to 7.5%, or JD 333.8 million in 2016. While the reopening of the border crossing is expected to have a positive impact on trade with Iraq, there can be no assurance that trade with Iraq will reach or be similar to the historic level of trade prior to the closing of the Tureibil border crossing.

See "*Risk Factors—Risks Relating to the Kingdom—Regional concerns and Syrian conflict*", "*Risk Factors—Risks Relating to the Kingdom—Conflict with Daesh*" and "*External Sector*".

United States

Jordan and King Abdullah II have maintained close relations with the United States, with Jordan often acting as a broker between the United States and other western governments, on the one hand, and other Arab states, on the other. In 1996, the United States designated Jordan as a major non-NATO ally. In October 2016, it was announced that Jordan will open a permanent office at NATO headquarters in 2017.

The United States has provided economic and military aid to Jordan since 1951. Levels of aid have fluctuated, increasing in response to threats faced by Jordan and decreasing during periods of curbs on aid funding. In September 2008, the U.S. and Jordanian governments reached an agreement under which the United States pledged to provide U.S.$660 million in annual foreign assistance, including military assistance, to Jordan for a five-year period.

In March 2010, the then-NATO Secretary General Anders Fogh Rasmussen requested that Jordan play a role in training the Afghan Army. In response, Jordan has sent a number of instructors from its armed forces and security service to Afghanistan.

A Jordan-U.S. free trade agreement was signed in 2000 and entered into force on 17 December 2001. It covers trade in goods and services, protection of intellectual property rights, environment, labour and e-commerce. Trade is being fully liberalised through the gradual reduction of custom duties and charges having equivalent effect over a ten-year period. This free trade agreement was the fourth such agreement that the United States ratified, after Canada, Mexico and Israel, and the first with an Arab country.

A Qualifying Industrial Zone Agreement entered into force in 1996 between the Kingdom and the United States. Products produced on industrial estates in Qualifying Industrial Zones benefit from duty- and quota-free access to the United States market. Currently, there are thirteen Qualifying Industrial Zones in the Kingdom. See "*The Economy—Production Sectors—Manufacturing, Mining and Quarrying—Qualifying Industrial Zones*".

Bilateral trade between the Kingdom and the United States has increased from U.S.$379 million in 1999 to U.S.$2,671.4 million in 2015.

In 2011, the Millennium Challenge Corporation, an independent U.S. government foreign aid agency, entered into a U.S.$275.1 million agreement with Jordan that aims to increase water supplies available to households and businesses and improve the efficiency of water delivery, extend wastewater collection and expand wastewater treatment.

In October 2012, the United States (acting through USAID) and Jordan entered into five grant agreements for an aggregate amount of U.S.$356.9 million. The five grants are as follows: (i) U.S.$47.8 million to increase trade and investment and to create jobs and develop the workforce; (ii) U.S.$27.0 million to improve water management and the water infrastructure; (iii) U.S.$29.0 million to support political development; (iv) U.S.$70.2 million to improve health and education services; and (v) U.S.$184.0 million to support the budget.

Along with other Arab countries, including Saudi Arabia, Bahrain, Egypt, Iraq, Kuwait, Lebanon, Oman, Qatar and the UAE, Jordan has also been a member of a U.S.-led military coalition formed to combat Daesh since September 2014.

In February 2015, the United States committed to increasing its annual aid to Jordan from U.S.$660 million to U.S.$1 billion for 2015-2017, in order to address Jordan's short term needs, including rising energy costs and those related to regional instability, including housing refugees from Syria and Iraq and military initiatives against Daesh. Of this U.S.$1 billion of annual support, approximately 40% is expected to be military support and 60% is expected to be economic support. Between 2010 and 2015, the Kingdom received defence assistance from the United States in the form of excess U.S. defence articles, including two C-130 aircraft, HAWK MEI-23E missiles and cargo trucks. The U.S. Department of Defense has also introduced a limited assistance programme with the Jordanian military. Pursuant to this programme, the U.S. Department of Defense is providing Jordan's border guard forces with U.S.$11.7 million for ammunition and communications equipment. Total U.S. aid to Jordan through 31 December 2015 was U.S.$15.8 billion. In May 2017, the U.S. Congress approved a U.S.$1.3 billion aid package for Jordan comprised of U.S.$812.4 million in economic support funds (including U.S.$475 million as direct budget support, which is expected to be disbursed in December 2017), U.S.$13.6 million in support for nonproliferation, anti-terrorism, demining and related programmes, U.S.$4.0 million for international military, education and training programmes and U.S.$450 million in foreign military funds.

In September 2015, the United States (acting through USAID) and Jordan entered into four further grant agreements for an aggregate amount of U.S.$429.7 million. The four grants are as follows: (i) U.S.$231.4 million to support the budget;

(ii) U.S.$133.4 million to improve social sector quality; (iii) U.S.$35.7 million to strengthen democratic accountability; and (iv) U.S.$29.2 million to assist economic development.

In December 2016, the United States transferred U.S.$470 million to the Government to support economic growth, education, health, water and democracy and governance under the Cash Transfer Assistance Agreement, which was one of four grants totalling U.S.$780 million signed by U.S. and Jordan in October 2016.

Acting through USAID, the United States has also provided Jordan with U.S.$3.75 billion in loan guarantees, allowing Jordan to access less expensive financing from the international capital markets. See "*Public Debt—External Debt*".

In October 2016, the U.S. Department of Labor lifted restrictions on the import of garment products from Jordan into the United States. It is anticipated that this will have a positive effect on the volume of Jordanian exports to the United States. See "*External Sector—Foreign Trade*".

European Union

Jordan is a party to the Jordan-EU Association Agreement, which was signed in 1997 and entered into force in 2002. It aims to create a free trade area between the EU and Jordan, establishing a comprehensive framework for political, economic, trade and investment, social and financial cooperation. The agreement allows entry of certain Jordanian industrial exports into Member States free of customs duties and other charges. EU industrial exports are also similarly allowed entry into Jordan free of customs duties and charges. In addition to the elimination of tariffs and reduction of non-tariff barriers, the agreement contains provisions on the conduct of trade in agricultural and industrial products, right of establishment and services, payments and movement of capital, competition, intellectual property rights, financial cooperation, economic cooperation in the fields of industry, standards, transportation, telecommunications, energy, science and technology, environment and tourism, statistics and the fight against illegal drugs.

Jordan is a partner country within the European Neighbourhood Policy (the "**ENP**"), a partnership framework between the EU and 16 of its neighbours. A joint ENP Action Plan (the "**Action Plan**") sets out the framework for the dialogue between the EU and Jordan. The Action Plan outlines a set of priorities that focus on political dialogue and reform, trade, social issues and assisting Jordan to access the EU's internal market. Two five-year Action Plans were implemented between 2010 and 2015.

In October 2010, Jordan and the EU reached an agreement on a new action plan, which, in turn, set out the framework for an "Advanced Status" relationship between the EU and Jordan, the first Mediterranean nation with which the EU concluded technical negotiations with respect to an "Advanced Status". The action plan set out six priorities: (i) enhanced political dialogue and reform; (ii) economic and social reform and development; (iii) trade related issues and market and regulatory reform; (iv) cooperation in justice and home affairs; (v) transport, energy, information technology and environmental cooperation; and (vi) people-to-people contacts, including education.

The EU has also developed Indicative Programmes for Jordan, the most recent being for 2014-2020. The Indicative Programme sets out three priorities: (i) the reinforcement of the rule of law for enhanced accountability and equity in public service delivery; (ii) employment and private sector development; (iii) the promotion of renewable energies and energy efficiency; and (iv) other measures, including the support of other reforms. The total bilateral European Neighbourhood Instrument ("**ENI**") budget allocation for Jordan for the period 2014-2020 is between €567 and €693 million. Under the Single Support Framework for EU support to Jordan for 2014-2017, established under the ENI, between €312 million and €382 million in financial assistance has been allocated to Jordan to support the aims of the ENI.

In December 2011, the EU Council adopted negotiating directives for a Deep and Comprehensive Free Trade Agreement ("**DCFTA**") with Jordan, which will include provisions on investment protection and is intended to extend beyond the current Association Agreement to include trade in services, government procurement, competition, intellectual property rights and investment. The preparatory process for launching the DCFTA is ongoing and a sustainability impact assessment was conducted in 2014. Jordan is also preparing for an Agreement on Conformity Assessment and Acceptance of industrial products, which is expected to allow Jordanian products from selected sectors to enter the EU market without additional technical controls.

In February 2012, the EU/Jordan Task Force was convened at the Dead Sea in Jordan. At the meeting, an agreement was reached to provide Jordan with €2.7 billion in assistance and loans from various partners (including EU member states, the European Investment Bank (the "**EIB**") and the European Bank for Reconstruction and Development (the "**EBRD**")). Increased cooperation in the trade and business sectors was also discussed.

In February 2016, the EU entered into a Memorandum of Understanding with the Ministry of Interior to co-operate in the field of violent extremism prevention. Pursuant to this Memorandum of Understanding, the EU has granted Jordan funds of up to U.S.$11 million to be used to combat violent extremism.

The tenth meeting of the EU-Jordan Association Committee took place in Amman in July 2016 at which the EU and Jordan discussed their partnership priorities in the context of the ENP. In line with the aims of the Jordan Compact, at the conclusion of the EU-Jordan Association Committee, the Government and the EU announced plans to simplify the rules of origin Jordanian importers apply in trading with the EU and tariff-free access to the EU for products produced with a qualifying amount of Syrian refugee labour. See "*External Sector—Foreign Trade*". The 12th meeting of the EU-Jordan Association Committee took place in Brussels on 10 July 2017, during which the EU committed to maintain the level of support allocated for 2016-2017 in 2018-2019 in support of, *inter alia*, Jordan's Executive Development Programme 2017-2019, the JEGP and the JRP 2017-2019.

In July 2016, the EU approved grants of U.S$99.7 million to fund Jordan's renewable energy and energy efficiency programme. See "*Public Debt—International Institutions—European Union*".

In October 2016, the Minister of Planning and International Co-operation announced that Germany had approved €272.7 million of financial support to Jordan for 2016 to be comprised of €146 million in grants and €56.7 million of technical support. The majority of this funding is aimed at providing partial financing of the JRP for 2016-18. On 28 March 2017, the Minister of Planning and International Co-operation announced that, in line with Germany's pledged commitment to support Jordan at the conference on Supporting Syria and the Region in London in February 2016, the German Development Bank had signed a grant agreement with Jordan for an amount of €44 million to be used to finance the second phase of a project aimed at supplying energy to Syrian refugees and host communities.

In December 2016, the EU and Jordan signed an agreement through which the EU pledged €55 million in support of private sector development projects set out in Jordan 2025. For the period 2012-2018, the EU has committed €374 million to the education sector in the field of basic education, technical and vocational education and training and higher education, targeting both Jordanians and Syrians. Over the same period, the EU also provided aid to address immediate and medium-term humanitarian challenges related to Syrian refugees, including, *inter alia*, €166 million in humanitarian assistance to Syrian refugees, €186 million in education, livelihood, water, sanitation and hygiene and €380 in macro-financial assistance.

Agadir Declaration

In May 2001, the ministers of foreign affairs of Jordan, Tunisia, Egypt and Morocco at a meeting in Agadir, Morocco, signed a joint declaration known as the "Agadir Declaration" in which they stated their objective of creating a common free trade zone amongst southern Mediterranean countries that have entered into association agreements with the EU. In February 2004, the Agadir Agreement established a free trade zone among Jordan, Tunisia, Egypt and Morocco. The Agadir Agreement entered into force on 6 July 2006, following ratification by the four countries that are party to the agreement. Implementation of the Agadir Agreement began in March 2007.

GCC

The GCC, which is comprised of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE, and Jordan have entered into a strategic partnership. At the GCC Summit held in October 2011, the GCC created the U.S.$5 billion Gulf Fund to fund economic and social development projects in Jordan to be granted over the following five years, which consists of U.S.$1.25 billion grants from each of Kuwait, Qatar, Saudi Arabia and the UAE. Only Kuwait, Saudi Arabia and the UAE have committed their portion of the Gulf Fund. As at 31 August 2017, U.S.$3.7 billion had been committed under the Gulf Fund to ongoing capital investment projects in the transport infrastructure, health, education, energy, water and local development sectors. The funding for such projects is expected to cease by the end of 2019. The Gulf Fund has not been renewed, and there can be no assurance that the Gulf Fund will be renewed.

In 2012, the GCC adopted two plans to reinforce the strategic partnership between the GCC and Jordan, pursuant to which joint working groups were established comprising economic, political, judicial and legal teams, and focusing on co-operation in key sectors, including transportation, communications, agriculture, energy, natural resources and the environment, as well as education, scientific research, tourism, social and community development, culture, media, youth and sport. Aimed at further increasing co-operation between Jordan and GCC members, in September 2015, the Gulf-Jordanian Economic Communication Forum was held in Amman to discuss topics including, *inter alia,* Gulf-Jordanian economic and trade relations, opportunities and challenges, the role of Arab and Gulf funds in supporting small- and medium-sized enterprises ("**SMEs**") and initiatives to encourage communication among entrepreneurs in the region.

In 2016, the Saudi Fund for Development provided Jordan with grants totalling U.S.$94.1 million for budget support.

See "*Risk Factors—Risks Relating to the Kingdom—Regional concerns and Syrian conflict*" and "*—History*".

Others

A free trade agreement between Jordan and EFTA Countries (Norway, Iceland, Liechtenstein and Switzerland) was signed in 2001.

In September 2012, France extended a €150 million concessionary long-term loan to Jordan to help finance the 2012 budget. In November 2012, Jordan received a €100 million disbursement under this loan. In June 2015, France finalised a U.S.$166 million loan for the Bus Rapid Transit project. In July 2015, France granted a soft loan on concessional terms of U.S.$265 million to Jordan to implement three major water and energy projects.

In August 2012, Japan extended a U.S.$156 million concessionary loan to help finance the 2012 budget. In June 2013, Japan provided Jordan with an additional soft loan of U.S.$120 million. In March 2014, the Japanese International Cooperation Agency ("**JICA**") signed a loan agreement with Jordan, to provide a Fiscal and Public Reform Development Policy Loan for up to JPY 12 billion and, in May 2015, the JICA signed a further agreement to provide a Fiscal and Public Reform Development Policy Loan for up to JPY 24 billion with the aim of promoting Jordan's economic stabilisation and development efforts through support for reform of debt management and public services.

In July 2015, the Arab Monetary Fund ("**AMF**") extended a U.S.$58 million loan to Jordan to support structural reform of public finances. In March 2017, the AMF extended a U.S.$56 million loan to Jordan to support Jordan's financial reform programme. As at 30 June 2017, the total amount of outstanding loans extended by the AMF to Jordan was approximately U.S.$301.6 million.

A Jordan-Singapore free trade agreement was signed in 2004. Its aim is to promote economic relations and develop partnerships between Jordan and Singapore.

A Jordan-Turkey free trade agreement was signed in 2009 and entered into force in 2011.

Following the revolution in Libya, Jordan played a role in hosting and treating injured Libyans, as well as providing training to the Libyan police force.

In March 2015, a coalition of Arab countries led by Saudi Arabia and including Jordan, other GCC members, Egypt, Morocco, Sudan and others, supported by the United States and other western governments, intervened in the civil war in Yemen on the side of the Yemeni government against the Houthi rebels, who have taken control of Yemen's capital, Sana'a and most of the country, although government control has since been re-established in certain areas. The coalition conducted a number of air strikes in Sana'a and elsewhere, and the Saudi military has deployed troops and armour on the Saudi-Yemeni border. See "*Risk Factors—Risks Relating to the Kingdom—Regional concerns and Syrian conflict*".

International Organisations

Jordan is a member of the United Nations and several of its specialised and related agencies, including the World Trade Organization, the World Meteorological Organization, the Food and Agriculture Organization, the International Atomic Energy Agency, the International Civil Aviation Organization and the World Health Organization.

Jordan also is a member of the World Bank, the IMF, the Asian Infrastructure Investment Bank (the "**AIIB**"), the World Customs Organization, the Group of 77, the International Chamber of Commerce, the Non-aligned Movement. In addition, Jordan is a member of a number of regional institutions, including the AIIB, the AMF, the IDB, the Arab Fund for Economic and Social Development ("**AFESD**"), the Arab League, the Organisation of Islamic Cooperation and the Greater Arab Free Trade Area.

Between January 2014 and January 2016, Jordan served a two-year term as a non-permanent member on the UN Security Council.

World Trade Organisation

Jordan became the 136th member of the World Trade Organisation on 11 April 2000. Major economic and legislative reforms were made to bring Jordanian trade laws and regulations into compliance with World Trade Organisation requirements. To this end, several amendments were made to existing laws and several new laws were implemented, especially in respect of intellectual property rights. In addition, Jordan made commitments on a wide range of services with liberal access for foreign suppliers and investors, and Jordan fulfilled its commitment to lower tariffs to rates ranging from 0% to 30% by 2010. See "*Public Debt—International Institutions—World Bank*".

IMF

Jordan joined the IMF on 29 August 1952 and has benefited from IMF arrangements on a number of occasions. On 3 August 2012, the Government and the IMF agreed to a three-year U.S.$2 billion SBA in order to support the Government's programme during the period 2012-2015 and address fiscal and external challenges, such as the Eurozone crisis, high international commodity prices and the impact of the significantly reduced supplies from the Arab Gas Pipeline. In July 2015, the IMF completed its seventh and final review of Jordan's economic programme supported by the SBA, which enabled the disbursement of U.S.$396.3 million in additional funds. The full amount of U.S.$2 billion was disbursed under the SBA to Jordan.

On 24 August 2016, the Executive Board of the IMF approved a three-year SDR 514.7 million (approximately U.S.$723 million) Extended Fund Facility for Jordan, of which SDR 51.5 million (approximately U.S.$72.3 million) was initially disbursed in August 2016. The EFF is intended to: (i) support the economic and financial reform efforts outlined in Jordan 2025; (ii) advance fiscal consolidation to lower public debt; and (iii) support broad structural reforms to enhance the conditions for more inclusive growth. Further disbursements under the EFF are subject to the completion of six reviews by the IMF and the meeting of certain targets. The IMF published the preliminary findings of its review under the EFF in November 2016 and concluded its visit to Jordan in March 2017. In June 2017, the IMF completed its first review of Jordan's economic performance under the EFF, which enabled a further disbursement of SDR 51.5 million (approximately U.S.$71 million), bringing total disbursements under the EFF to SDR 102.9 million (approximately U.S.$141.9 million).

See "*Risk Factors—Risks Relating to the Kingdom—Reliance on multilateral and bilateral creditors*", "*Economy—Government Programme, Recent Developments and Reforms—IMF EFF*" and "*Public Debt—International Institutions—IMF*".

World Bank

Jordan joined the World Bank in 1952 and received its first International Development Association credit in 1961. The World Bank has supported Jordan's economic adjustment and structural reform process since 1989 when it extended to Jordan a U.S.$150 million Industrial and Trade Policy Adjustment Loan. Principal support to Jordan is granted through the World Bank's Country Partnership Strategy for Jordan. In July 2016, the World Bank approved its Country Partnership Strategy for Jordan for the period 2017-2022. A total of U.S.$1.4 billion of funding is available over the six years of the Country Partnership Strategy, with the first portion, U.S.$300 million in concessional rate loans, supported by the World Bank's GCFF, disbursed in October 2016. On 1 December 2016, the World Bank approved a second financial package of U.S.$250 million, consisting of a U.S.$25 million contribution from the GCFF, combined with a U.S.$225 million loan supported by the GCFF. The package is aimed improving the financial viability and efficiency of the water and energy sectors. The portfolio comprises investments in municipal services, education, energy, environment, public sector governance, public administration, social services, access to finance and the private sector. As at 31 December 2016, the World Bank's portfolio in Jordan included 13 active projects valued at U.S.$681.5 million in loans and grants. An additional U.S.$86.1 million in loans were approved by the World Bank in the three months ended 31 March 2017. The portfolio comprises investments in municipal services, education, energy, environment, public sector governance, public administration, social services, access to finance and the private sector.

In October 2015, the World Bank, the United Nations and the IDB launched the MENA Financing Initiative. In July and December 2016, the World Bank announced the launch of two projects under the MENA Financing Initiative. See "*—International Relations—Syria.*" and "*Public Debt—International Institutions—World Bank*".

In October 2016, the Minister of Planning and International Co-Operation announced that Jordan had been chosen to head the Board of Governors of the World Bank and the IMF for 2017.

EBRD

In January 2012, Jordan became a member of the EBRD. Jordan's membership is part of the process to become a recipient of EBRD investments. In October 2013, the EBRD opened a permanent office in Amman. See "*Public Debt—International Institutions—EBRD.*"

AIIB

In December 2015, Jordan became a member of the AIIB. The AIIB, is an international institution focused on the development of infrastructure and other production sectors in Asia. As a member of the AIIB, Jordan is eligible to receive AIIB financing for projects in various economic sectors, including the energy and power, transportation, telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development and logistics sectors.

Defence and National Strategy

Jordan maintains highly-trained and disciplined armed forces since Jordan's physical location and political stance have historically placed it in the front line of confrontation. The Jordanian armed forces, also known as the Arab Army, were formed in March 1956 from the Arab Legion, which traces its roots to a unit formed by the British in the 1920s and fought in World War II with the allies in the Middle East. The King is the commander-in-chief and exercises effective command of Jordan's armed forces. Jordan has also increased its military expenditures from JD 1,756.8 million in 2012 to JD 2,215.5 million in 2016.

Jordan's close relations with the United States and the United Kingdom have enabled the Jordanian armed forces to benefit from direct financial aid from the United States and donations of equipment from both the U.S. and British militaries. In addition to their primary role in defending the Kingdom, the Jordanian armed forces have been dispatched abroad in many countries, deployed as United Nations peacekeepers under Chapter 6 (non-interventionist) peacekeeping missions and undertaken a significant civil defence role within Jordan. The Jordanian armed forces are active in domestic disaster relief and have traditionally provided services such as health care and education in the more remote areas of Jordan.

Since September 2014, as part of a coalition led by the United States, Jordan has carried out air strikes on sites controlled by Daesh in Syria and Iraq. See "*—International Relations—Syria*", "*—International Relations—Iraq*" and "*Risk Factors—Risks Relating to the Kingdom—Conflict with Daesh*".

In March 2015, a coalition of Arab countries led by Saudi Arabia and including Jordan, other GCC members, Egypt, Morocco, Sudan and others, supported by the United States and other western governments, intervened in the civil war in Yemen on the side of the Yemeni government against the Houthi rebels, who have taken control of Yemen's capital, Sana'a and most of the country, although government control has since been re-established in certain areas. The coalition conducted a number of air strikes in Sana'a and elsewhere, and the Saudi military has deployed troops and armour on the Saudi-Yemeni border. See "*Risk Factors—Risks Relating to the Kingdom—Regional concerns and Syrian conflict*".

In June 2016, five employees of the National Intelligence Agency, including three intelligence officers, were killed in a terrorist attack in a Palestinian refugee camp near Amman. In June 2016, Jordan sealed entry points for Syrian refugees following a suicide bomb attack on the border, which killed four Jordanian soldiers, a police officer and a civil defence officer. In response to these attacks, the Government has designated sections of the northern and north-eastern border with Syria as closed military zones. No new refugees will be admitted through these designated sections.

THE ECONOMY

Principal Economic Indicators

The following table sets forth the principal economic indicators for Jordan as at the end of, or for, the periods indicated.

Principal Economic Indicators[1]

	2012	2013	2014	2015	2016[2]	Jan-June 2017
GDP at current market prices *(JD millions)*[3]	21,965.5	23,851.6	25,437.1	26,637.4	27,444.8	—
GDP at constant market prices *(JD millions)*[4][5]	10,515.3	10,812.8	11,147.6	11,413.2	11,642.9	—
Growth rate of GDP at constant market prices *(%)*[4][5]	2.7	2.8	3.1	2.4	2.0	—
GDP per capita at current market prices *(JD)*	2,957.5	2,939.6	2,889.3	2,786.6	2,801.1	—
Unemployment rate *(%)*[7]	12.2	12.6	11.9	13.0	15.3	18.1[7]
Change in CPI *(%)*[8]	4.5	4.8	2.9	(0.9)	(0.8)	3.7
Current account balance *(JD millions)*[9]	(3,344.9)	(2,487.7)	(1,851.7)	(2,418.2)	(2,563.4)	—[10]
Net trade balance *(JD millions)*[9]	(7,486.6)	(8,270.1)	(8,495.6)	(7,336.2)	(6,761.5)	—[10]
Capital and financial account balance *(JD millions)*[9]	3,834.0	1,956.1	1,084.1	1,945.4	2,350.1	—[10]
Gross official reserves *(U.S.$ millions)*[9]	7,593.4	12,820.2	15,002.9	15,698.2	14,499.9	13,105.4[10]
Current account balance *(as % of GDP)*[9]	(15.2)	(10.4)	(7.3)	(9.1)	(9.3)	—[10]
Foreign exchange reserves *(months of imports)*[9]	4.0	6.6	7.5	9.2	8.3	7.4
Total revenues and grants *(JD millions)*	5,054.3	5,758.9	7,267.6	6,797.1	7,069.6	3,446.6[11]
Total expenditure *(JD millions)*	6,878.2	7,076.9	7,851.1	7,722.7	7,948.2	3,749.1[11]
Government budget deficit[12]						
Including foreign grants *(JD millions)*	(1,824.0)	(1,318.2)	(583.5)	(925.6)	(878.6)	(302.9)[11]
Excluding foreign grants *(JD millions)*	(2,151.3)	(1,957.3)	(1,820.0)	(1,811.8)	(1,714.6)	(420.7)[11]
as % of GDP (including grants)	(8.3)	(5.5)	(2.3)	(3.5)	(3.2)	—
Total net public debt[13]						
in JD millions	16,580.9	19,096.7	20,555.5	22,847.9	24,079.4	25,021.3[14]
as % of GDP[3]	75.5	80.1	80.8	85.8	87.7	89.2
Total external debt *(as % of GDP)*[3]	22.5	30.3	31.6	35.3	37.5	38.9
Exchange rate *(U.S.$ per JD)*[15]	1.410	1.410	1.410	1.410	1.410	1.410
Exchange rate *(€ per JD)*[9]	1.097	1.063	1.061	1.296	1.337	1.256

Sources: Department of Statistics, CBJ, Ministry of Finance

Notes:

(1) Certain figures in this table have been revised and may differ from previously published data.

(2) Preliminary data.

(3) GDP at current market prices. GDP at current market prices for the three months ended 31 March 2017 was JD 6,492.5 million. See "*—Gross Domestic Product*".

(4) GDP at constant market prices. GDP at constant market prices for the three months ended 31 March 2017 was JD 2,727.3 million, and the growth rate of GDP at constant market prices for the three months ended 31 March 2017 was 2.2%, as compared to the corresponding period in 2016. See "*—Gross Domestic Product*".

(5) Base year is 1994

(6) See "*—Employment and Labour*".

(7) In 2017, the Department of Statistics implemented a new methodology for the calculation of unemployment figures in line with new recommendations issued by the International Labour Organisation, which differs in certain respect from previously used methods. Accordingly, the comparability of statistics prepared under the new and old methodologies is limited.

(8) Period average to period average. Index based upon basket determined by the Department of Statistics, (2010 = 100). See "*Monetary System—Inflation*".

(9) Calculated at end of period.

(10) For the three months ended 31 March 2017, the current account deficit was JD 788.2 million, the trade deficit was JD 1,814.9 million and the capital and financial account surplus was JD 980.6 million. As at 31 August 2017, gross official reserves were U.S.$12,787.9 million, representing 7.2 months of imports.

(11) In the seven months ended 31 July 2017: (i) total revenues and grants were JD 4,100.6 million, as compared to JD 4,110.7 million for the corresponding period in 2016; (ii) total expenditure was JD 4,640.4 million, as compared to JD 4,417.5 million for the corresponding period in 2016; (iii) the budget deficit (including foreign grants) was JD 539.9 million, as compared to JD 316.8 million for the corresponding period in 2016; and (iv) the budget deficit (excluding foreign grants) was JD 674.0 million, as compared to JD 565.5 million in the corresponding period

2016. See "*Public Finance—2017 Interim Results*".

(12) Total central government revenues (including privatisation proceeds and grants) minus total central government expenditure. See "*Public Finance—Public Accounts*".

(13) Total net public debt is comprised of the external and net domestic debt of the central government and debt guaranteed by the central government. See "*Public Debt*". Net domestic debt is central government debt, net of government bank deposits. See "*Public Debt—Domestic Debt*".

(14) As at 31 July 2017: (i) gross public debt was JD 26,550.2 million, representing 94.1% of GDP; (ii) net public debt was JD 25,187.5 million, representing 89.3% of GDP; (iii) external public debt was JD 10,905.2 million, representing 38.7% of GDP; and (iv) net domestic debt was JD 14,282.3 million, representing 50.6% of GDP.

(15) In October 1995, Jordan adopted a pegged exchange rate system, whereby the Jordanian Dinar is pegged to the U.S. Dollar. The exchange rate of the Jordanian Dinar against the other major currencies is determined according to the exchange rates of these currencies against the U.S. Dollar in the international financial markets. See "*Monetary System – Foreign Exchange Rates*".

Government Programme, Recent Developments and Reforms

Jordan 2025

In response to external factors, which have affected Jordan's economy, including the political unrest in the region, the influx of refugees into the Kingdom and the significant reduction in the Kingdom's natural gas supply from the Arab Gas Pipeline, as well as the Kingdom's exposure to international oil prices (due to a lack of domestic production) and other commodity prices and other domestic economic challenges, including the high poverty rate, structural unemployment, low labour productivity, gender inequality, limited access to financing and bureaucratic and administrative hurdles faced by businesses, the Government announced a new vision for Jordan, known as "Jordan 2025", in May 2015. The ten-year programme, which features a long-term vision for Jordan's economy, includes over 400 policies and measures to be implemented by the Government, the private sector and civil society to support economic development. The Government has stated that these policies and procedures seek to boost the rule of law and equal opportunities, as well as to achieve fiscal sustainability and self-sufficiency.

Jordan 2025 has replaced the three-phase National Agenda programme, which had been implemented since 2007. Jordan 2025 has been developed to reduce the effects of regional uncertainty, with a baseline scenario (assuming continued regional uncertainty) and a targeted scenario (assuming an improved regional economic and political outlook). The baseline scenario targets GDP to grow by 5.8% annually over the next ten years (as compared to GDP growth of 2.4% in 2015), while the targeted scenario provides for annual GDP growth to increase to 7.5% by 2025.

In addition, Jordan 2025 includes the following fiscal and structural targets:

- lowering the unemployment rate from 11.9% in 2014 to 9.2% or lower by 2025, as well as increasing female labour participation;
- reducing Jordan's extreme poverty rate from 14% in 2014 to 10% by 2025:
- reducing Jordan's net public debt to GDP ratio to 47% by 31 December 2025;
- balancing the budget by 2025;
- increasing the contribution of agriculture and industry to GDP (to 3.4% and 27.8%, respectively), which would in turn lead to a corresponding decrease in the contribution of the services sector to 63.5% by 2025;
- improving the tax system and business regulations (including plans to reform tax administration, provide new tax incentives to businesses to encourage investment and introducing legislation to encourage Jordanians to start new businesses);
- encouraging greater public-sector efficiency to boost private-sector performance;
- privatising a number of state-owned companies;
- increasing co-operation between the Government and the private sector in other areas; and
- establishing Jordan as a regional economic gateway through the use of free-trade agreements to develop an export-oriented economy.

The Government is implementing its fiscal goals under Jordan 2025 through three executive programmes. The Government is in the process of implementing its first executive programme, which covers the period 2016-2018. The estimated financing requirement for the programme is U.S.$14 billion, of which the Government has identified U.S.$2.5

billion in priority projects and programmes across 13 economic sectors. A dedicated unit has been established at the Prime Minister's Office to monitor the implementation of the executive programmes. See "*Risk Factors—Risks Relating to the Kingdom—Jordan 2025*".

On 28 September 2016, the King appointed Mr. Al-Mulki as Prime Minister and swore in the new Government. The newly-elected Chamber of Deputies commenced its first session on 7 November 2016 and the Government's programme was approved by the Chamber of Deputies on 24 November 2016 by a majority of 84 out of 128 deputies present.

In addition to the targets set out above, Jordan 2025 sets outs a series of goals in four broad categories: citizens, society, business and government.

Jordan Economic Growth Plan

In May 2017, the Economic Policy Council approved the JEGP. The JEGP is designed to stimulate economic growth in Jordan between 2018 and 2022 through the implementation of reform and investment projects. The JEGP is intended to facilitate the objectives set out in Jordan 2025, the EFF and other existing initiatives. The JEGP's objectives include, *inter alia*: (i) improving standards of living; (ii) achieving developmental balance and reducing economic and regional inequality; (iii) achieving sustainable human development through the development of targeted employment and educational programmes; (iv) empowering Jordan's youth; (v) maintaining monetary and fiscal stability; (vi) maintaining the budget deficit and public debt at safe levels; (viii) increasing the flexibility of the labour market; (ix) stimulating private sector investment; and (x) maximising Jordan's exports and activating free-trade agreements.

To achieve these objectives, the JEGP sets out a detailed set of interrelated policies and private investment projects related to macro-economic stability (including fiscal and monetary policy), competition and investment (including investment policy and the development of the public and information and communications technology sectors), the infrastructure and economic sectors (including the water, energy, transport, industry, foreign trade, internal trade and micro-, small- and medium-sized enterprises, professional services, tourism, construction, engineering and housing and agricultural sectors) and social development (including education and human resource development and the healthcare and labour sectors). The JEGP identifies 95 economic reform programmes and 85 government projects totalling U.S.$8.8 billion and 27 private sector investments totalling U.S.$13.3 billion. The Government and the Economic Policy Council are charged with implementing the JEGP.

Government

The government targets include:

- ***macro-economic stability leading towards balancing the budget*** – enhancing revenue management and collection, expanding the use of electronic revenue collections, reducing tax exemptions, reviewing capital expenditure programmes, enhancing public expenditure controls and promoting transparency and financial disclosure;

- ***decentralisation*** – formulating a national strategy to reform government and further decentralise powers to more local levels;

- ***Jordan's infrastructure*** – developing a strategy for national infrastructure, improving public transportation in Amman and surrounding areas, constructing a national railway network and strengthening the public-private partnership regulatory framework;

- ***resource security*** – enhancing private sector participation, reducing the potential for supply-side and price shocks, transitioning to more sustainable, efficient and productive agricultural production, increasing the capacity and quality of the water supply and improving water distribution networks, encouraging investment in renewable energy supplies, enhancing the electricity system, opening the petroleum products sector to competition and diversifying sources of natural gas imports;

- ***improved public sector performance*** – supporting decision making at the Council of Ministers level, modernising government services, improving civil service efficiency and promoting transparency; and

- ***addressing the size and work of the government*** – improving the structure of the government, reviewing the regulatory environment and promoting "e-government" services.

Business

The business targets include:

- ***trade and competitiveness*** – encouraging national industries to improve their competitiveness, promoting industrial clusters, increasing the contribution of income and job-generating service sectors, opening new markets for Jordanian products, developing trade facilitation measures and promoting consumer protection mechanisms, including through the adoption of a new consumer protection law, which became effective on 15 June 2017, and the establishment of the Consumer Protection Directorate in August 2017;

- ***business environment*** – enhancing the investment climate in the Kingdom, reducing the costs of doing business, encouraging international best practices in corporate governance, improving the legal framework for domestic and foreign companies and simplifying administrative procedures;

- ***capital for growth*** – encouraging lending against moveable collateral for SMEs, increasing loan guarantees for SMEs and entrepreneurship projects and increasing funds available to entrepreneurs and SMEs;

- ***entrepreneurship and SMEs*** – accelerating the reform of the legal and regulatory environment, expanding local markets for SMEs and increasing export capacity, strengthening local research and innovation capacity and increasing female participation in entrepreneurship and SMEs; and

- ***sectoral targets*** **–** introducing a number of sector-specific targets in engineering and construction, health care and medical tourism, life sciences, tourism and conferences, digital and business services and financial services.

Society

The society targets include:

- ***rule of law*** – promoting the National Integrity Charter (which sets out basic principles and ethical and professional criteria in the public and private sectors, aimed at strengthening integrity, transparency, the rule of law and accountability), improving the efficiency of the judicial system, ensuring quick law enforcement and automating judicial proceedings;

- ***active citizenship*** – encouraging civic engagement and participation and volunteerism;

- ***communities (local development)*** **–** improving access to adequate housing and housing loans for the poor, increasing the housing stock available to rent and promoting local development, as measured by a number of statistics (*e.g.*, unemployment, poverty rate, job creation) on a local level;

- ***communities (culture and youth)*** – increasing the number of cultural centres and sports cities, increasing publishing and assisting media producers;

- ***poverty and social protection*** – building and developing integrated targeting systems to help reduce poverty rates, providing legal protections for persons with disabilities and increasing female participation in society; and

- ***safety and security*** – helping security authorities to use technology to reduce crime and caring for individual health and addressing behaviours that affect such health.

Citizen

The citizen targets include:

- ***education*** – increasing educational access, including by increasing the scope of early childhood education, encouraging the expansion of extra-curricular activities, revamping university entrance exam procedures, attracting and developing talented educators and raising the level of applied research at universities;

- ***employment*** – ensuring that foreign workers enhance employment opportunities for Jordanians, supporting labour rights in the public and private sectors, reducing the effects of "brain drain" and building a skilled and motivated workforce;

- ***workforce participation*** – encouraging greater female participation, limiting access to early retirement, improving vocational training and reducing informal employment; and

- ***healthcare*** – improving the institutional framework, improving the performance of the public healthcare system, improving the delivery of emergency services and improving health care professionals' education.

See "*Risk Factors—Risks Relating to the Kingdom—Jordan 2025*".

IMF EFF

On 24 August 2016, the Executive Board of the IMF approved a three-year SDR 514.7 million (approximately U.S.$723 million) Extended Fund Facility for Jordan, of which SDR 51.5 million (approximately U.S.$72.3 million) was initially disbursed in August 2016. On 21 June 2017, the Executive Board of the IMF completed its first review under the EFF. The completion of its first review enabled a further disbursement, in June 2017, of SDR 51.5 million (approximately U.S.$71 million), bringing total disbursements under the EFF to SDR 102.9 million (approximately U.S.$141.9 million).

As part of its review under the EFF, the IMF set a number of structural benchmarks for the Government in a range of areas: (i) fiscal framework and management (including, the submission to the National Assembly and implementation of a new income tax law, the submission to the National Assembly of a draft budget law for 2017, the submission to the National Assembly and Council of Ministers approval of a new tax exemptions framework to reduce general sales tax exemptions and exemptions on customs duties and the publication of a public expenditure review), (ii) debt management (including, the publication of an updated public debt management strategy), (iii) water and energy sector (including, the adoption of an automatic electricity tariff adjustment mechanism), (iv) financial sector and access to finance (including, the transfer of the supervision of the insurance sector to the CBJ), (v) business environment and (vi) labour market.

As part of its first review under the EFF, the Executive Board also approved the Government's request for a waiver of non-observance of performance criteria under the EFF relating to the net international reserves of the CBJ and the rephasing of access. The EFF is intended to: (i) support the economic and financial reform efforts outlined in Jordan 2025; (ii) advance fiscal consolidation to lower public debt; and (iii) support broad structural reforms to enhance the conditions for more inclusive growth. In December 2017, the Executive Board of the IMF is expected to conduct a second review of Jordan's compliance with the EFF performance criteria.

The Government is implementing a number of reforms in the following areas in anticipation of the second review in order to meet structural benchmarks: (i) fiscal framework and management (including, *inter alia*, certain income tax reforms, such as the implementation of the new income tax law, and the reform of the general sales tax and customs duty systems) and (ii) debt management (including, *inter alia*, the publication of an updated public debt management strategy and the completion of the reorganisation of the Public Debt Directorate). See "*—Public Finance—The Budget Process—Reform*", "*Public Debt—Public Debt Management*" and "*—EFF Reform Measures*". The Kingdom met all of the structural benchmarks in the water and energy sector set for the first review, including, *inter alia*, the adoption and implementation of an automatic electricity tariff mechanism and the publication of studies on cross-subsidisation and options for price adjustments in response to oil price changes in September 2016. See "*Risk Factors—Risks Relating to the Kingdom—Reliance on multilateral and bilateral creditors*" and "*Description of the Hashemite Kingdom of Jordan—International Relations—International Organisations—IMF*".

EFF Reform Measures

Key reform measures announced by the Government in connection with the EFF include:

- *Fiscal reforms:* The Government announced that it will conduct a comprehensive review of tax and customs exemptions with a view to establishing more streamlined, efficient and transparent policies and procedures, starting with the planned reduction of tax exemptions, which was included in the 2017 budget. The Government is also preparing amendments to the income tax law to reduce the personal tax exemption threshold, raise general income tax rates (to align them with personal income tax rates), strengthen the framework for transfer pricing and establish a minimum corporate income tax to combat tax evasion. In addition, the Government is considering targeted increases in sales taxes on items not considered to be essential items. These amendments are expected to be submitted to the National Assembly by the end of 2017. The Government is continuing measures to contain current spending, while enhancing protection for low-income citizens, by maintaining the nominal growth of the public sector wage bill at approximately 1.5% per year between 2017 and 2019 and taking steps to better target transfers by adopting an automatic electricity tariff adjustment mechanism with effect from January 2017.

- *Monetary system reforms:* In 2016, the National Assembly adopted amendments to Law № 23 of 1971 (the "**CBJ Law**"), which outlines the CBJ's authority and responsibilities. The amendments aim to foster transparency and align the CBJ's autonomy and oversight with international best practices. Amendments to the banking law are also expected to be considered by the Chamber of Deputies. See "*Monetary System—The Jordanian Banking Sector*". In addition, at the beginning of 2017, a risk-based framework for offsite supervision of banks and money exchange firms was implemented. The Government is in the process of finalising amendments to the Anti Money Laundering and Counter Terrorism Financing law ("**AML/CFT**") and is working to harmonise the legislative and regulatory framework with the 2012 Financial Action Task Force standards by the end of 2017. Amendments to the insurance law (including to transfer supervision of the insurance sector to the CBJ) are under discussion and expected to be submitted to the National Assembly in 2017, with implementation targeted by the end of March 2018. Plans have also been announced to (i) amend the insolvency law, to bring it in line with international best practice and (ii) introduce a secured lending law in 2017, both of which are expected to be submitted to the National Assembly by the end of 2017.

- *Investment promotion and job creation:* The Ministry of Labour has developed an action plan to promote greater participation and formality in the labour market, including by revamping the part-time employment framework, facilitating access to childcare, exploring options to reduce wage costs for formal jobs, building a low-cost and efficient public transport system and evaluating the potential impact of a reduction in payroll taxes. In 2012, the National Employment Strategy was launched to promote increased employment, wages, benefits and productivity. In 2017, a draft updated National Employment Strategy for 2017-2025 was prepared in line with the aims of Jordan 2025. This strategy is expected to be approved by the end of 2017 and the Ministry of Labour's action plan is then expected to be updated in line with the new strategy.

Economic Policy Council

The Economic Policy Council was formed in June 2016 to support Government economic policy making. The Council, which operates under the supervision of the King, is composed of leading members of the Government, including the Prime Minister and the Governor of the CBJ, and the National Assembly, including the heads of the economic committees, as well as prominent members of the business community. Its mission is to: (i) discuss economic policies, programmes and development plans across various sectors on a strategic level; (ii) identify the main constraints impeding economic growth; (iii) propose solutions to overcome such constraints; and (iv) enhance competitiveness and create job opportunities to alleviate poverty. In May 2017, the Economic Policy Council approved the JEGP. See "*—Government Programme—Recent Developments and Reforms—Jordan 2025—Jordan Economic Growth Plan*".

Gross Domestic Product

During the last five years, the Jordanian economy has grown despite challenging regional and economic circumstances. The growth rate of GDP at constant market prices was 2.7% in 2012, 2.8% in 2013, 3.1% in 2014, 2.4% in 2015 and 2.0% in 2016. In the three months ended 31 March 2017, GDP at constant market prices grew by 2.2%, as compared to 2.3% in the corresponding period in 2016.

GDP growth has continued over the last five years, primarily due to year-on-year increases in the contribution of finance, insurance, real estate and business services, transport and communications and manufacturing, as well as growth in the construction sector since 2012. The improvement in the growth rate of GDP in 2014, as compared to 2013, was primarily due to increases in the contribution of finance, insurance, real estate and business services and trade, restaurants and hotels, as well as, to a lesser extent, mining and quarrying and construction. However, GDP growth has slowed since 2015, primarily due to continuing regional and global developments, including the political unrest in certain neighbouring Arab countries and the influx of Syrian and Iraqi refugees and its effect on, *inter alia*, growth, labour markets and inflation.

GDP at constant market prices grew by 2.2% in the three months ended 31 March 2017, as compared to 2.3% in the corresponding period in 2016, primarily due to growth in the mining and quarrying, agriculture, electricity and water and producers of domestic services of households sectors. For the six months ended 30 June 2017, GDP at constant market prices was JD 5,687.7 million, and GDP at current market prices was JD 13,292.1 million. The growth rate for GDP at constant market prices for the six months ended 30 June 2017 was 2.1% and for GDP at current market prices for the six months ended 30 June 2017 was 3.6%, in each case as compared to the corresponding period in 2016.

The IMF forecasts GDP growth at 2.3% in 2017 and 2.5% in 2018.

The following table sets forth an overview of Jordan's GDP at current and constant market prices and their respective growth rates for the periods indicated.

Gross Domestic Product(1) (2)

	2012	2013	2014	2015	2016(3)	Jan – March 2016	Jan – March 2017
GDP at current market prices *(JD millions)*	21,965.5	23,851.6	25,437.1	26,637.4	27,444.8	6,249.0	6,492.5
GDP at current market prices *(% change)*	7.3	8.6	6.6	4.7	3.0	3.8	3.9
GDP at constant market prices *(JD millions)*	10,515.3	10,812.8	11,147.6	11,413.2	11,642.9	2,669.2	2,727.3
GDP at constant market prices *(% change)*	2.7	2.8	3.1	2.4	2.0	2.3	2.2
GDP *per capita* at current market prices *(JD)*	2,957.5	2,939.6	2,889.3	2,786.6	2,801.1	—	—

Source: Department of Statistics and CBJ

Notes:
(1) Certain figures in this table have been revised and may differ from previously published data.
(2) See "*Presentation of Financial and Other Information*" for a discussion of GDP at current prices and GDP at constant prices.
(3) Preliminary.

Principal Sectors of the Economy

The Jordanian economy is mainly geared toward the service industries, with the services sectors divided into: (i) trade, restaurants and hotels; (ii) transport and communications; (iii) finance, insurance, real estate and business services; (iv) social and personal services; (v) producers of government services; (vi) producers of private non-profit household services; and (vi) domestic household services, historically contributing approximately two thirds of GDP. The remainder is contributed by production sectors divided into: (i) agriculture (including hunting, forestry and fishing); (ii) mining and quarrying; (iii) manufacturing; (iv) electricity and water; and (v) construction. FDI plays an important role in creating employment and raising standards of living in Jordan, as well as financing Jordan's current account deficit and building up foreign currency reserves, which are important to the maintenance of the Government's fixed exchange rate policy. See "*External Sector—Foreign Direct Investment*".

The following table sets forth the composition of Jordan's GDP and gross national product ("**GNP**") at current prices by economic activity for the periods indicated.

GDP and GNP at Current Prices by Economic Activity

	2012	2013	2014	2015	2016[1]	Jan – March 2016[1]	Jan – March 2017[1]
				(JD millions)			
Agriculture	604.5	713.7	845.4	979.9	1,039.3	284.2	331.3
Mining and quarrying	723.6	563.9	676.8	777.8	650.2	134.7	123.8
Manufacturing	3,633.4	4,074.4	4,254.5	4,335.3	4,395.6	830.1	870.7
Electricity and water	482.8	531.0	592.5	685.7	758.6	146.3	155.9
Construction	961.7	1,060.6	1,140.0	1,159.6	1,195.8	204.3	207.2
Trade, restaurants and hotels	2,055.9	2,279.9	2,428.2	2,479.2	2,543.6	568.6	582.7
Transport and communications	2,637.4	2,889.2	2,975.5	3,122.3	3,270.8	812.1	844.7
Finance, insurance, real estate and business services	3,838.4	4,205.3	4,514.7	4,800.4	5,084.2	1,231.0	1,291.8
Social and personal services	781.2	866.0	936.7	985.2	1,050.4	230.9	240.9
Producers of government services	4,485.6	4,831.6	5,080.3	5,269.4	5,384.6	1,330.9	1,360.1
Producers of private non-profit services for households	109.3	117.3	126.3	135.1	142.2	27.3	28.9
Domestic household services	61.3	61.3	61.4	61.4	61.4	14.4	14.5
Less imputed bank service charge	(1,076.9)	(1,212.8)	(1,266.4)	(1,315.5)	(1,388.5)	(306.8)	(325.0)
GDP at current basic prices	**19,298.2**	**20,981.4**	**22,365.9**	**23,475.8**	**24,188.1**	**5,508.1**	**5,727.3**
Net taxes on products	2,667.3	2,870.2	3,071.2	3,161.6	3,256.7	741.0	765.1
GDP at current market prices	**21,965.5**	**23,851.6**	**25,437.1**	**26,637.4**	**27,444.8**	**6,249.0**	**6,492.5**
Net factor income from abroad	(275.5)	(240.4)	(295.9)	(307.1)	(216.0)	58.2	61.5
GNP at current market prices	**21,690.0**	**23,611.2**	**25,141.2**	**26,330.3**	**27,228.8**	**6,307.2**	**6,554.0**

Source: Department of Statistics

Note:
(1) Preliminary.

The following table sets forth the composition of Jordan's GDP at constant prices by economic activity for the periods indicated.

GDP at Constant Prices by Economic Activity(1)

	2012	2013	2014	2015	2016(2)	Jan – March 2016(2)	Jan – March 2017(2)
				(JD millions)			
Agriculture	349.8	337.5	362.9	380.9	395.5	96.6	104.5
Mining and quarrying	149.7	133.3	170.2	188.9	166.1	40.8	46.9
Manufacturing	1,798.9	1,833.6	1,861.0	1,885.8	1,907.4	419.7	425.1
Electricity and water	227.4	229.2	236.8	262.7	286.0	50.9	53.1
Construction	466.1	506.5	540.8	533.8	539.6	103.2	101.6
Trade, restaurants and hotels	1,051.1	1,084.5	1,125.2	1,133.3	1,147.5	279.4	284.6
Transport and communications	1,524.8	1,585.0	1,609.8	1,660.1	1,712.0	401.9	407.8
Finance, insurance, real estate and business services	2,088.2	2,171.0	2,224.7	2,300.4	2,386.5	582.0	600.9
Social and personal services	444.5	469.8	492.1	511.9	531.5	118.0	122.6
Producers of government services(3)	1,209.6	1,239.0	1,267.4	1,296.0	1,311.3	308.8	312.3
Producers of private non-profit services for households	51.4	54.6	58.4	61.8	64.3	12.3	12.8
Producers of domestic services of households	52.0	52.0	52.1	52.2	52.2	12.4	12.4
Imputed bank service charge	(558.8)	(597.5)	(608.8)	(630.1)	(652.3)	(113.7)	(118.5)
GDP at constant basic prices	**8,854.6**	**9,098.6**	**9,392.5**	**9,637.6**	**9,847.7**	2,312.3	2,366.2
Net taxes on products	1,660.7	1,714.2	1,755.1	1,775.6	1,795.2	356.9	361.1
GDP at constant market prices	**10,515.3**	**10,812.8**	**11,147.6**	**11,413.2**	**11,642.9**	**2,269.2**	**2,727.3**

Source: Department of Statistics

Notes:
(1) Base year is 1994.
(2) Preliminary.
(3) Includes Government consumption.

The following table sets forth the growth rates of Jordan's economic sectors at constant prices for the periods indicated.

Growth Rates of Economic Sectors at Constant Market Prices(1)(2)

	2012	2013	2014	2015	2016(3)	Jan – March 2016	Jan – March 2017
			(%)				
Agriculture	(9.4)	(3.5)	7.6	5.0	3.8	6.4	8.2
Mining and quarrying	(17.1)	(10.9)	27.6	11.0	(12.1)	(8.4)	14.7
Manufacturing	2.3	1.9	1.5	1.3	1.1	0.9	1.3
Electricity and water	6.6	0.8	3.3	10.9	8.9	16.4	4.3
Construction	(1.0)	8.7	6.8	(1.3)	1.1	2.6	(1.5)
Total production sectors	**(0.5)**	**1.6**	**4.3**	**2.5**	**1.3**	**2.2**	**2.8**
Trade, restaurants and hotels	6.8	3.2	3.7	0.7	1.3	1.6	1.9
Transport and communications	4.1	4.0	1.6	3.1	3.1	3.0	1.5
Finance, insurance, real estate and business services	5.2	4.0	2.5	3.4	3.7	3.6	3.2
Social and personal services	5.9	5.7	4.7	4.0	3.8	3.1	3.9
Producers of government services	3.0	2.4	2.3	2.3	1.2	1.3	1.1
Producers of private non-profit services to households	3.0	6.3	7.0	5.7	4.1	4.0	4.3
Producers of domestic services of households	0.5	0.1	0.1	0.1	0.1	0.1	0.1
Total services sectors	**4.2**	**3.3**	**2.7**	**2.6**	**2.6**	**2.6**	**2.1**
GDP growth at constant market prices	**2.7**	**2.8**	**3.1**	**2.4**	**2.0**	**2.3**	**2.2**

Source: Department of Statistics

Notes:
(1) Certain figures in this table have been revised and may differ from previously published data.
(2) Base year is 1994
(3) Preliminary.

Production sectors

The production sectors of the Jordanian economy contributed JD 1.7 billion to GDP at current basic prices in the three months ended 31 March 2017, or 29.5% of total GDP at current basic prices. In 2016, the production sectors contributed JD 8,039.5 million to GDP, or 33.2% of total GDP at current basic prices, as compared to JD 7,938.2 million to GDP, or 33.8% of total GDP at current basic prices in 2015.

Agriculture

The agriculture sector, which comprises agriculture, hunting, forestry and fishing activities, accounted for 3.8% of Jordan's GDP at current basic prices in 2016 and grew at a nominal rate of 6.1% in 2016, as compared to 15.9% in 2015. The agricultural sector accounted for 3.4% of Jordan's GDP at constant basic prices in 2016 and grew at a constant rate of 3.8%, as compared to 5.0% in 2015. The slowdown in the growth rate in 2016 was primarily due to less favourable weather conditions in 2016 than in 2015, as well as unrest in the region and the closing of certain borders with neighbouring countries, which negatively affected agricultural exports.

The agriculture sector accounted for 4.3% of Jordan's GDP at current basic prices in 2016 and grew at a nominal rate of 6.1% and a constant rate of 3.8% over the period. In the three months ended 31 March 2017, the agriculture sector grew at a nominal rate of 16.5% and at a constant rate of 8.2%, as compared to the corresponding period in 2016.

Agriculture has historically been the mainstay of Jordanian society, but has declined in relative importance to GDP in recent years. Agricultural policy, however, remains a key component of the Government's development plans for the economy. Government agricultural policy objectives include: (i) improving Jordan's food self-sufficiency; (ii) expanding the area of land under cultivation through irrigation and reclamation projects; and (iii) expanding the use of horticultural and agricultural technologies to increase productivity and income in the agriculture sector.

In this respect, the agricultural sector benefits from a number of financing and development initiatives. For example, the Agricultural Credit Corporation (the "**ACC**"), which is state-owned, has implemented several projects aimed at developing and supporting agricultural production, including the "Poverty and Unemployment Project" and the "Protected Agricultural Project". The ACC also extends loans to farmers.

Jordan imports approximately 88.7% of its food requirements, including 67% of its cereals requirements. In 2016, Jordan imported approximately 11,322.3 tonnes of basic commodities, an increase of approximately 2.2%, as compared to 2015. See "*External Sector—Foreign Trade—Imports*".

The Agricultural Executive Programme for 2013-2016 targeted increasing agricultural production (including through the adoption of more advanced agricultural methods and technology), promoting food security initiatives (including through the High Commission for Food Security, which was established by the Council of Ministers in 2011), encouraging investments in overseas food production and promoting specialised loans and guarantees to the agricultural sector, as well as the formation of collectives.

Jordan 2025 has identified a number of future policy initiatives for the agriculture sector, including, *inter alia*, implementing a National Strategy for Food Security, providing incentives to encourage efficient use of water in irrigation, creating an innovation fund for agriculture, food, energy and water to stimulate development, encouraging farmers to establish smallholdings, encouraging small agricultural lending through the ACC and increasing the area of agricultural land in which drip irrigation is used by 0.1% *per annum*.

The JEGP sets out policy objectives for the agricultural sector, including, *inter alia*: promoting the use of technology through providing free or subsidised agricultural services to farmers and encouraging the use of modern technology in irrigation and fertilisation; stimulating private sector participation through partnerships with the private sector to formulate agricultural policies; encouraging the employment of Jordanian nationals through training local workers; and encouraging the cultivation of high-yield crops.

The following table sets forth the principal indicators of Jordan's agricultural sector for the periods indicated.

Agricultural Sector Indicators

	2012	2013	2014	2015	2016	Jan – Mar 2017
Value added at current market prices *(JD millions)*............	604.5	713.7	845.4	979.9	1,039.3	331.3
Growth rate at constant market prices *(%)*(1)	(9.4)	(3.5)	7.6	5.0	3.8	8.2
The deflator of the agricultural sector (1994=100)............	*172.8*	*211.5*	*232.9*	257.2	262.8	316.9
Quantity index of agricultural exports (1994=100)............	*263.9*	*296.3*	*303.4*	296.7	350.3	—
Price index of agricultural exports *(1994=100)*..................	329.9	334.5	344.5	341.7	322.7	—
Number of registered agricultural companies.....................	707	687	751	720	810	—
Capital of registered agricultural companies *(JD millions)*..	35.3	29.3	30.4	12.5	15.5	—
Outstanding credit facilities extended to agricultural sector by licensed banks *(JD millions)*	254.9	235.7	243.4	217.1	304.5	—

Source: CBJ

Note:
(1) Base year is 1994.

The following table sets forth the areas of irrigated land by tree crops, field crops and vegetables for the years indicated.

Irrigated and Non-Irrigated Areas by Tree Crops, Field Crops and Vegetables

	2014			2015		
	Total Area	**Irrigated Area**	**Non-Irrigated Area**	**Total Area**	**Irrigated Area**	**Non-Irrigated Area**
			(thousands of dunums)(1)			
Tree crops..............................	845.3	457.6	387.7	864.1	476.5	387.6
Field crops.............................	1,385.5	114.4	1,271.1	1,314.0	96.8	1,217.2
Vegetables.............................	508.7	478.4	30.3	487.7	461.4	26.3
Total......................................	**2,739.5**	**1,050.4**	**1,689.1**	**2,666.0**	**1,034.8**	**1,631.2**

Source: Department of Statistics

Note:
(1) One *dunum* is equal to 0.1 hectare.

Agricultural land in the Kingdom is primarily located in the Jordan River valley. According to figures published by the Department of Statistics for 2015, 32% of Jordan's agricultural land was used to produce tree crops, 49% to produce field crops and 419% to produce vegetables. A total of 1,034.8 thousand dunums, or 39%, was irrigated in 2015. According to estimates published by the World Bank, in 2014 (the most recent year for which estimates are available), agricultural land accounted for approximately 12% of Jordan's total land area.

Agricultural land holdings are fragmented and, of the 80,152 holdings across the Kingdom recorded in the agricultural census carried out by the Department of Statistics in 2007, 59,070 holdings, or 73.7%, were holdings smaller than 20 dunums (2 hectares) each; the remaining 21,082 agricultural holdings were larger than 20 dunums each. Of the smaller holdings, 19,264, or 24.0% of the total, were smaller than two dunums each.

Land under cultivation in Jordan is generally productive, with some land able to be cropped two or three times per year. Principal field crops include wheat, barley, maize and sorghum and clover. Other important crops include fruit and vegetables. Several varieties of fruit are grown and exported.

The following table sets forth production figures for Jordan's principal agricultural crops for the years indicated.

Production of Principal Agricultural Crops[(1)]

	2012	2013	2014	2015	2016
			(thousand tonnes)		
Field Crops					
Wheat	19.2	28.5	27.5	21.9	23.5
Barley	32.1	40.9	38.9	40.5	40.5
Lentils	0.1	0.2	0.1	0.1	0.1
Maize and sorghum	32.8	32.7	24.4	32.9	20.3
Clover	148.3	232.4	277.2	244.2	215.4
Vegetables					
Tomatoes	738.2	869.1	744.6	870.0	832.8
Aubergines	121.2	109.4	80.7	77.0	65.9
Cucumbers	161.7	179.0	279.1	235.6	228.3
Cauliflower and cabbages	79.7	95.2	98.9	98.5	115.9
Melons	150.7	136.5	169.7	168.6	119.4
Potatoes	141.6	103.2	204.1	188.3	177.5
Courgettes	69.0	78.7	60.0	64.8	63.2
Fruits					
Olives	155.6	128.2	155.8	200.9	115.8
Grapes	35.7	35.2	34.6	62.3	60.1
Citrus fruits	111.7	98.7	95.2	127.2	127.6
Bananas	38.9	42.0	37.5	46.8	48.8
Apples	36.4	40.6	39.9	56.6	52.3
Peaches	28.1	30.7	32.0	37.3	37.7

Source: Department of Statistics

Note:

(1) Certain figures in this table have been revised and may differ from previously published data.

The following table sets forth data in relation to livestock production in Jordan for the periods indicated.

Production of Livestock[(1)]

	2012	2013	2014	2015[(2)]
New-born sheep and goats (*thousand head*)	1,899.2	1,908.2	2,151.2	2,218.5
New-born cattle (*thousand head*)	31.3	29.9	33.6	32.4
Broiler chicken (*thousand tonnes*)	256.6	246.6	259.6	245.0
Milk (*thousand tonnes*)	310.4	307.1	348.5	369.2
Table eggs (*million eggs*)	721.2	703.4	822.8	864.4
Hatchery eggs (*million eggs*)	264.6	251.5	269.8	261.5
Chicks (*million birds*)	179.4	168.6	173.9	158.4

Source: Department of Statistics

Notes:

(1) Certain figures in this table have been revised and may differ from previously published data.

(2) Figures for 2016 are not available.

Manufacturing, mining and quarrying

The industrial sector, which comprises manufacturing, mining and quarrying activities, accounted for 20.9% of Jordan's GDP at current basic prices in 2016 and contracted at a nominal rate of 1.3%, as compared to 2015. The industrial sector accounted for 21.1% of Jordan's GDP at constant basic in 2016 and contracted at a constant rate of 0.1% as compared to 2.1% in 2015. The contraction in real growth rate in the sector was principally due to decreases in international phosphate prices. In the three months ended 31 March 2017, the industrial sector grew at a nominal rate of 3.1% and at a constant rate of 2.5%, as compared to the corresponding period in 2016. See "*—Mining and quarrying*".

The following table sets forth the principal indicators of Jordan's manufacturing, mining and quarrying sectors for the years indicated.

Principal Indicators of the Manufacturing, Mining and Quarrying Sectors

	2012	**2013**	**2014**	**2015**	**2016**[1]	**Jan-Mar 2017**
Value added at current market prices *(JD millions)*	4,357.0	4,638.3	4,931.3	5,113.1	5,045.8	994.5
Growth rate at constant market prices *(%)*[2]	0.5	0.9	3.3	2.1	(0.1)	2.5
The deflator of the industrial sector (1994=100)....................	*223.6*	*235.8*	*242.8*	246.4	243.3	210.7
Industrial, non-agricultural exports *(JD millions)*	3,962.9	3,911.9	4,196.2	3,877.4	3,632.4	—
"Mining and quarrying" and manufacturing production quantity index *(1999=100)*........	148.3	151.4	154.0	153.8	106.9	—
Number of registered industrial companies.................	2,172	2,263	2,179	1,891	2,455	—
Capital of registered industrial companies (*JD millions*)...........	60.1	163.3	58.2	49.1	42.1	—
Outstanding credit facilities extended to manufacturing, mining and quarrying sectors by licensed banks (*JD millions*)....................................	2,588.7	2,813.7	2,727.3	2,316.0	2,491.8	—

Source: CBJ

Notes:
(1) Preliminary.
(2) Base year is 1994.

The following table sets forth the relative quantities of Jordan's industrial production for the periods indicated.

Industrial Production Quantity Index(1)

	Weight	2012	2013	2014	2015	2016(2)	Jan - June 2016	Jan - June 2017
Mining and quarrying								
Extraction of crude petroleum and natural gas	0.077%	100.0	100.0	100.0	61.7	58.4	59.0	51.0
Quarrying of stone, sand and clay	0.370%	100.1	99.9	99.7	44.3	84.8	80.2	85.4
Mining of chemical and fertiliser minerals	7.777%	99.7	99.0	100.8	123.9	108.8	92.9	118.7
Total mining and quarrying	**8.224%**	**99.8**	**98.9**	**100.5**	**117.5**	**106.9**	**91.8**	**116.0**
Manufacturing								
Food products	13.101%	102.1	102.5	101.8	101.3	84.8	92.8	87.1
Beverages	2.939%	100.0	100.0	100.2	92.9	90.5	87.5	71.6
Tobacco products	5.074%	100.7	102.0	102.2	149.0	138.2	152.2	119.9
Textiles	0.771%	100.1	100.1	100.1	91.4	108.1	105.4	111.2
Wearing apparel	4.760%	102.2	102.4	102.7	168.3	328.2	295.8	324.9
Leather and related goods	0.146%	99.9	100.0	100.1	211.9	282.9	306.6	317.9
Wood and wood products (except furniture)	0.447%	100.0	100.0	100.0	107.5	147.5	143.4	208.6
Paper and paper products	1.839%	100.2	100.2	100.2	103.4	97.8	101.9	100.9
Printing and reproduction of recorded media	1.607%	99.9	99.8	99.6	69.0	66.2	69.3	62.4
Refined petroleum products	20.430%	101.8	99.4	98.6	96.9	84.0	77.3	78.5
Chemicals and chemical products	7.970%	100.5	101.8	101.2	90.3	87.7	90.8	78.0
Pharmaceuticals, medicinal chemical and botanical products	4.891%	99.8	99.5	98.9	70.2	78.1	82.2	67.0
Rubber and plastics products	2.763%	100.2	100.2	100.2	99.5	146.3	140.3	190.0
Non-metallic mineral products	5.659%	99.5	99.3	99.9	103.3	91.3	90.7	88.6
Basic metals	3.589%	100.2	100.1	100.1	102.0	78.0	74.8	66.7
Fabricated metal products, except machinery and equipment	3.886%	100.0	99.5	99.8	60.2	76.3	68.2	72.7
Computer, electronic and optical products	0.206%	100.0	100.0	100.0	72.3	48.4	51.7	40.6
Electrical equipment	2.901%	100.3	99.9	100.0	74.4	100.8	124.6	67.0
Machinery and equipment	1.015%	99.5	99.8	99.7	159.1	64.2	61.3	82.9
Motor vehicles, trailers and semi-trailers	0.294%	100.0	100.1	100.0	85.5	66.1	77.6	67.7
Furniture	1.584%	101.1	101.1	101.1	208.2	226.4	219.5	283.1
Other	0.143%	100.0	100.0	100.0	72.8	83.1	87.9	78.5
Total manufacturing	**86.013%**	**108.2**	**107.8**	**106.5**	**97.2**	**95.7**	**95.5**	**91.0**
Electricity, gas, steam and air conditioning supply	**5.763%**	**100.7**	**100.9**	**100.9**	**123.9**	**125.6**	**121.3**	**124.5**
General Index	**100.000%**	**108.8**	**107.6**	**108.1**	**100.0**	**97.9**	**96.3**	**94.5**

Source: Department of Statistics

Notes:
(1) 2010 = 100.
(2) Preliminary.

The manufacturing sector contributes the majority of industrial production in Jordan, with food, fertilisers and fuel being the largest product groups by weight within the sector. There was a decline in several industrial sectors in 2016, including food products, tobacco products and manufacture of computer, electronic and optical, manufacture of machinery and equipment, and motor vehicle trailers, which was partially offset by increased production of certain other products, including textiles, wearing apparel and leather.

The principal products of Jordan's mining and quarrying industry are phosphates and potash. These materials constitute two of Jordan's largest export commodities, as well as combining to form fertilisers; another of Jordan's substantial export commodities.

Jordan 2025 has identified a number of policy objectives for the industrial sector, including, *inter alia*, updating Jordan's industrial policy document, reviewing and developing policies and legislation relating to industry, including the Chambers of Industry system, developing and improving trade facilitation measures and raising the quality of Jordanian products in the global markets through, *inter alia*, the review of legislation on quality, inspection certificates and laboratories, as well as the adoption and implementation of a national export strategy.

The JEGP also identifies a number of policy objectives for the industrial sector, including, *inter alia*: developing Jordanian industrial products and services and encouraging innovation through establishing a fund to support and finance industrial development and competitiveness; improving the quality of local products to international standards through the standardisation of industrial definitions and classifications; and promoting the roles of women in the industrial sector through closing the salary gap between men and women with similar skills and experience and enhancing women's participation in industrial projects.

Manufacturing

In 2016, manufacturing accounted for 18.2% of GDP at current basic prices and grew at a nominal rate of 1.4%, as compared to 1.9% in 2015. In 2016, manufacturing accounted for 19.4% of GDP at constant basic prices and grew at a constant rate of 1.1%, as compared to 1.3% in 2015. The decrease in growth was primarily attributable to political instability in the region, the closure of certain borders with neighbouring countries and the subsequent decline in demand for Jordanian products in those countries. In the three months ended 31 March 2017, the manufacturing sector grew at a nominal rate of 4.9% and at a constant rate of 1.3%, as compared to the corresponding period in 2016.

The Kingdom has not historically had a large manufacturing base due to its small population and scarce natural resources, which have hindered the development of significant heavy industries. Light industries, which are generally small and family-owned, however, have developed. Among such light industries are apparel and textiles, which benefit from duty free treatment under the free trade agreement with the United States. Although the importance of the exports of apparel and textiles had been in decline, exports of textile products have increased since 2010, as a result of the agreement with the United States. See "*Description of the Hashemite Kingdom of Jordan—External Relations—United States*" and "*External Sector—Foreign Trade—Domestic Exports*".

The following table sets forth details of items produced by major industries for the years indicated:

Quantities Produced by Major Industries

	2012	**2013**	**2014**	**2015**	**2016**[(1)]
			(thousand tonnes)		
Manufacturing					
Petroleum products	3,476.0	3,081.9	3,007.1	3,211.9	2,793.3
Clinker	1,025.8	906.1	865.0	652.5	574.5
Chemical acids	1,290.7	1,266.4	1,441.5	1,205.8	1,083.0
Fertilisers	640.3	678.1	886.0	619.4	547.4

Source: CBJ

Note:
(1) Preliminary.

Mining and quarrying

Mining and quarrying accounted for 2.7% of GDP at current basic prices in 2016 and 3.3% in 2015, reflecting a contraction at a nominal rate of 16.4% in 2016, as compared to growth of 14.9% in 2015. Mining and quarrying accounted for 1.4% of GDP at constant basic prices in 2016 and 1.7% in 2015, reflecting a real contraction rate of 12.1% in 2016 and 11.0% in 2015. The decreases in the nominal and constant growth rates in 2016 were primarily due to slowdowns in the rate of increase of phosphates and potash production. In the three months ended 31 March 2017, the mining and quarrying sector grew at a nominal rate of 8.1% and at a constant rate of 15.0%, as compared to the corresponding period in 2016.

The mining sector is an important contributor to Jordan's foreign currency earnings, contributing 15.7% of total exports in 2016. See "*External Sector—Foreign Trade—Domestic Exports*". It was revitalised beginning in 2001 when the Jordan Phosphate Mines Company was restructured in order improve international competitiveness. Jordan currently ranks among the top ten international producers of phosphates and potash.

The following table sets forth details of items produced by major industries for the years indicated:

Quantities Produced by Major Industries

	2012	2013	2014	2015	2016(1)
			(thousand tonnes)		
Mining and Quarrying					
Potash	1,823.4	1,728.4	2,086.2	2,355.0	2,003.5
Phosphate	6,382.9	5,274.2	7,108.9	8,263.5	7,988.9

Source: CBJ

Note:
(1) Preliminary.

The Arab Potash Company ("**APC**") was established in 1956. In 1958, the Government granted APC an exclusive 100-year concession for the exploitation of salts and minerals from the Dead Sea. Upon termination of the concession, ownership of all plants and installations will be transferred to the Government, free of charge. Three representatives of the Government sit on the Board of Directors of APC. The Ministry of Finance holds a 27% equity interest in APC and the Social Security Corporation holds a 5% equity interest in APC.

In March 2016, the Director General of the Jordan Nuclear Power Company announced that Jordan's first nuclear power plant is expected to be operational in 2024 or 2025. See also "*—Electricity and Water—Nuclear Energy*" and "*—Electricity and Water—Uranium Project*".

The Government has also entered into commercial agreements and memoranda of understanding with several companies in respect of natural gas oil shale resources in the Kingdom, although commercial production has not commenced. See "*—Electricity and Water—Oil Shale*".

Qualifying Industrial Zones

In 1996, in the context of providing incentives for economic cooperation between Jordan and Israel following the 1994 peace treaty, legal provisions for the establishment of Qualifying Industrial Zones were put in place. Qualifying Industrial Zones are industrial estates in Jordan, whose products enjoy special duty- and quota-free access to the U.S. market. These zones are designated by the Jordanian and Israeli authorities and are approved by the U.S. government. Since the beginning of the programme, Qualifying Industrial Zones have focused on the textiles and apparel sectors to take advantage of the otherwise high levels of U.S. duty on such products produced elsewhere and Jordan's duty free access to the U.S. market in respect of such products under the free trade agreements with the United States. The first Qualifying Industrial Zone, the Al Hassan Industrial Estate, was designated in 1998, and there are currently 13 Qualifying Industrial Zones in Jordan, of which three are publicly-owned and ten are privately-owned.

Construction

The construction sector contributed 4.9% of Jordan's GDP at current basic prices in 2016 and grew at a nominal rate of 3.1% in 2016, as compared to 1.7% in 2015. The construction sector accounted for 5.9% of Jordan's GDP at constant basic prices in 2015 and contracted at a constant rate of 1.1%, as compared to a contraction of 1.3% in 2015. The decline in the growth rate in the construction sector in 2016 and 2015, as compared to 2014, was primarily due to reduced demand for real estate in Jordan and the decrease in the growth of credit facilities extended to the construction sector. In the three months ended 31 March 2017, the construction sector grew at a nominal rate of 1.4% and at a constant rate of 1.5%, as compared to the corresponding period in 2016.

Historically, the construction sector has benefited from large infrastructure projects (such as, dams, tunnels, bridges, *etc*.) but has been negatively affected by uncertainty in the region, volatility in the prices of input materials and inefficient distribution of such materials.

The Housing and Urban Development Corporation ("**HUDC**") has implemented a number of programmes to assist land development in Jordan. In 2013, the HUDC completed two projects for a total cost of JD 561,000: a development project for residential land and an investment project. In 2014 and 2015, the HUDC completed four projects for the development of land for a total cost of JD 4.2 million. In 2016, the HUDC completed two projects for the development of land for a total cost of JD 672,000.

In order to promote the real estate sector, the Government has introduced a number of incentives for investment in this area, including: (i) exemptions from registration fees for smaller apartments and reduced land registration fees for land; and (ii) a gradual reduction of tax on land since July 2011.

The following table sets forth the principal indicators of Jordan's construction sector for the years indicated.

Principal Indicators of the Construction Sector

	2012	2013	2014	2015	2016[(1)]	Jan-Mar 2017
Value added at current market prices *(JD millions)*	961.7	1,060.6	1,140.0	1,159.6	1,195.8	207.2
Growth rate at constant market prices *(%)*[(2)]	(1.0)	8.7	6.8	(1.3)	1.1	(1.5)
Deflator of the construction sector (1994=100)	*206.4*	*209.4*	*210.8*	*217.2*	221.6	203.8
Outstanding credit facilities extended to construction sector by licensed banks *(JD millions)*	3,682.6	4,086.4	4,552.8	4,904.5	5,827.7	—
Number of registered construction companies	241	217	224	148	121	—
Capital of registered construction companies (JD millions)	*16.3*	*10.3*	*11.1*	*7.7*	5.2	—
Number of permits[(3)]	32,446	36,601	39,578	35,775	39,410	—
Licensed area for building *(thousands of square metres)*[(3)]	12,906.7	13,985.1	14,992.3	13,122.8	13,310.1	—

Source: CBJ

Notes:
(1) Preliminary.
(2) Base year is 1994.
(3) With effect from June 2015, data regarding construction activity is based on data compiled by the Department of Statistics; prior to June 2015 this data had been based on data compiled by the Jordan Engineers Association.

Jordan 2025 has identified a number of policy objectives for the construction sector, including, among others, updating legislation for architecture to develop clear criteria for architecture and engineering companies in Jordan, promoting and developing the regulatory framework for PPPs to encourage investment in construction, providing training to new Jordanian entrants to the labour market in the construction sector and promoting construction services through policy developments in other sectors. Jordan 2025 also includes plans to update the National Housing Strategy and to introduce reforms relating to land use, housing finance, savings and housing loans. In cooperation with public and private stakeholders, the Ministry of Public Works and Housing prepared a comprehensive ten-year strategy and action plan for the construction, engineering and housing sectors, which is comprised of 25 strategic initiatives.

The JEGP also identifies a number of policy objectives to strengthen the position of the construction, engineering and housing sector, including, *inter alia*, introducing new international best practices standards and accreditation systems, encouraging international contracting companies to invest in Jordan, with the aim of promoting Jordan as a regional hub for reconstruction projects in neighbouring countries, and updating and developing the procedures for submitting tenders.

Electricity and Water

The electricity and water sector contributed 3.1% of Jordan's GDP at current basic prices in 2016 and grew at a nominal rate of 10.6% in 2016, as compared to 15.7% in 2015. In 2016, electricity and water accounted for 2.9% of GDP at constant basic prices and grew at a constant rate of 8.9%, as compared to 2015.

See *"Risk Factors—Risks Relating to the Kingdom—Energy"*.

Energy Policy and NEPCO

In 2016, the Kingdom imported approximately 95% of its domestic consumption of oil. It is also dependent on supplies of natural gas from abroad for electricity generation purposes. Since 2011, the Arab Gas Pipeline, which supplies natural gas to several countries from Egypt, has been attacked in Egypt on a number of occasions. Although a long-term natural gas supply agreement between Jordan and Egypt sets fixed volumes to be delivered to Jordan, deliveries have come to an almost complete halt. Consequently, Jordan has had to import replacement fuels, such as LNG and fuel oil, which are more expensive than the supply of natural gas from Egypt, to power its power plants. These imports have cost the Jordanian economy an estimated additional U.S.$2 billion annually.

In September 2016, Noble announced the execution of a gas sales and purchase agreement to supply natural gas from the Leviathan natural gas field, which is located in the eastern Mediterranean Sea off the coast of Israel, to NEPCO for consumption in Jordan's power production facilities. Under the terms of the agreement, Noble will supply approximately 1.6 trillion cubic feet of LNG from the Leviathan field (approximately 300 million cubic feet per day) over a 15-year term. NEPCO would also have the option to purchase certain additional amounts going forward. Noble has announced that it expects to complete construction of the field development and deliver the first LNG from Leviathan to NEPCO within three years of sanction by the Israeli government.

See "*Risk Factors—Risks Relating to the Kingdom—Energy—Energy imports and NEPCO*".

As a result of the Kingdom's dependence on energy imports, losses of the publicly-owned NEPCO increased from 0.9% of GDP in 2010 to 5.0% of GDP in 2011 and 5.3% of GDP in 2012, although this has since decreased to 4.6% of GDP in each of 2013 and 2014, 0.9% of GDP in 2015. In 2016, NEPCO's profits amounted to 0.4% of GDP. As at 31 December 2016, NEPCO's total current and non-current liabilities amounted to approximately JD 1.2 billion. NEPCO is responsible for electricity transmission in Jordan, Jordan's energy sales and purchases and energy exchanges with neighbouring countries.

The following table sets forth NEPCO's statement of comprehensive income for the years indicated.

NEPCO – Statement of Comprehensive Income

	For the year ended 31 December				
	2012	**2013**	**2014**	**2015**	**2016**
			(JD thousands)		
Operating revenues					
Sale of energy revenues	1,026,211	1,166,516	1,391,490	1,506,597	1,467,654
Other energy revenues	1,007	709	52	140	1,212
Total operating revenues	**1,027,219**	**1,167,225**	**1,391,542**	**1,506,737**	**1,468,866**
Operating expenses					
Purchase of energy	(2,062,218)	(2,085,890)	(2,424,677)	(1,567,418)	(1,189,098)
Gas delivery cost to Al-Qatrana, Al-Samra stations, Independent Power Producer Project 3 and Independent Power Producer Project 4	(4,374)	—	(5,077)	(8,203)	(18,925)
Maintenance expenses	(2,425)	(2,441)	(2,307)	(2,943)	(2,675)
Administrative and operating expenses	(27,595)	(31,513)	(28,110)	(32,904)	(31,713)
Depreciation	(28,548)	(26,790)	(26,321)	(25,855)	(26,302)
Total operating expenses	**(2,125,160)**	**(2,146,634)**	**(2,486,492)**	**(1,637,322)**	**(1,268,713)**
Operating profit (loss)	**(1,097,941)**	**(979,409)**	**(1,094,950)**	**(130,585)**	**200,153**
Previous years settlement of accounts	13,066	1,425	1,312	(683,661)	4,385
Gains/(losses) on foreign currency differences, net	1,287	548	3,891	4,803,385	444
Other revenues	1,238	2,009	14,523	6,731,034	3,292
Other expenses	(126)	(161)	(132)	(88)	(147)
Finance cost	(75,279)	(110,282)	(103,908)	(113,137)	(175,395)
Board of directors remuneration	(17)	—	—	—	—
Profit (Loss) for the period	**(1,157,771)**	**(1,085,870)**	**(1,179,264)**	**(232,059)**	**32,732**
Deferred taxes	—	—	—	—	84,997
Profit (Loss) for the period	**(1,157,771)**	**(1,085,870)**	**(1,179,264)**	**(232,059)**	**117,729**
Other comprehensive income					
Change in fair value or investment in financial assets at fair value through other comprehensive income	(55)	(32)	(153)	(188)	(82)
Comprehensive Profit (loss) for the period	**(1,157,826)**	**(1,085,902)**	**(1,179,417)**	**(233,147)**	**117,647**

Source: NEPCO

The following table sets forth NEPCO's statement of financial position, as at the dates indicated.

NEPCO – Statement of Financial Position

	As at 31 December				
	2012	**2013**	**2014**	**2015**	**2016[1]**
			(JD thousands)		
Non-current assets					
Property, plant and equipment (net)	465,700	460,754	465,495	476,462	472,002
Subscribers, contributions, assets (net)	69,676	71,612	67,682	63,755	66,887
Projects under construction	—	—	—	—	84,997
Investment in subsidiaries	150	100	100	100	50
Investment in financial assets at fair value through other comprehensive income	1,866	1,834	1,681	1,493	1,411
Investment in financial assets available-for-sale	—	—	—	—	—
Company's contribution in employees housing fund	1,956	2,237	2,518	2,799	3,080
Total non-current assets	**539,348**	**536,537**	**537,476**	**544,608**	**628,427**
Current assets					
Inventory	24,800	25,073	25,566	43,073	44,508
Other debt balances	4,020	12,500	10,554	11,983	10,388
Accounts receivable	215,832	311,421	345,727	398,455	307,808
Receivables and other debit balances	—	—	—	—	—
Trade receivables and other current assets	—	—	—	—	—
Cash and cash equivalents	330	618	359	5,393	542
Total current assets	**244,982**	**349,611**	**382,207**	**458,904**	**363,246**
Total assets	**784,331**	**886,148**	**919,683**	**1,003,512**	**991,673**
Equity					
Capital	230,000	230,000	230,000	230,000	230,000
Statutory reserve	6,384	6,384	6,384	6,384	9,657
Voluntary reserve	4,730	4,730	4,730	4,730	11,277
Special reserve	4,730	4,730	4,730	4,730	11,277
Treasury rights	21,518	22,260	22,007	22,007	22,037
Accumulated change in fair value of investment in financial assets at fair value through other comprehensive income	1,557	1,526	1,373	1,184	1,103
Accumulated losses	(2,373,690)	(3,459,560)	(4,638,824)	(4,871,783)	(4,770,420)
Net equity	**(2,104,770)**	**(3,189,930)**	**(4,369,600)**	**(4,602,747)**	**(4,485,069)**
Non-current liabilities					
Subscribers, contributions (net)	69,676	71,612	67,682	63,755	66,887
Long-term borrowings	—	—	—	—	—
Loans – non-current portion	1,084,834	856,616	623,056	1,371,567	1,035,298
Bonds payable – non-current portion	498,601	300,000	300,000	300,000	75,000
Provision for end of service indemnity	6,425	6,435	6,897	6,746	6,880
Subscribers, contributions received on projects under construction	22,014	12,590	16,772	20,103	11,150
Deferred revenues	45	277	214	0	0
Total non-current liabilities	**1,681,594**	**1,247,530**	**1,014,622**	**1,762,171**	**1,195,215**
Current liabilities					
Income tax provision	3,971	3,971	3,971	3,971	3,971
Other credit balances	36,536	59,469	60,927	66,155	63,220
Accounts payable	767,525	1,972,355	3,394,549	3,051,703	3,081,974
Payables and other credit balances	—	—	—	—	—
Current and accrued portion of long-term borrowings	—	—	—	—	—
Loans – accrued portion	—	—	239,642	381,442	381,442
Loans – current portion	156,009	541,749	548,412	289,375	404,915
Bonds payable – current portion	194,300	198,601	—	—	300,000
Banks overdrafts	49,166	52,403	27,160	51,441	46,005
Total current liabilities	**1,207,507**	**2,828,548**	**4,274,661**	**3,844,087**	**4,281,527**
Total liabilities	**2,889,101**	**4,076,078**	**5,289,283**	**5,606,259**	**5,476,742**
Total equity and liabilities	**784,331**	**886,148**	**919,683**	**1,003,512**	**991,673**

Source: NEPCO

In the year ended 31 December 2016, NEPCO recorded a profit of JD 117.6 million, as compared to a loss of JD 233.1 million in the year ended 31 December 2015. Revenues decreased in the year ended 31 December 2016 to JD 1,468.9 million from JD 1,506.7 million in the year ended 31 December 2015. Expenses decreased in the year ended 31 December 2016 to JD 1,268.7 million from JD 1,637.3 million in the year ended 31 December 2015, primarily due to the lower cost of energy purchases, as a result of lower international energy prices.

The following table sets forth Government transfers to NEPCO for the periods indicated.

Government Transfers to NEPCO

	For the year ended 31 December					For the six months ended 30 June	
	2012	**2013**	**2014**	**2015**	**2016**	**2016**	**2017**
	(JD millions)						
Government transfers to NEPCO	66.7	1,320.9	1,472.5	0.0	0.0	0.0	0.0

Source: Ministry of Finance

The following table sets forth outstanding Government transfers to NEPCO as at the dates indicated.

Government Transfers to NEPCO

	As at 31 December					For the six months ended 30 June	
	2012	**2013**	**2014**	**2015**	**2016**	**2016**	**2017**
	(JD millions)						
Outstanding Government transfers to NEPCO	66.7	1,387.6	2,860.1	2,860.1	2,860.1	2,860.1	2,860.1

Source: Ministry of Finance

The import bill has had a materially adverse effect on the finances of NEPCO and the economy of Kingdom. In 2012, the Government entered into the SBA with the IMF, partly due to the steep increase in the cost of energy imports following the disruption of gas supplies from Egypt.

In 2013, and in the context of the SBA and increasing losses at NEPCO, the Government developed a medium-term strategy for the energy sector, which includes implementing tariff increases, diversifying Jordan's energy sources and enhancing energy efficiency, targeting high income households and selected businesses, while protecting the poor. In particular, this new strategy aims to: (i) switch electricity production from heavy fuel oil to LNG through the construction of a new terminal in Aqaba (see "*—Natural Gas*"); (ii) developing domestic shale oil and renewable energy sources, including solar and wind power (see "*—Renewable Energy*" and "*—Oil Shale*"); (iii) building a nuclear power plant (see "*—Nuclear Energy*"); and (iv) reducing the Kingdom's dependency on imported energy through the diversification of the energy mix and the maximum utilisation of indigenous energy resources, including renewable resources. Such projects are intended to reduce Jordan's reliance on oil imports over the medium-term. To this end, the Government has also been encouraging an increase in energy supply through improving the efficiency of existing electricity plants and networks, building new plants and diversifying sources of primary power for electricity production. In particular, Jordan 2025, targets increasing the share of natural gas in Jordan's energy mix to 39% by 2025, the share of renewable energy to 11% and the share of nuclear energy to 15%.

In August 2016, NEPCO's cost of electricity supply and end-user tariff approached cost recovery, primarily due to imports of LNG, the commissioning of renewable energy plants, the decline of oil prices, NEPCO benefiting from LNG transportation fees to Egypt and tax exemptions on LNG imports.

Further reforms planned to achieve cost recovery include increasing the focus on diversifying Jordan's energy mix and increasing reliance on renewable energy.

NEPCO's strategy is to maintain a breakeven financial position; to this end, the Government began implementing an automatic tariff adjustment mechanism in January 2017. This mechanism is designed to pass on the system's costs through electricity tariffs on a monthly basis, thereby limiting significant future losses at NEPCO. In practice, however, to date, no automatic adjustments have been made, and, in June 2017, the Energy and Minerals Regulatory Commission ("**EMRC**"), the body responsible for the implementation of the adjustment mechanism, decided to maintain the electricity tariffs unchanged based on NEPCO's financial results and Brent oil prices over the first half of 2017. The automatic tariff adjustment is expected to be applied upon the price of oil reaching more than U.S.$55 per barrel.

If electricity subsidies are withdrawn, electricity prices may increase, depending primarily on international energy prices, which may, in turn, have an inflationary effect. Residential customers do, and will continue to, benefit from certain reductions in tariffs, which are adjusted monthly and funded by other customers, with no adverse financial impact to NEPCO or the Government. Business and non-residential users' tariffs will fluctuate. Such fluctuations, as well as changes in tariff levels, may adversely affect the business environment. See "*Risk Factors—Risks Relating to the Kingdom—Energy—Energy imports and NEPCO*" and "*Risk Factors—Risks Relating to the Kingdom—Inflation*".

Jordan 2025 has identified a number of further policy objectives for the energy sector, including, *inter alia*, completing the restructuring of the oil sector and opening up the oil derivatives market to competition, diversifying sources of natural gas imports, enhancing the safety of the electrical system and improving the availability and reliability of the system, including through the continued implementation of private sector electricity generation projects and developing the electricity tariff to enable the electricity sector to work on a commercial basis, encouraging investment in renewable energy, including through the raising of awareness of incentives provided by the renewable energy and energy conservation law, requiring the implementation of green building codes, intensifying oil drilling and exploration and increasing the exploitation of oil shale and attracting private sector investment to the energy sector.

The JEGP also identifies a number of policy objectives for the energy sector, including, *inter alia*, developing and using conventional and renewable sources of energy, as well as gas exploration, liberalising the oil market and opening it up to competition, strengthening the strategic reserves of crude oil and oil derivatives, expanding the Jordan Petroleum Refinery, maintaining the operational balance of NEPCO, increasing the capacity of the electrical grid, promoting energy efficiency and conservation and expanding the use of natural gas in electricity generation and industries.

In September 2015, the World Bank approved a U.S.$250 million financial package to support Jordan's reform efforts in the energy and water sectors. The package aims to assist the gradual reform of electricity and water subsidies, diversify fuel sources for sustainable power generation, improve efficiency in the energy and water sectors and optimise water use, in line with the initiatives identified in Jordan 2025. On 1 December 2016, the World Bank approved a second financial package of U.S.$250 million, consisting of a U.S.$25 million contribution from the GCFF, combined with a U.S.$225 million loan supported by the GCFF. The package is aimed at improving the financial viability and efficiency of the water and energy sectors. See "*Public Debt—International Institutions—World Bank*".

Electricity

The following table sets forth the principal indicators of Jordan's electricity sector for the years indicated.

Principal Indicators of the Electricity Sector

	2012	**2013**	**2014**	**2015**	**2016**(1)	**Jan-June 2017**
Value added at current market prices *(JD millions)*	482.8	531.0	592.5	685.7	758.6	155.9
Growth rate at constant market prices *(%)*(2)	6.6	0.8	3.3	10.9	8.9	4.3
Deflator of the electricity and water sector (1994=100)	*212.3*	*231.7*	*250.2*	*261.0*	*265.2*	*293.8*
Generated energy (*GWh*)	16,596	17,262	18,269	19,012	19,172	—
Consumed energy (*GWh*)	14,274	14,564	15,419	16,178	16,843	—
Exported energy (*GWh*)	104	59	64	50	46	—
Imported energy (*GWh*)	784	381	435	604	334	—
Loss percentage(3)	17.27	14.12	14.33	14.89	13.77	—
Average consumed per capita (*KWh*)	2,227	2,220	2,298	2,320	1,719	—
Electricity fuel consumption (*T.T.O.E.*)(4)	3,551	3,716	3,856	3,992	3,735	—
Number of consumers (*thousands*)	1,654	1,744	1,862	1,965	2,061	—
Number of employees in electricity companies	7,716	7,878	6,782	8,142	8,141	—

Sources: CBJ, NEPCO

Notes:
(1) Preliminary.
(2) Base year is 1994.
(3) Not including power station internal consumption.
(4) Thousand tonnes of oil equivalent.

The Government views the electric power sector as a key contributor to growth in the production sectors of the economy and estimates electricity demand will increase by 7% per year in the coming years. Between 2016 and August 2017, more than 85% of electricity in Jordan was from LNG.

Electricity in Jordan is produced by six generating companies, the largest of which, Samra Electric Power Company ("**SEPCO**"), is owned by the Government, and is distributed by three private distribution companies located in Amman and the northern, southern and eastern regions of Jordan. NEPCO is the only company acting in the electricity transmission sector in Jordan. NEPCO does not operate in the electricity generation sector.

In October 2014, the Third Independent Power Producer Project was completed, which consisted of the construction of a new power station east of Amman. The total capacity of the power station is approximately 573 MW. The project was implemented by a consortium comprised of the Korean company, KEPCO, Japanese company, Mitsubishi, and the Finnish company, Wartsila. The total cost of the project was approximately U.S.$778 million.

The Fourth Independent Power Producer Project was completed in 2014, which consisted of the construction of a power generation plant east of Amman. The plant has a generating capacity of approximately 241 MW and was implemented by a consortium comprised of the American company, AES, and the Japanese company, Mitsui. The plant is expected to cover approximately 8% of Jordan's energy needs. The total cost of the project was approximately U.S.$370 million.

In 2015, the Saudi Fund for Development provided Jordan with a U.S.$53.3 million loan to finance construction of a fourth steam power plant at Samra Power Station.

In May 2016, NEPCO entered into a Memorandum of Understanding with the Gulf Cooperation Interconnection Authority ("**GCCIA**") relating to a feasibility study in respect of the possible interconnection between Jordan's electricity grid and the GCC Interconnector. Among options under consideration is the construction of a 127-km double circuit AC 400 kV overhead electricity line connecting Qurayyat in Saudi Arabia to Qatranah in Jordan. Construction of the line is expected to cost approximately U.S.$135 million.

In December 2016, the Government awarded a project for the construction of a green corridor, which is expected to increase the capacity of the national grid from 500 MW to 1,450 MW. The project is expected to be completed by the end of 2019.

Natural Gas

In order to diversify its natural gas sources, following the reduction of natural gas supply via the Arab Gas Pipeline the Government launched the Jordan LNG Project, which included the construction of facilities in Aqaba to allow for the import of LNG from the international market through two stages: (i) the leasing of a floating storage and re-gasification unit, which arrived in May 2015; and (ii) the construction of a dedicated jetty and other onshore facilities in Aqaba, which became operational in July 2015. NEPCO has entered into a contract with Shell for LNG delivery, which is expected to substantially reduce NEPCO's losses and began in the second half of 2015. The pricing under the LNG contract is linked, however, to Brent oil prices and, as a result, the pricing of LNG remains subject to any movements in international oil prices.

In 2014, the Ministry of Energy and Mineral Resources and NEPCO entered into an agreement with Jordanian-Egyptian Fajer Company to interconnect the LNG project with the Arab Gas Pipeline. The interconnection involved the construction of an 800 metre 24-inch diameter pipeline and permits LNG to be delivered to generation power plants and has been completed.

In September 2016, Noble announced the execution of a gas sales and purchase agreement to supply natural gas from the Leviathan natural gas field to NEPCO for consumption in Jordan's power production facilities. See "*—Energy Policy and NEPCO*".

Renewable Energy

The Government is also exploring opportunities to develop renewable and energy-efficient sources of power in order to reduce Jordan's reliance on imported fossil fuels and to reduce Jordan's greenhouse gas emissions. The Government targets the share of renewable energy of Jordan's generated electricity to increase to 20% by 2020. In terms of installed capacity, Jordan 2025 targets an increase in the share of renewable energy in Jordan's installed electrical capacity from 1.5% in 2014 to 25% by 2025. As a result, the Government has established various policy and regulatory frameworks to support renewable energy generation in the Kingdom.

In 2012, the National Assembly passed the Renewable Energy and Energy Efficiency Law, and, as a result, the Government is seeking investors for renewable energy projects in Jordan. Pursuant to the Renewable Energy and Energy Efficiency Law, investors may identify and propose potential electricity production projects, including wind, solar and other projects, to the Ministry of Energy and Mineral Resources for consideration. The Ministry of Energy and Mineral Resources has entered into 30 memoranda of understanding in respect of direct proposals by international companies, which are seeking to invest in renewable energy projects with a total estimated capacity of approximately 860 MW. All renewable energy power plants are exempt from certain taxes, including VAT, and certain customs duties.

The Government has also established the Renewable Energy and Energy Efficiency Fund, which provides a financial framework to support energy-efficiency programs, awareness campaigns, training and capacity building, as well as funding renewable energy projects.

In 2014, NEPCO signed a number of agreements for the construction of solar electrical energy generation plants, primarily in the Ma'an development region, which included 12 projects with a total capacity of 200 MW. These projects, certain of which were funded through support provided by the International Finance Corporation, were completed and connected to Jordan's electricity grid in 2016.

In 2015, NEPCO signed six agreements to build wind and solar energy plants with a total capacity of 371 MW, which are expected to increase Jordan's renewable energy capacity. The Tafila 117 MW wind energy farm became operational in 2015. In 2017, the Government announced plans to award tenders for the construction of further plants with a total capacity of 300 MW (200 MW for solar energy plants and 100 MW for wind energy farms).

By the end of 2017, the Government expects an additional 230 MW to be available from wind and solar projects currently underway.

The Government also views the development of the Kingdom's renewable energy resources as a significant source of new employment opportunities for Jordanians.

In addition to the various large-scale projects underway in the Kingdom, the Government supports small-scale renewable electricity generation projects and permits the sale of surplus electricity generated at a fixed tariff. As a result, there is a rooftop installed capacity of 132 MW and some 4,000 applications from potential investors for further projects.

In July 2016, the EU approved grants of U.S$99.7 million to fund Jordan's renewable energy and energy efficiency programme. See "*Public Debt—International Institutions—European Union*".

The JEGP identifies enhancing energy efficiency and renewable energy measures and programmes as a strategic objective for the energy sector.

Uranium Project

In September 2012, the Government rejected a request by AREVA to extend a uranium mining agreement entered into in 2010 in central Jordan. Exploration and process development work on the project was subsequently awarded to the Jordanian Uranium Mining Company ("**JUMCO**") in January 2013. The feasibility study and final mine design for the project is expected to be completed in 2019. The uranium mine, once constructed, is expected to have a production capacity of 400 tonnes per year, which could later be expanded to 1,500 tonnes per year. The Government plans to use a portion of the production from the mine as feed material for a planned nuclear power plant and to sell any surplus on the international market. The Government expects to ship yellow cake uranium to Russia for processing into uranium suitable for use in its nuclear power plant, as the JAEC does not currently believe that developing uranium refining capacity in Jordan is economically feasible.

Nuclear Energy

As part of the Government's energy diversification strategy and to take advantage of Jordan's unexploited uranium deposits, the JAEC is planning to construct its first nuclear power plant. The Government believes that this will aid in ensuring the security of energy supply, provide competitively-priced energy for the Jordanian economy, reduce the need to import expensive fossil fuels and reduce greenhouse gas emissions.

In 2014 and following a competitive bidding process, the JAEC signed a Project Development Agreement with Russian company, ROSATOM, that would cover the development phase of the nuclear power plant project should a decision be taken to proceed. The proposed project involves constructing two pressurised water nuclear reactors, each with a capacity of 1,000 MW and an expected life of 60 years, the first of which would, if approved, be expected to be completed in 2024; the second would be expected to be completed by 2025. The total cost of the project is expected that it would be less than U.S.$10 billion. In early 2010, the Government signed a mining agreement with Areva, a nuclear energy specialist, for uranium resources in central Jordan. A portion of the uranium mined may be used for a nuclear energy plant that the Government intends to commission. Jordan 2025 has targeted for nuclear energy to account for 15% of Jordan's total energy mix by 2025. In March 2015, the JAEC signed a Project Development Agreement with

Russian state-owned nuclear firm, ROSATOM that would cover the development phase for Jordan's first nuclear power plant project, should a decision be taken to proceed with the project. The Government expects to enter into a power purchase agreement for an 18-20 year period following completion of the nuclear power plant but does not otherwise intend to provide guarantees for the construction project.

In March 2015, the Government signed an Inter-Governmental Agreement with the Russian government for co-operation in the construction and operation of the power plant.

Jordan is a signatory to the Nuclear Non-Proliferation Treaty, and the International Atomic Energy Association has been, and continues to be, active in Jordan's nuclear energy programme.

See "*Risk Factors—Risks Relating to the Kingdom—Energy—Nuclear programme*".

Oil Shale

The Government believes that potentially significant oil shale deposits may be commercially exploitable in the Kingdom. To this end, the Government has granted several exploration licenses and has entered into commercial agreements and memoranda of understanding with several international companies and consortia, although commercial production has not commenced. Jordan's energy sector strategy aims to increase the contribution of oil shale to the energy mix to 14% by 2020. The key elements of the Government's oil shale strategy include (i) encouraging investment in oil shale projects; (ii) licencing a small portion of Jordan's resources to permit companies to develop appropriate technologies and capabilities; and (iii) developing competition for access to oil shale resources.

In 2009, the Government signed an agreement with Jordan Oil Shale Company (owned by Shell) granting the company exclusive rights to conduct deep oil shale exploration over an area of 22,270 km^2, which will be narrowed over time to 1,000 km^2 to be used for commercial exploitation.

The Government has also entered into a number of memoranda of understanding with international companies in connection with the preparation of feasibility studies for surface retorting projects. Three concession agreements have subsequently been granted for such projects; with Jordan Oil Shale Company in 2010, Karak International Oil psc in 2011 and Saudi Arabian Corporation for Oil Shale in 2014.

In 2014, NEPCO signed an agreement with Estonian company, ENEFIT, to construct a power generation plant using oil shale. The generation capacity of the plant is expected to be approximately 470 MW, with the possibility to expand capacity to 600 MW in the future. The plant is expected to be operational in the first quarter of 2019.

Jordan 2025 anticipates Government support for investments to develop the potential of oil shale in Jordan and exploring the feasibility of obtaining shale gas and oil from the Sarhan area. It is expected that tenders for the exploration of six open exploration blocks will be launched in 2017.

Water

Jordan is one of the most water-deprived countries in the world. As a result, the Government is seeking to increase the water supply in Jordan, including through the use of desalination technology.

As part of its strategy to increase Jordan's water supply, particularly in Amman, the Water Authority, an autonomous corporate body with financial and administrative autonomy from the Government established by the Water Authority Law № 18 of 1988, commenced the operation phase of the Disi-Mudawarra to Amman Water Conveyance System project. The project, which began in July 2013, is designed to supply Amman with over 100 million cubic metres of water annually through a 325 km pipeline and involved the drilling of 64 wells. Disi is an underground fossil water aquifer running from the Dead Sea in Jordan to Tabuk in Saudi Arabia. Increased usage of this aquifer to provide water for Amman relieves, in part, pressure on upland aquifers, which have been the major source of water for Amman. The total cost of the project was approximately U.S.$1.1 billion.

In 2009, the Government announced its intention to carry out a water desalination project (the "**Red Sea–Dead Sea Project**"). As part of the Red Sea-Dead Sea Project, a pipeline is expected to be built to carry sea water to be desalinated in a desalination plant to be built via an intake structure from the Red Sea. The brine produced by the desalination process will be transferred to the Dead Sea. On 21 November 2012, the Ministry of Water and Irrigation announced that it was reducing the planned size of the Red Sea-Dead Sea Project due to anticipated costs. In February 2015, the Government signed an agreement with Israel to proceed with the project, which is sponsored by the World Bank and other funding agencies and donors. The Red Sea-Dead Sea Project is comprised of two phases. The first phase involves the construction of the desalination plant, which is expected to be built in the southern Jordanian port of Aqaba at an estimated cost of approximately U.S.$900 million. The first phase of the project is expected to be completed within three years, once construction begins. In February 2015, Jordan and Israel entered into an agreement regarding the implementation of the first phase of the project. The desalination plant is being designed to produce a maximum output capacity of 85 million cubic metres per year, up to 50 million cubic metres of which would be purchased by Israel per year, while the rest will remain in Jordan. Pursuant to the agreement, Israel has also agreed to release 20 million cubic metres per year of additional water from the Sea of Galilee to Jordan, which goes beyond the water-sharing agreement set out in the 1994 peace agreement. In May 2016, Jordan, the EIB and *Agence Française de Développement* ("**AFD**") signed a co-operation agreement to develop technical assistance and advice for the first phase of the Red Sea-Dead Sea Project. In 2016, the United States granted U.S.$1.3 billion to Jordan (including military funds and U.S.$100 million for the construction of a brine pipeline as part of Phase 1 of the Red Sea water desalination project).

The Ministry of Water and Irrigation is planning the second phase of the Red Sea-Dead Sea Project, which is expected to provide for the desalination of 100-150 million cubic metres of seawater per year. The timeline for the completion of the facilities to conduct the second phase has not yet been determined.

The financial performance of the Water Authority has been severely affected in recent years by the additional demand from Syrian refugees and increased electricity prices, and its losses have been funded by the Kingdom. In the context of the SBA with the IMF, in August 2013, the Government launched a medium-term strategy to bring the Water Authority to cost recovery through revenue improvement and cost reduction. Implementation of the strategy is dependent on the availability of water sector investments, as well as support under the JRP. Targeted actions under the strategy include increasing collection efficiency, reducing accounts receivable, reducing illegal connections, adjusting tariffs, increasing energy efficiency, introducing renewable energy in the water sector and restructuring the water systems. In 2016, the Water Authority's losses represented 1.1% of GDP, partially reflecting higher-than-expected capital expenditures and borrowing costs. From 2017 onwards, the Water Authority's capital expenditures (representing approximately 1% of GDP) are to be financed by the Government. In November 2016, the Government finalised a first draft of a debt strategy and a borrowing plan designed to help the Water Authority manage its debt.

In April 2017, the Ministry of Water and Irrigation updated its medium-term Action Plan to Reduce Water Losses to accommodate the pressures presented by refugees, water security and financing needs. The aims of the action plan focus on increasing efficiency and reducing costs through cost savings from better energy efficiency and lower system losses, and higher revenues through improved collection and certain limited fee and tariff increases, as well as sustaining efforts to diversify Jordan's water resources and to increase the use of renewable energy in the sector.

Jordan 2025 supports the implementation of various water projects, including the Red Sea–Dead Sea Project, as well as a number of other measures to ensure water security, reduce illegal consumption, rehabilitate governmental drinking wells, entering into bilateral water agreements and creating a regional framework for joint co-operation on water security matters. The JEGP also supports the implementation of water projects, including through: (i) engaging the private sector in the implementation of strategic projects and the prioritisation of PPP projects such as the second expansion project of the As Samra Wastewater Treatment Plant and the 50 Megawatt Renewable Energy project in Al Dhlail; (ii) increasing the storage capacity of Jordan's dams to reach an aggregate capacity of 400 million cubic meters; (iii) optimising the use of renewable energy sources in the water sector and integrating the management of water resources; and (iv) improving water and sanitation services through the rehabilitation and expansion of the Zai water treatment plan.

See "*Risk Factors—Risks Relating to the Kingdom—Water scarcity*".

Services Sectors

In 2016, the services sector accounted for 66.8% of GDP at current basic prices and grew at a nominal rate of 3.9%, as compared to in 2015. The services sectors include: (i) trade, restaurants and hotels; (ii) transport, storage and communications; (iii) finance, real estate, insurance and business services; (iv) social and personal services; (v) producers of government services; (vi) producers of private non-profit household services; and (vii) producers of domestic household services. In 2015, the services sector grew at a nominal rate of 4.6%, as compared to 5.8% in 2014.

Transport and Communications

In 2016, the transport and communications sector accounted for 13.5% of GDP at current basic prices and grew at a nominal rate of 4.8%, as compared to 2015. The transport and communications sector accounted for 17.4% and 17.2% of GDP at constant basic prices in 2016 and 2015, respectively. The real growth rate of the transport and communications sector remained constant in 2016, as compared to 3.1% in 2015. The increase in growth in 2015 was primarily attributable to growth in the communications sector, which was, in turn, due to increased mobile phone and internet penetration. This increase was partially offset by the negative impact of political instability in the region on the land transportation sub-sector. In the three months ended 31 March 2017, the transport and communication sector grew at a nominal rate of 4.0% and at a constant rate of 1.5%, as compared to the corresponding period in 2016.

Due to its strategic location in the heart of the Middle East, the Government believes that Jordan has significant potential to grow as a regional transportation hub, which the Government believes is essential to further integrating Jordan with its neighbours and further developing its tourism industry. The Government is encouraging development in this sector, which requires expansion and modernisation, through: (i) privatisations; (ii) Government incentives to fund new equipment and infrastructure, including under the Investment Law and, previously, the Investment Promotion Law (as defined below); and (iii) implementing and modernising regulation, in particular, in order to improve services.

Jordan 2025 has identified a number of policy objectives for the transportation sector, including, *inter alia*, developing a national master plan for multimodal transport to determine future construction and PPP opportunities, prioritising the maintenance of the road network, adopting the Multimodal Transport Law, implementing the Jordan National Railway Project (as defined below) and strengthening PPPs in the sector. The JEGP also identifies policy objectives for the transportation sector, including upgrading transportation networks infrastructure (including expansion of the Queen Alia International Airport), prioritising the development of a safe, integrated and effective public transport system and enhancing the efficiency of the land cargo transportation sector.

Ports

Aqaba is Jordan's port, with annual traffic of 2,435 vessels in 2016, as compared to traffic of 2,676 vessels in 2015. In the six months ended 30 June 2017, Aqaba had traffic of 1,166 vessels. A significant proportion of Jordan's international trade passes through Aqaba. In addition, the port at Aqaba has been a significant transportation route for goods arriving by sea with an ultimate destination in Iraq, although such trade has reduced in recent years. Following a study in 2003 of the infrastructure and port facilities on the Jordanian section of the Red Sea coast, various proposals were made for development of the area, such as improving the road and rail infrastructure to accommodate increased traffic and improving the safe handling of crude oil imports.

In October 2013, a berth expansion project at the Aqaba Container Terminal was completed, which included the extension of the berth from 540 metres to 1,000 metres, as well as the upgrading of the anchorage to accommodate three large ships simultaneously and provide accelerated logistic services. Following the expansion, the terminal, which deals with 20 major international shipping lines, can handle 1.5 million containers, with further planned expansion expected to raise the handling capacity to 2.2 million containers. In addition, a new phosphate terminal has been established at the terminal at a cost of U.S.$240 million and with a storage capacity of 240,000 tonnes. In October 2016, the phosphate terminal's handling capacity was 1.3 million tonnes. It is expected to reach six million tonnes annually.

In Aqaba, the Marsa Zayed project is being developed by a UAE-based developer. The project is a large mixed-use waterfront project, including high-rise residential towers, retail, recreational, entertainment, business and financial districts and several branded hotels. Several marinas are expected to add to the current berthing capacity, in order to attract yachting traffic, and a cruise ship terminal will be constructed. The project is expected to be implemented in several phases over a 30 year period.

The JEGP identifies enhancing the role of Aqaba in the region as a strategic priority, including, *inter alia*, through expanding and developing Aqaba's existing infrastructure to accommodate large ships and increase the flow of goods and services.

The following table sets forth statistics in respect of Aqaba's port activity for the years indicated.

Aqaba Port Activity

	2012	2013	2014	2015	2016	Jan-June 2017
Number of vessels	**3,083**	**2,885**	**2,693**	**2,676**	**2,435**	**1,166**
Passenger arrivals *(thousands)*	435.7	345.6	286.9	256.9	207.6	100.0
Passenger departures *(thousands)*	489.7	381.3	254.0	244.2	234.3	117.2
Total number of passengers *(thousands)*	**925.4**	**726.9**	**541.0**	**501.1**	**441.9**	**217.2**
Domestic exported goods				*(Thousand Tons)*		
Phosphates	4,282.7	1,462.3	1,403.0	1,265.1	1,492.9	766.7
Fertilisers	739.4	851.1	1,284.5	1,423.7	1,216.8	872
Potash	1,208.9	1,240.3	1,609.8	1,679.1	1,179	885.4
Other	0	0	7.6	40.2	17.3	0
Re-exported goods	149.5	41.7	45.2	114.7	32.4	15
Transit and other	207.5	153.9	124.9	113.8	88.9	30.8
Total exports	**7,410.9**	**4,531.1**	**5,201.3**	**5,233.4**	**4,547.6**	**2,831.4**
Imported goods	11,270.2	11,119.7	13,206.7	12,747.2	12,036.2	5,424
Transit goods	673.7	**664.8**	**636.8**	**401.5**	**182.3**	**76.9**
Total imports	**11,943.9**	**11,784.5**	**13,843.5**	**13,148.7**	**12,218.5**	**5,500.9**
Total trade	**19,354.8**	**16,315.6**	**19,044.8**	**18,382.0**	**16,766.1**	**8,332.2**

Sources: Aqaba Company for Ports Operation & Management

Air Transportation

Jordan has three main international airports, two in Amman and one in Aqaba. According to figures published by the Civil Aviation Regulatory Commission, in 2016, 7.6 million air passengers entered Jordan through airports, as compared to 7.2 million in 2015.

Queen Alia International Airport ("**QAIA**") in Amman is Jordan's largest airport and handles both international and domestic flights. The airport currently services approximately 7.4 million passengers a year (including transit passengers), in addition to providing air cargo and other aviation support services. In May 2007, the Government signed a 25-year agreement with the Airport International Group ("**AIG**"), a Jordanian company representing a consortium of local, regional and international partners, for the operation, maintenance, expansion, rehabilitation and modernisation of the airport's landside and airside facilities. The first phase of the QAIA expansion project, which was completed in March 2013, included the refurbishment of the existing terminals and the construction of a new 86,000 square metre passenger terminal, which cost approximately U.S.$100 million and U.S.$750 million, respectively. The second phase of the expansion project was completed in September 2016 and included the construction of seven additional contact stands and other support facilities. Following completion of this expansion project, QAIA's annual passenger capacity is projected to increase to 16 million by 2032. According to statistics published by AIG, in the five months ended 31 May 2017, passenger traffic through QAIA increased by 3.8% to 2.9 million passengers, as compared to 2.87 million passengers in the corresponding period in 2016. According to statistics published by AIG, in the year ended 31 December 2016, passenger traffic through QAIA increased by 4.2% to 7.4 million passengers, as compared to 7.1 million passengers in 2015. Cargo traffic increased by 0.5% over the same period to reach 101,172 tonnes.

Alia – The Royal Jordanian Airlines Company ("**Royal Jordanian**") is the national carrier of the Kingdom and handles the largest number of air passengers in Jordan. The Government owns 60.3% and the Social Security Corporation owns 10.0% of the shares of Royal Jordanian, with the balance being held by third-party investors (including Mint Trading Middle East Limited, which holds 15.4% of the shares). In 2016, Royal Jordanian flew 2,937,227 passengers, as compared to 2,876,802 in 2015. Royal Jordanian flies to approximately 50 destinations on four continents, including Chicago, New York, Montreal, Detroit, London, Paris, Frankfurt, Berlin, Bangkok, Hong Kong, Abu Dhabi, Dubai, Jeddah, Riyadh, Cairo and Istanbul.

In 2016, Royal Jordanian registered a net loss of JD 24.6 million, as compared to a net profit of JD 16.0 million in 2015 and a net loss of JD 39.6 million 2014. The net loss in 2016 was primarily due to provisioning for foreign currency exchange losses (primarily relating to the devaluation of the Egyptian Pound), as well as reduced average ticket prices due to the need to compete with low cost carriers. The net profit in 2015 was primarily due to restructuring and other cost-cutting measures implemented in line with Royal Jordanian's business plan for 2015 to 2019. Regional instability, which decreased demand for travel and tourism to the Middle East and resulted in Royal Jordanian halting operations to certain cities and limiting the frequency to others, as well as intense competition among regional carriers, were important factors contributing to the losses in 2014.

As a result of the net losses in 2014, Royal Jordanian's accumulated losses exceeded the maximum amount permitted under Jordan's Companies Law № 22 of 1997 (the "**Companies Law**"), thus requiring it either to liquidate or increase its capital. In May 2015, an extraordinary meeting of Royal Jordanian's shareholders was held, at which a JD 200 million capital increase was approved. The first phase of the capital increase, which resulted in Royal Jordanian's capital increasing by JD 100 million, was completed in April 2016, with the Government investing JD 76.2 million and private investors investing the balance. A second injection of JD 100 million is expected to take place in two tranches in 2017 and 2018. The Government has indicated that it will continue to seek private sector interest in the recapitalisation of Royal Jordanian, both from existing shareholders and from potential new investors.

Roadways

Jordan's road network consists of approximately 7,350 kilometres of paved roadways. The construction and development of the network of roads in Jordan, connecting cities, villages and housing areas, industrial and agricultural locations, tourist sites, as well as connecting the Kingdom with neighbouring countries, is undertaken by the Ministry of Public Works and Housing. As part of its scheme to improve the country's infrastructure, the Government continues to invest in highway and bridge systems. Since 2002, the Ministry of Public Works and Housing has been implementing a 25-year plan aiming to complete an extensive road network around the Kingdom, including the construction of ring roads around major cities. Investments on road improvements and development are expected to reach more than U.S.$1.8 billion within the 25-year period.

Railways

Jordan's railway network consists of 500 kilometres of narrow gauge railways. This network is operated by the Jordan Hejaz Railway, which operates two passenger trains per week between Amman and Damascus and daily freight trains, and the Aqaba Railway Corporation, which transports phosphates from various mines to the port of Aqaba.

The Government has also announced a PPP project to improve Jordan's railway transportation network (the "**Jordan National Railway Project**"). The aim of this project is to construct a modern, 942 km, standard-gauge railway network, which links the nation's major cities (including Amman and the major industrial cities of Mafraq and Zarqa, the Port of Aqaba) and the Shidiya phosphate mine. The railway network will also connect with the railways of Saudi Arabia (and onwards to Turkey and Europe in the future). The railway project is primarily focused on cargo transportation, although it may also be used for passenger transportation.

The project is expected to cost approximately J.D 2.1 billion and will be financed, owned and managed by the state-owned Jordan Railway Corporation. In November 2012, the Minister of Transportation announced that feasibility studies had been completed and land acquisition required for the first phase of the project was underway. In 2016, the Jordan National Railway Project steering committee agreed to perform an update to the studies completed in 2012, in order to reflect current traffic volumes. New routes and an alternative option for the rail crossing within Aqaba city are currently being designed. According to estimates published by the Ministry of Transport, the railway is expected to carry over 19 million tonnes of freight by 2020. The project is still in the marketing phase to attract resources for its implementation. The Government has announced its intention to work with investors who would operate and maintain the railway network and be responsible for purchasing rolling stock. As part of this arrangement, the investors would be required to lease the right to operate the network to the Government for a period of 35 years. Implementation of the Jordan National Railway Project is on hold while suitable investors are found. The JEGP identifies the Jordan National Railway Project as a strategic priority.

Finance, Insurance, Real Estate and Business Services

The finance, insurance, real estate and business services sector contributed 21.0% of Jordan's GDP at current basic prices in 2016 and grew at a nominal rate of 5.9% in 2016, as compared to 6.3% in 2015. The finance, insurance, real estate and business services sector accounted for 24.2% of Jordan's GDP at constant basic prices in 2016 and grew at a constant rate of 3.7%, as compared to 3.4% in 2015. In the three-months ended 31 March 2017, the finance, insurance, real estate and business services sector grew at a nominal rate of 4.9% and at a constant rate of 3.2%, as compared to the corresponding period in 2016.

Insurance

As at 31 December 2016, 24 insurance companies were licensed to carry out insurance activities in Jordan, including one life company, eight non-life companies and 15 composite companies (life and non-life). In addition, there were two non-operating foreign insurance companies in Jordan. As at 31 December 2016, there were 1,024 insurance support services providers comprising 639 insurance agents, 168 insurance brokers, 29 reinsurance brokers, 60 loss adjusters and surveyors, 15 actuaries, 36 insurance consultants, one cover holder, 16 companies administering expenses and medical insurance services, 13 banks licensed to practice bancassurance and 47 non-resident reinsurance brokers approved to practice reinsurance brokerage business inside Jordan.

The following table sets forth the assets and liabilities of insurance companies in Jordan for the years indicated.

Assets and Liabilities of Insurance Companies(1)

	2012	2013	2014	2015	2016
			(JD millions)		
Balances and deposits	215	235	273	271	268
Accounts receivable	142	144	143	164	193
Customers (debtors)	111	122	121	135	159
Re-insurance companies	31	22	22	29	34
Investments and other assets	407	419	426	435	455
Total Assets	**764**	**798**	**842**	**870**	**916**
Paid-up capital and reserves	307	316	333	331	344
Accounts payable	94	89	94	101	119
Creditors	36	32	33	38	45
Re-insurance companies	59	57	61	63	74
Provisions	10	13	14	12	11
Technical Reserves	293	328	356	387	406
Mathematical reserve	71	76	84	93	106
Unearned premium reserve	112	120	124	133	140
Outstanding claims reserve	111	131	148	161	160
Other liabilities	61	50	45	44	36
Total liabilities	**764**	**798**	**842**	**870**	**916**

Source: Insurance Commission

Note:
(1) Certain figures in this table have been revised and may differ from previously published data.

The following table sets forth insurance premiums collected for the years indicated.

Insurance Premiums Collected(1)

	2012	2013	2014	2015	2016
			(JD millions)		
Maritime	25	25	25	23	21
Fire	61	68	69	70	75
Motor vehicle	196	202	213	222	225
Accidents(2)	22	22	24	21	20
Life	44	47	53	61	71
Medical	118	129	142	154	171
Total	**466**	**492**	**526**	**550**	**583**

Source: Insurance Commission

Notes:
(1) Certain figures in this table have been revised and may differ from previously published data.
(2) Includes insurance on credit, liability, aviation and other general classes

The following table sets forth claims paid by insurance companies for the years indicated.

Claims Paid by Insurance Companies[1]

	2012	2013	2014	2015	2016
			(JD millions)		
Maritime	12	6	7	7	4
Fire	13	13	42	20	46
Motor vehicle	177	161	176	189	207
Accidents[2]	3	3	6	5	7
Life	25	18	22	27	37
Medical	105	110	113	124	146
Total	**335**	**311**	**366**	**372**	**447**

Source: Insurance Commission

Notes:
(1) Certain figures in this table have been revised and may differ from previously published data.
(2) Includes insurance on credit, liability, aviation and other general classes.

The Jordanian Insurance Commission was established in 1999 pursuant to the Insurance Regulatory Act № 33 of 1999 as an administratively and financially-independent organisation to regulate the insurance sector.

In 2014, the duties of the Insurance Commission were transferred to the Ministry of Industry, Trade and Supply. The Government has also announced its intention to amend the insurance law to transfer supervision of insurance companies to the CBJ. These amendments are expected to be approved by the National Assembly in the second half of 2018. See "*The Economy—Government Programme, Recent Developments and Reforms—EFF Reform Measures*".

Government Services

The government services sector contributed 22.3% of Jordan's GDP at current basic prices in 2016 and grew at a nominal rate of 2.2% in 2016, as compared to 3.7% in 2015. The government services sector accounted for 13.3% of Jordan's GDP at constant basic prices in 2016 and grew at a constant rate of 1.2% as compared to 2.3% in 2015. In the three months ended 31 March 2017, the government services sector grew at a nominal rate of 2.2% and at a constant rate of 1.1%, as compared to the corresponding period in 2016.

Jordan 2025 identifies a number of future policies and initiatives for the government services sector, including, *inter alia,* continuing the implementation of the Government Performance Development Programme 2014-2016 to improve the structure of the Government and reform the regulatory environment, to review and develop the legislative frameworks for the restructuring and development of organisational Government structures and to encourage and implement e-Government initiatives. Jordan 2025 also sets out a number of public sector performance initiatives and aims to improve Jordan's ranking on the Global Competitiveness Index. Jordan's ranking on the World Economic Forum 2016-17 Global Competitiveness Index was 63rd out of 138 countries.

The JEGP also identifies a number of polices and initiatives related to the government services sector, including, *inter alia*, expanding the application of e-Government to simplify, accelerate and increase the transparency of government services and to simplify and automate procedures in line with international standards.

Trade, Restaurants and Hotels

The trade, restaurant and hotels sector contributed 10.5% of Jordan's GDP at current basic prices in 2016 and grew at a nominal rate of 2.6% in 2016, as compared to 2.1% in 2015. The trade, restaurant and hotels sector accounted for 11.7% of Jordan's GDP at constant basic prices in 2016 and grew at a constant rate of 1.3%, as compared to 0.7% in 2015. In the three months ended 31 March 2017, the trade, restaurant and hotels sector grew at a nominal rate of 2.5% and at a constant rate of 1.9%, as compared to the corresponding period in 2016.

Tourism

The Kingdom's tourism industry benefits from Jordan's warm climate and numerous historic sites, some of which have been travel destinations for centuries, including Petra, Wadi Rum, Jarash, the Dead Sea and the Jordan River valley. Aqaba, on the Gulf of Aqaba, which leads into the Red Sea, is also a popular tourist destination for diving, fishing and beach resorts. In addition, tourists are drawn to Jordan's many religious sites, nature reserves and parks, eco-tourism offerings, and therapy tourism at the Dead Sea.

Tourism has traditionally been an important source of foreign exchange, although the number of tourists and volume of tourism revenues have historically fallen in times of instability and tension in the Middle East. The recent instability in the region, most notably the conflicts in Syria and Iraq, has had a considerable negative effect on tourism in Jordan. Most foreign visitors come from Western Europe and from other Arab countries. The impact of these events on Jordan's tourism sector is compounded by the fact that visitors have often typically visited Jordan as part of a trip to other places in the region, such as Syria and Egypt.

See "*Risk Factors—Risks Relating to the Kingdom—Tourism*".

The following table sets forth the main indicators of the tourism sector for the periods indicated.

Principal Indicators of the Tourism Sector[1]

	2012	**2013**	**2014**	**2015**	**2016**[2]	**Jan-June 2017**
Tourism receipts (*JD millions*)	2,883.6	2,923.0	3,106.6	2,886.1	2,870.9	1,488.7
Gross tourism income/GDP at current market prices *(%)*[3]	13.1	12.3	12.2	10.8	10.5	—
Value added of tourism sector at current prices *(JD millions)*[4]	1,441.8	1,461.5	1,553.3	1,443.1	1,435.5	—
Growth rate at constant market prices *(%)*[5]	13.6	(3.2)	3.6	(8.7)	(1.7)	—
Outstanding credit facilities extended to tourism sector by licensed banks *(JD millions)*	505.6	503.5	571.5	593.1	597.7	585.0
Number of visitors *(millions)*	6.3	5.4	5.3	4.8	4.8	2.4
Number of hotels	496	519	536	558	573	—
Number of rooms *(thousands)*	24.7	26.4	27.1	27.7	28.2	—
						—
Employees in hotels *(thousands)*	15.4	18.3	18.6	19.1	19.3	—
Employees in tourism sector *(thousands)*	43.9	48.1	48.6	49.1	50.4	—

Source: CBJ and Ministry of Tourism and Antiquities

Notes:
(1) Certain figures in this table have been revised and may differ from previously published data.
(2) Preliminary.
(3) Gross tourism income according to the balance of payments data.
(4) CBJ estimates. For the three months ended 31 March 2017, the value added of the tourism sector at current prices was JD 350.3 million.
(5) Base year is 1994. For the three months ended 31 March 2017, the growth rate at constant market prices, as compared to the corresponding period in 2016, was 6.7%.

Tourism receipts decreased by 0.5% to JD 2,870.9 million in 2016 from JD 2,886.1 million in 2015. This decrease was primarily due to the decrease in the number of tourists by 0.7% to 4.78 million, as compared to 4.81 million in 2015. Tourism receipts increased in the six months ended 30 June 2017 by 14.5% to JD 1,488.7 million from JD 1,300.1 million in the corresponding period in 2016. This increase was primarily due to a 9.1% increase in the number of tourists to 2.4 million from 2.2. million in the corresponding period in 2016.

In the eight months ended 31 August 2017, tourist visitors to Jordan increased by 9.7% to 3.5 million from 3.2 million in the corresponding period in 2016. Tourism receipts for the eight months ended 31 August 2017 were JD 2,154.4 million, as compared to JD 1,908.4 million for the corresponding period in 2016, an increase of 12.9%.

Historical Tourism

Jordan has numerous historical sites spread all over the country. Petra, Jordan's leading tourist attraction, is described as the "rose-red city". Famous for its architecture carved from stone, Petra was voted one of the "New Wonders of the World". In Hellenistic and Roman times, Petra was the capital of the Nabataean Kingdom (4th century B.C.-106 A.D.). The capital city of Amman is one of the oldest continuously-inhabited cities in the world, and archaeological ruins dating from the 5th millennium B.C. have been restored. The most famous of these historical ruins is the Citadel, which towers above the city. Downtown Amman features a restored Roman amphitheatre dating from the time of the Roman Emperor Antonius Pius (138-161 A.D.). This Roman amphitheatre is still used for concerts and other public events. Jerash, located in northern Jordan, is one of the oldest and best-preserved Roman cities in the region and contains several archaeologically-significant architectural remains, such as a forum surrounded by a colonnade, two theatres, two baths and a hippodrome.

Religious Tourism

Jordan has numerous sites of Christian, Jewish and Islamic significance. The Vatican has identified six sites in Jordan that it has officially recognised as sites of Christian pilgrimage including the site of the baptism of Jesus Christ, Mount Nebo, Karak, Anjara, Khirbet Al-Wahadneh and Jordan's capital, Amman. There are also a number of sites of Islamic significance in Jordan, some of which are more than 1,400 years old. Examples of sites of Islamic importance in Jordan include the sites of the Battle of Mu'tah in 629 A.D. and the Battle of Yarmouk in 636 A.D.

Eco-tourism

Jordan has great diversity of climate ranging from the temperate western and northern parts of the country, to the arid southern and eastern zones. The scenery ranges from spectacular mountain ranges to vast grass plains, low hilly areas, valleys and river beds to desert dunes. There are highlands in the west, as well as part of the Great Rift Valley that surrounds the bank of the Jordan River and the Dead Sea. Wadi Rum, or "the valley of the moon", is in southern Jordan and is one of Jordan's most important tourist destinations, especially for hikers, trekkers, horse and camel riders and day-trippers from Amman and Petra.

Therapy Tourism

The Dead Sea basin, 416 metres below sea level, offers a unique atmosphere. The sea itself is a giant reservoir of mineral resources, renowned worldwide for its therapeutic salts and black mud. The area attracts tourists for leisure and relaxation from all over the world, but in particular has great potential for therapy tourism. The mineral-rich waters with filtered solar radiation offer long-term relief to sufferers from various skin ailments and arthritic conditions. The hot springs and baths of the Ma'een hot springs, which are near the Dead Sea, are also therapeutic destinations with spas, health facilities, hotels and other accommodations. The site of the Afra hot springs in South Jordan is also a popular hot mineral water therapeutic site.

Tourism Initiatives

In January 2014, the Minister for Tourism noted that the tourism sector employed approximately 6% of the country's workforce, which was lower than the international rate of 15%. An EU-funded initiative includes a twinning project between Jordan and Italy, under which the latter is working with Jordan's Ministry of Tourism and on the implementation of the National Tourism Strategy.

Jordan 2025 identifies a number of future policies and initiatives for the tourism sector, including, among others, developing tourist infrastructure, including transport links, targeting new and non-traditional tourist markets and focusing on tourists interested in specialised tourist products (*i.e.*, therapeutic, religious, environmental, hospitalisation and convalescence tourism), developing domestic tourism campaigns, amending legislation to address tourist investment issues, taxes and electricity and accelerating the adoption of a new tourism law. Jordan 2025 aims to increase tourism income to JD 6.5 billion per year, increase the average length of tourist stays in Jordan from 4.3 nights in 2014 to 10 nights by 2025 and increase those working in the tourist industry to 110,000 people by 2025. The JEGP also identifies policies for the tourism sector including, *inter alia*, reviewing and updating tourism-related legislation.

The Government has also undertaken a number of initiatives to attract more tourists to Jordan, including:

- increasing the Jordanian Tourist Board's budget to enable it to promote the Kingdom's tourist attractions in regional and international markets and increase the use of e-marketing and social media platforms;
- increasing promotional efforts in order to attract tourists from new markets, such as Scandinavia, Eastern Europe and south-east Asia, as well as to focus on the Chinese and Indian markets;
- reducing electricity tariffs for the hotel sector, with the aim of making the hospitality sector more competitive among its regional peers;
- creating a "unified ticket" (known as "the Jordan Pass") that enables the tourists to visit 35 sites in Jordan at a reduced cost (approximately U.S.$100);
- waiving visa fees for tourists of all nationalities coming through Jordanian tour operators, whether travelling individually or in groups, provided that the travellers spend a minimum of two consecutive nights in Jordan;

- waiving visa fees for individual tourists who have organised their trip to Jordan (without arranging it through a tour operator but who have purchased the "unified ticket"), provided that they spend a minimum of three consecutive nights in Jordan;

- reducing visa fees for tourists entering Jordan through land borders from JD 40 to JD 10, provided that they spend a minimum of three consecutive nights in Jordan;

- waiving departure tax on airline tickets for all regular flights arriving in Aqaba and Amman, on the condition that the traveller purchase the "unified ticket" and spend a minimum of three consecutive nights in Jordan; and

- waiving the departure tax and entry visa for all low cost and charter flights coming into the Kingdom through the Queen Alia International Airport (in Amman) and the King Hussein International Airport (in Aqaba).

The Government is also considering a number of large-scale projects to increase Jordan's attractiveness to international tourists, including:

- **Dead Sea Jewel Project** – a U.S.$200 million project on the Dead Sea shore with a conference hall, restaurants and hotels;

- **Corniche District** – a project on the northern Dead Sea coast with shopping, restaurants and hotel developments and a plaza to host festivals;

- **Star Trek Theme Park** – a Star Trek-themed park and resort in Aqaba;

- **Marsa Zayed** – a mixed-use waterfront project, including residential towers, retail, recreation, entertainment, business and financial districts, marinas and a cruise ship terminal in Aqaba; and

- **Ayla Project** – a regeneration plan in the city of Aqaba to redevelop the city's waterfront as a new, sustainable destination for tourism with hospitality, retail and entertainment components.

Telecommunications

The information and communications technology sector in Jordan has grown significantly over the past decade. Since the launch of the REACH initiative in 1999, a national strategy aimed at developing the IT industry in Jordan into a viable exporting industry, the Government has worked with the private sector to progress in areas of connectivity, e-learning and e-government. A number of well-known, global IT companies have invested in Jordan and are working with the Government on joint initiatives.

The following table sets forth information on the telecommunications sector in Jordan for the periods indicated.

Telecommunications[1]

	2012	2013	2014	2015	2016
Fixed-line services					
Number of fixed-line subscribers *(thousands)*	401	379	376	369	358
Penetration rate *(%)*	6.3	5.2	5.0	3.9	3.5
Mobile telephony					
Number of mobile phone subscribers *(thousands)*	8,984	10,314	11.120	13,798	9,818
Penetration rate *(%)*	140	142	147	145	100
Internet services					
Number of Internet subscriptions *(thousands)*	N/A	5,201	5,365	7,892	1006
Penetration rate *(%)*	N/A	67	66	79	95

Source: Telecommunications Regulatory Commission

Note:
(1) Certain figures in this table have been revised and may differ from previously published data.

Fixed-line Telephony

Following privatisation, Jordan Telecom (operating under the brand "Orange Jordan") is 3%-owned by the state. It is majority-owned (51%) by Joint Investment Telecommunications Co., a holding company that is, in turn, owned by Orange. The Social Security Corporation owns 28.9% of Jordan Telecom and Noor Telecommunications Holding Company Limited owns 10.0% of Jordan Telecom. Jordan Telecom's exclusivity as the provider of fixed-line telephone services in the Kingdom expired in 2005. Since, 2005, Jordan's Telecommunications Regulatory Commission has issued more than 60 individual and class licences for fixed line services. However, the Jordan Telecom Group continues to hold approximately 90% of the fixed-line telephone services market.

As at 31 December 2016, there were 358,000 fixed line subscribers in Jordan, a decrease from 369,000 and 376,000 as at 31 December 2015 and 2014, respectively.

Mobile Telephony

There are three mobile phone operators in the Kingdom: Jordan Mobile Telephone Services, which operates under the brand name Zain JO; Petra Jordanian Mobile Telecommunications Company, which operates under the brand name Orange; and Umniah Mobile Company, which operates under the brand name Umniah. Jordan Mobile Telephone Services was granted the first mobile cellular license in Jordan in October 1994. As at 31 December 2016, Zain JO had approximately 4.3 million subscribers, Orange had approximately 3.0 million subscribers, and Umniah had approximately 2.4 million subscribers, according to statistics published by the Telecommunications Regulatory Commission. Each of the three mobile phone companies offer 4G services in Jordan: Zain JO, Orange and Umniah.

Internet

As at 31 December 2016, there were 10.0 million fixed and mobile broadband internet subscriptions in the Kingdom, an increase of 18% since 2015, continuing the steady growth of the sector in recent years. The internet penetration ratio reached 95% in 2016, as compared 79% in 2015. The Government sees the expansion of broadband access as a key driver for sustained growth and development in the telecommunications sector in particular, and the economy in general.

Environment

There has been heightened interest and concern from the Government and the Jordanian population in environmental issues in recent years. This is due to increasing awareness of the value of Jordan's natural resources and the Government's desire to provide for the general welfare of the population.

On 16 April 2017, the new Environment Protection Law № 6 of 2017 (the "**Environmental Law**") was published in the *Official Gazette* and came into effect. Pursuant to Article 4 of the Environmental Law, the Ministry of Environment is empowered, *inter alia*, to: (i) regulate the environmental aspects of public policy, projects and programmes in Jordan; (ii) issue binding instructions for environmental protection and conditions for executing agricultural, development, commercial, residential and any other projects and any services provided in connection with these projects; (iii) supervise public and private entities' compliance with environmental laws, regulations and instructions; (iv) initiate and publish environmental research and studies; (v) regulate the trade, transport and storage of dangerous and toxic substances; (vi) enhance the Kingdom's relationship with other countries and entities in relation to environmental protection; and (vii) implement national strategies to increase public awareness of environmental issues.

The Environment Law imposes criminal and civil sanctions on any person or entity that breaches its provisions and empowers the Ministry of Environment to require any entity in Jordan that carries out an activity that may have a negative impact on the environment to prepare an Environmental Impact Assessment (an "**EIA**") during the planning, designing, executing or operating of a project. If clearance is not obtained by means of an EIA, the project may not proceed. Failure to follow instructions from the Ministry of Environment is considered a breach of the Environment Law, rendering a non-compliant entity liable to sanctions. Even if EIA clearance is obtained, the Ministry of Environment will still periodically monitor the entity's compliance with all conditions and requirements set out in the EIA clearance.

The Kingdom has also entered into a number of international conventions and treaties relating to environmental protection including the Kyoto Protocol to the United Nations Framework Convention on Climate Change and the 2016 Paris Climate Change Agreement.

Jordan 2025 identifies a number of future policies and initiatives for the environmental sector, including, *inter alia*, introducing efforts to maintain ecosystems, especially in the Jordanian desert, developing systems for the management of hazardous waste and recycling initiatives, developing a legislative framework for climate change, raising public awareness on environmental protection matters, encouraging private sector participation in environmental and waste management matters, and promoting "green economy" and sustainable consumption and production patterns.

Privatisation Programme

The Government launched Jordan's national privatisation programme in 1996 with the principal aims of developing and enhancing the role of the private sector in the economy and reducing the Government's role in certain sectors dominated by state-controlled enterprises. The National Privatisation Strategy was endorsed in August 1999 and the processes for privatisation of state-owned enterprises and consequential use of proceeds were set out in the Privatisation Law № 25 of 2000 (the "**Privatisation Law**").

The last major transaction conducted under the National Privatisation Strategy was the sale of the Government's ownership of the national telecommunications company, conducted in January 2008. In 2011, the Government decided to postpone the proposed privatisation of Assamra Electricity Generation Company, which remains state-owned.

In 2010, privatisation receipts were JD 3.0 million, from Royal Jordanian Airlines (JD 0.4 million) and the Central Electricity Generating Company (JD 2.5 million). There have been no further privatisations since 2010.

In March 2013, a high-level Privatisation Evaluation Committee was established by Royal directive. The Committee released a report in March 2014, which reviewed and evaluated the privatisation of 19 companies in the mining, telecommunications, aviation, water and electricity sectors.

In 2015, the Privatisation Law was repealed. Subsequently, private sector development is being encouraged through PPPs and both Jordan 2025 and the JEGP envisage the implementation of a number of large scale PPP projects. See "*—Public Private Partnerships*".

Public Private Partnerships

In line with the Kingdom's policy and initiatives to develop private sector participation in economic activities, particularly in the infrastructure and services sectors, the Government initiated the PPP Programme in February 2006, assigning the primary role in developing, promoting and implementing the PPP Programme to the Executive Privatisation Commission.

The aim of the PPP Programme is to encourage economic growth and employment throughout Jordan by means of a long-term partnership with the private sector in the infrastructure, utilities and services sectors. The PPP Programme aims to attract more private investment and improve the quality of Government services. In 2009, the Executive Privatisation Commission completed a comprehensive study of the legislative framework of the PPP Programme, as well as a review of the institutional and financial support required for the PPP Programme. The Executive Privatisation Commission also developed a manual for PPP projects, together with supporting documents, including a Guide for Implementing Partnership Projects, which set out procedures for PPP Programme implementation within the various legislative and institutional environments. The Commission also prepared assessment reports for a number of candidate sectors for the PPP programmes, such as the transport sector, government buildings and municipalities.

In November 2014, the Public Private Partnership Law № 31 of 2014 (the "**PPP Law**") was passed by the National Assembly. Article 3 of the PPP Law sets forth the following aims for the PPP programme: (i) establishing, renovating, operating, and maintaining public infrastructure; (ii) encouraging private sector investment projects with governmental bodies; (iii) locating appropriate funding for feasible projects; and (iv) building on the experience, technical know-how and modern technologies of the private sector in project initiation and management.

In May 2015, the then-Prime Minister Abdullah Ensour, then-Chairman of the Public-Private Partnership Council, presided over the council's first meeting under the PPP Law.

The Government is currently considering a significant expansion of its PPP projects through the implementation of three large projects: (i) the Jordan National Railway Project (see "*—Services Sector—Transport, Storage and Communications—Railways*"); (ii) the Red Sea-Dead Sea Project (see "*—Production Sectors—Electricity and Water*"); and (iii) a project to construct a nuclear power plant (see "*—Production Sectors—Electricity and Water—Nuclear Power*").

Several other major PPPs are also planned or underway, including projects in the transportation, water and energy sectors, as well as a number of services and environmental projects. Examples of PPP projects approved by the Government include: (i) the Amman to Zarqa Bus Rapid Transit; (ii) the Zarqa wastewater treatment plant; (iii) the

Government "Help Desk" (for Government-wide e-enquiry and complaint management); (iv) construction of a vehicle lead battery collection and recycling centre; (v) a project for the installation of fibre optic cabling; (vi) the King Hussein Bridge Terminal and Freight Yard project; (vii) construction of an integrated hazardous and medical waste handling centre; (viii) expansion of the Amman civil airport; (ix) constriction of a new science college at the Al Tafeleh Technical University; and (x) construction of a slaughterhouse in Amman.

Both Jordan 2025 and the JEGP identify initiatives to encourage PPPs and other private sector participation across the principal sectors of Jordan's economy.

The Government is in the process of approving a public investment management system, which has been developed with technical assistance from the World Bank and is intended to improve the Kingdom's governance framework by setting out a simplified methodology for appraising and prioritising proposed public investment and PPP projects. This system is expected to foster increased investment efficiency and maximise the expected return on investment projects. In May 2017, with IMF assistance, the Government conducted a public investment management assessment, the findings of which are expected to be used to form an action plan to strengthen Jordan's public investment management programme. The Government has prepared a draft organic budget law supporting the public investment management system framework, which is being submitted to the National Assembly. See "*Public Finance—The Budget Process—Reform*".

Employment and Labour

As at 31 December 2016, according to statistics published by the Department of Statistics, the portion of the population between the ages of 15 and 64 was estimated at approximately 61.4% and approximately 32.2% of the population was estimated to be under the age of 15.

In 2016, approximately 1.9% of Jordan's labour force worked in the agricultural sector, 80.5% in services and 10.5% in industry. The labour force was 1.66 million people as at 31 December 2016, as compared to 1.60 million people as at 31 December 2015. Approximately 36.0% of the population participates in the labour force.

Workers in any trade may organise themselves in a trade union under Jordanian law. In some professional services, membership of a trade union is mandatory.

The following table sets forth the rates of unemployment for Jordanian workers, aged 15 and over, for the periods indicated.

Unemployment Rates

	2012	2013	2014	2015	2016	Jan-Mar 2017
			(%)			
Female	19.9	22.2	20.7	22.5	24.1	33.0
Male	10.4	10.6	10.1	11.0	13.3	13.9
Total	**12.2**	**12.6**	**11.9**	**13.0**	**15.3**	**18.2**

Source: Department of Statistics

The unemployment rate for people between the age of 15 and 24 was 30.8% in each of 2015 and 2014, and the unemployment rate for graduates was 18.6% in 2015, as compared to 17.3% in 2014.

In 2016, the unemployment rate was 15.3%, an increase of 2.3 percentage points as compared to 13.0% in 2015. The unemployment rates for males was 13.3% and the unemployment rate for females was 24.1% in 2016.

In the three months ended 31 March 2017, the general unemployment rate was 18.2%, as compared to 14.6% in the corresponding period of 2016. The increase in the unemployment rate was primarily due to limited economic growth and fewer job opportunities for Jordanians due to an increase in the number of employment positions occupied by Syrian nationals. In addition, the Department of Statistics has implemented a new methodology for the calculation of unemployment figures in line with new recommendations issued by the International Labour Organisation, which differs in certain respect from previously used methods. Accordingly, the comparability of statistics prepared under the new and old methodologies is limited. This new methodology excludes unpaid workers from the definition of "employed persons" and increases the sample size for the compilation of statistics from 13,000 households to 16,000 households. In the three months ended 31 March 2017, the unemployment rate for males was 13.9% and the unemployment rate for females was 33.0%. In the six months ended 30 June 2017, the general unemployment rate was 18.1%.

See "*Risk Factors—Risks Relating to the Kingdom—Unemployment*".

In 2011, the Government introduced maternity and unemployment insurance cover to encourage female participation in the labour market.

The Ministry of Labour has developed an action plan to promote greater participation and formality in the labour market, including by revamping the part-time employment framework, facilitating access to childcare, exploring options to reduce wage costs for formal jobs, building a low-cost and efficient public transport system and evaluating the potential impact of a reduction in payroll taxes. In 2012, the National Employment Strategy was launched to promote increased employment, wages, benefits and productivity. In 2017, a draft updated National Employment Strategy for 2017-2025 was prepared in line with the aims of Jordan 2025. This strategy is expected to be approved by the end of 2017 and the Ministry of Labour's action plan is then expected to be updated in line with the new strategy.

In recent years, the Government has pursued a number of policies in order to lower unemployment levels and to combat poverty. See "—*Social Programmes*". Jordan also has a system, which provides certain unemployment benefits.

Jordan 2025 sets out a number of initiatives to combat unemployment in Jordan, including, among others, improving training and employment programmes, developing vocational guidance and employment services initiatives and introducing initiatives to ensure that foreign workers complement rather than replace Jordanian labour. Jordan 2025 aims to reduce the unemployment rate to between 8.0% and 9.2% by 2025. The JEGP also identifies combatting unemployment as a strategic priority, including, *inter alia*, through restructuring and organising technical and vocational training, limiting reliance on foreign labour and promoting entrepreneurship and self-employment by establishing programmes in conjunction with the private sector.

The following table sets forth the percentage distribution of Jordanian workers by economic activity for the years indicated.

Distribution of Employed Jordanians by Economic Activity

	2012	2013	2014	2015	2016
			(%)		
Agriculture and fishing	2.0	2.0	1.8	1.7	1.9
Mining and quarrying	0.8	1.0	0.8	0.8	0.8
Manufacturing	9.7	9.9	10.2	10.0	9.7
Electricity, gas and water supply	1.0	0.8	0.9	1.0	1.0
Construction	6.0	6.4	6.6	6.0	6.1
Wholesale and retail trade	15.5	15.7	15.3	15.3	15.4
Hotels and restaurants	2.4	2.5	2.5	2.5	2.9
Transport, storage and communications	9.1	9.2	9.6	9.3	8.9
Financial intermediation	2.0	1.9	2.1	1.7	1.9
Real estate	0.5	0.6	0.6	0.6	0.4
Public administration	25.5	26.2	26.2	26.3	26.1
Education	12.6	12.1	11.9	12.4	11.5
Health and social work	5.1	5.0	4.9	5.0	5.1
Other community activities	6.9	6.1	5.9	6.3	7.0
Private households with employed persons	0.6	0.3	0.4	0.6	0.7
Extra-territorial organisations and bodies	0.3	0.3	0.4	0.6	0.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Department of Statistics

The following table sets forth the percentage distribution of Jordanian workers by occupation for the years indicated.

Distribution of Employed Jordanians by Occupation

	2012	2013	2014	2015	2016
			(%)		
Legislators, senior officials and managers	0.6	0.6	0.6	0.3	0.5
Professionals	24.6	23.7	23.8	23.8	24.6
Technicians	7.9	7.5	7.2	7.1	6.8
Clerks	6.2	5.5	4.8	5.4	5.0
Services and sales workers	28.9	30.5	30.3	30.5	30.6
Skilled agricultural workers	1.4	1.5	1.5	1.6	1.7
Crafts and related workers	13.7	14.3	14.8	14.0	13.9
Plant and machine operators and assemblers	10.4	11.1	11.5	11.1	10.6
Elementary occupations	6.3	5.2	5.6	6.2	6.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Department of Statistics

The following table sets forth the statistics in respect of monthly earnings in 2016.

Monthly Earnings

	Less than JD 100	JD 100-JD 199	JD 200-JD 299	JD 300-JD 499	More than JD 500
			(%)		
Paid employee	0.4	5.0	27.5	57.6	9.5
Employer	0.0	0.6	11.0	42.1	46.2
Self employed	2.1	10.8	38.2	38.8	10.2

Source: Department of Statistics

In January 2009, a decision issued by the Tripartite Committee for Labour Affairs came into effect that raised the minimum wage for Jordanian workers from JD 110 per month to JD 150 per month. With effect from February 2012, the minimum wage for Jordanian workers was further increased by JD 40 per month to JD 190 per month and will be increased further to JD 220 per month. Certain workers were excluded from this increase, including those in the textile and housing services industries.

The presence of Syrian refugees, who have official access to the Jordanian labour market, has led to increased pressure on employment. Syrians of working age (between 18 and 59 years) account for approximately 45.6% of total registered refugees (or 300,000 individuals), according to statistics compiled by MOPIC. The Jordan Compact aims, *inter alia*, to create jobs for Jordanians and Syrian refugees living in Jordan in the formal sector. See "*Risk Factors—Risks Relating to the Kingdom—Syrian Refugees*" and "*Description of the Hashemite Kingdom of Jordan—International Relations—Syria—The Impact of the Syrian Refugee Crisis on Jordan*".

Informal Economy

The Kingdom has a significant informal economy in terms of the production of both goods and services and is a significant source of employment. According to figures published by the IMF, the informal economy represents approximately 26% of GDP and may have increased in both size and as a percentage of GDP in recent years as a result of the arrival of large numbers of Syrian refugees, in particular, in the agriculture, construction, food services, retail trade and home-based production sectors. See "*Risk Factors—Risks Relating to the Kingdom—Syrian Refugees*" and "*Risk Factors—Risks Relating to the Kingdom—Informal Economy*" and "*Description of the Hashemite Kingdom of Jordan—International Relations—Syria—The Impact of the Syrian Refugee Crisis on Jordan*".

Competition Law

The National Assembly has passed two laws in relation to competitive conduct, the Unfair Competition and Trade Secrets Law № 15 of 2000 and the Competition Law № 33 of 2004 (the "**Competition Law**"). For the purposes of implementing the Competition Law, a competition directorate has been established as part of the Ministry of Industry and Trade in order to spread the competition culture, set Jordan's competition policy, conduct any necessary investigations or practices that may contravene competition, deal with competition complaints and requests for economic concentration activities and exemptions, cooperate with foreign competition entities and issue opinions clarifying competition matters.

The Government has drafted a new draft competition law, which is currently being reviewed by the National Assembly. This new law aims to strengthen the domestic economic climate and to attract FDI through incentives to: (i) improve market competitiveness; (ii) protect SMEs from restrictive anticompetitive practices; and (iii) give consumers access to high quality products at competitive prices.

The Government has also announced that it is reviewing the competition law framework with a view to ensuring the independence of relevant agencies to monitor and enforce good market conduct.

Social Programmes

As part of its efforts to combat poverty and unemployment and mitigate their negative impact on the economy, the Government has implemented several social programmes, the most important of which are: cash assistance programmes (such as the National Aid Fund and Zakat Fund); microfinance and SME programmes (such as the Development and Employment Fund and the ACC); and programmes dealing with housing, training, rehabilitation and public services.

The Government is also implementing several programmes with international parties, including: the Fighting Poverty through Local Development Project, which is funded by the EU; the Social Protection Enhancement Project, which is partially funded by the World Bank; and the Employer-Driven Skills Development Project, which is also partially funded by the World Bank. In December 2014, the Government launched the JRP, which appealed for U.S.$2.91 billion of assistance to respond to the impact of the Syria crisis on Jordan. In 2016, the Government published a new JRP for the period 2016-18. The new JRP is a rolling plan; at the end of 2016, the JRP was reviewed, and a new JRP for 2017-19 was published. The plan aims to bridge humanitarian and development assistance in Jordan to address the needs of refugees and vulnerable host communities, while ensuring alignment with national priorities. The implementation of the plan is being coordinated by the Jordan Response Platform to the Syria Crisis based in MOPIC. In February 2016, the Jordan Compact was adopted at the conference on "Supporting Syria and the Region" in London. The Jordan Compact aims to turn the Syria refugee crisis into a development opportunity that attracts new investments and creates jobs for Jordanians and Syrian refugees living in Jordan. The Jordan Compact was reaffirmed in April 2017. See "*Risk Factors—Risks Relating to the Kingdom—Syrian Refugees*" and "*Description of the Hashemite Kingdom of Jordan—International Relations—Syria*".

The Government, together with the United Nations Development Programme ("**UNDP**"), has developed a Poverty Reduction Strategy for 2013 to 2020. The overall goal of the Poverty Reduction Strategy is to contain and reduce poverty, vulnerability and inequality in Jordan's socio-economic environment, through the adoption of a holistic and results-oriented approach, which targets poor and below middle class households.

The reduction of poverty in Jordan is also a key aim of Jordan 2025, which targets the reduction of the percentage of the population in absolute poverty from 14.4% in 2010 to 8% by 2025. Jordan 2025 sets out a number of priority objectives to address poverty and social protection matters, including, among others, creating a national information bank, eliminating food poverty and hunger in Jordan by 2017, offering qualitative training, promoting investment in the poorest areas of Jordan, increasing education, updating the national strategy for persons with disabilities, increasing the participation of women in all aspects of society and introducing measures to enhance social protection and community responsibility.

Vocational Training Corporation

The Vocational Training Corporation provides training programmes for Jordanian and non-Jordanian youths aged 16 and above, with the aim of preparing a trained and qualified labour force in various fields according to labour market needs, in partnership with the private sector and non-governmental organisations at both the national and regional level. The Vocational Training Corporation provided training for 24,596 people in 2016.

The National Employment and Training Company

The National Employment and Training Company, which is 51% owned by the Kingdom Investment Group and 49% owned by the Vocational Training Company, is a non-profit company that aims to reduce the rates of unemployment, combat poverty and promote domestic workers through training and employment. The National Employment and Training Company works in coordination with the Ministry of Labour and the private sector. The National Employment and Training Company provided training for 1,444 people in 2016 in 26 programmes. Graduates have a 74% employment rate, and the company expects to provide training to 2,000 young people in 2017.

National Aid Fund

The National Aid Fund provides social services and programmes aimed at alleviating poverty by granting supplementary income and emergency aid to families in Jordan. The National Aid Fund's total expenditure on various programmes increased to JD 89.3 million, as compared to JD 88.5 million in 2015. Figures for 2016 and interim periods of 2017 are not available.

Regulations governing urgent financial aid for National Aid Fund beneficiaries and underprivileged families whose houses are damaged by natural disasters were introduced in December 2014. Regulations governing a training and employment programme for National Aid Fund beneficiaries were also introduced in 2014.

Development and Employment Fund

The Development and Employment Fund provides direct and indirect lending by approved intermediary institutions with the aims of eradicating poverty and unemployment and supporting sustainable development. In addition, the Development and Employment Fund provides support services and training, and conducts field studies and surveys to identify lending and training needs in Jordan.

In 2014, the Development and Employment Fund concluded a training programme on microfinance for SMEs.

In May 2015, the Development and Employment Fund launched a six-year project to extend loans to small-scale farmers.

Loans extended by the Development and Employment Fund increased by 13% in 2015 (the year for which the most recent statistics are available) to JD 33.7 million, distributed amongst 7,288 projects, as compared to JD 31 million in 2014, distributed amongst 8,376 projects. In 2015, rural women empowerment projects accounted for 55% of total loans extended, commercial projects for 32%, service projects for 4%, student loans for 3% and other projects for 6%. These projects generated 10,313 job opportunities in 2015 and 11,229 job opportunities in 2014.

In 2013, the USAID-funded One-Stop-Shop Employment Opportunities Gateway was established, which permits young job seekers to access comprehensive employment services offering guidance services, workshops, life-skills training, job fairs and entrepreneurship support in one location. The gateway offers training courses delivered by representatives of the Technical and Vocational Training Corporation and the National Company for Employment and Training, in addition to funding for small projects through the Development and Employment Fund's on-site lending office.

King Abdullah II Fund for Development

The King Abdullah II Fund for Development ("**KAFD**") was established by a Royal Decree in 2001 as a non-governmental organisation. Its aim is to support the Jordanian community by driving human and infrastructure development. KAFD works to further develop key sectors in Jordan and improve local standards of living for all segments of the Jordanian community, targeting individuals, public and private sectors and civil society organisations. KAFD's activities focus on two main areas: (i) non-profit development programmes and initiatives that support the empowerment of citizens through education, training or rehabilitation; improve their living standards; and encourage creativity and excellence, especially among the youth; and (ii) for-profit investment projects that contribute to comprehensive development in different governorates by establishing pilot production projects that help reduce poverty and unemployment.

Examples of non-profit development programmes implemented by KAFD include a gaming lab to build the capabilities of youth in the gaming sector, leadership programmes, debate and dialogue clubs in schools, internship programmes and a regional social innovation award, The King Abdullah II Award for Youth Innovation and Achievement. KAFD also has an active youth arm in the regions, the All Jordan Youth Commission, which encourages young Jordanians to become active citizens in their home communities. KAFD operates a network of career guidance offices in 27 public and private universities across Jordan.

Examples of for-profit investment projects pursued by KAFD include the establishment of the National Microfinance Bank, the leading early stage and seed investment company Oasis500 and the Royal Academy of Culinary Arts (which aims to boost vocational education in Jordan and the region). KAFD also established the King Hussein Bin Talal Convention Centre at the Dead Sea and special production promotion companies for original heritage products and agricultural fruits and vegetables in the local and international market. In the tourism sector, KAFD funded the re-enactment of historical civilisations and events at various tourist sites.

As part of KAFD's strategy to engage with different partners in implementing its programmes, in October 2014, KAFD entered into a number of partnerships with several governmental and international donor organisations to upgrade its network of career guidance offices. These partnerships included the entry into of Memoranda of Understanding with the USAID Jordan Competitiveness Program, the World Bank, the Ministry of Labour and the Employment-Technical and Vocational Education and Training Fund.

National Microfinance Bank

The National Microfinance Bank was established in 2006 to help combat poverty and unemployment by providing loans and financial services to SMEs. The total loans extended by the National Microfinance Bank increased by 10% in 2016 to JD 31.5 million, distributed between projects in the productive sectors and projects to improve living conditions, including, education, home improvements and energy efficiency projects.

In 2013, the National Microfinance Bank launched a micro-insurance programme offering all its clients to health insurance coverage for cancer and in-patient conditions. In January 2015, the National Microfinance Bank introduced a special programme for breast cancer cover.

In 2014, the National Microfinance Bank and UNDP launched a joint project (in the context of the wider "Mitigating the impact of the Syrian Refugees Crisis on the Jordanian Vulnerable Host Communities Project") to train and provide financial and non-financial services to more than 800 beneficiaries in the Northern Badia area. National Microfinance Bank's contribution helped to establish and develop a number of small enterprises in the targeted area.

In 2015, the National Microfinance Bank had 62,552 active clients and a total gross portfolio of JD 200.7 million. In June 2015, regulatory oversight of the National Microfinance Bank was transferred to the CBJ.

As at 31 December 2016, the National Microfinance Bank had 66,457 active clients and a total gross portfolio of JD 31.5 million.

Social Security

The previous social security law was passed in 2001 to guarantee employee pension, disability and death benefits and to cover medical expenses of employees during the course of their employment. To cover the cost of these benefits, 5.5% of the employee's salary, plus a contribution from the employer equivalent to 11% of the employers' monthly salaries, is deducted and paid to the Social Security Corporation at the beginning of each month.

In January 2014, the Social Security Law № 1 of 2014 (the "**Social Security Law**") came into force, which repealed and replaced the previous Social Security Law of 2001 and which gradually phases in increases in social security rates, as a result of which, in 2015, social security contribution rates increased to 7% of the employee's salary, plus an employer's contribution of 13.3% of monthly salaries. In 2016, contributions further increased to 7.3% of the employee's salary, plus an employer's contribution of 13.8%. Contributions will increase by an additional 0.25% and 0.5%, respectively, in 2017. The law also modified the income base upon which social security contributions are applied and links annual raises of pensions with inflation rates or growth in the annual average increase in salaries in Jordan, whichever is less.

According to figures published by the Social Security Corporation, social security contributions were JD 1,431.7 million and expenditures were JD 905.9 million in 2016. As at 31 December 2016, the assets of the Social Security Corporation were JD 8,325.3 million, as compared to JD 7,642.9 million as at 31 December 2015.

EXTERNAL SECTOR

General

The current account recorded a deficit of JD 2,563.4 million in 2016 (representing 9.3% of GDP), as compared to JD 2,418.2 million (representing 9.1% of GDP) in 2015, an increase in the deficit of JD 145.2 million, or 6.0%, primarily as a result of a decrease in the surplus of the service account by 15.5%, which was partially offset by an improvement in the Kingdom's trade balance by 7.8%. See "*—Foreign Trade*". The volume of external trade (domestic exports plus imports) decreased by 6.3% in 2016 to JD 18,166.9 million, as compared to JD 19,344.8 million in 2015. This decrease was primarily due to a 5.6% decrease in imports and an 8.4% decrease in domestic exports. See "*—Foreign Trade*".

The current account recorded a deficit of JD 788.2 million for the three months ended 31 March 2017, as compared to JD 1,026.5 million in the corresponding period in 2016, representing a decrease of JD 238.3 million, or 23.2%. This decrease was primarily due to the JD 154.1 million, or 118.4%, increase in the services account surplus, as well as a 4.8% decrease in the trade deficit. In the three months ended 31 March 2017, the net trade deficit was JD 1,814.9 million, as compared to JD 1,906.3 million in the corresponding period in 2016.

The capital and financial account recorded a net inflow of JD 2,350.1 million in 2016, as compared to JD 1,945.4 million in 2015, an increase of JD 404.7 million. This inflow was primarily a result of net FDI inflows of JD 1,090.3 million, portfolio investment inflows of JD 848.9 million, other investment outflows of JD 432.2 million and a decrease in CBJ reserve assets of JD 783.1 million. The capital and financial account recorded a net inflow of JD 980.6 million for the three months ended 31 March 2017, as compared to JD 994.3 million in the corresponding period in 2016, a decrease of JD 13.7 million, or 1.4%.

Gross official reserves were U.S.$13,105.4 million as at 30 June 2017, as compared to U.S.$14,499.9 million as at 31 December 2016 and U.S.$15,698.2 million as at 31 December 2015. Gross foreign reserves represented 7.4 months of imports as at 30 June 2017, 8.3 months of imports as at 31 December 2016 and 9.2 months of imports as at 31 December 2015. As at 31 August 2017, gross official reserves were U.S.$12,787.9 million, representing 7.2 months of imports.

Net foreign assets held by Jordanian banks increased by JD 720.3 million, or 6.9%, from JD 10,402.2 million as at 31 December 2014 to JD 11,122.5 million as at 31 December 2015, before decreasing to JD 10,502.0 million as at 31 December 2016. As at 31 July 2017, net foreign assets were JD 9,547.1 million, a decrease of 9.1%, as compared to 31 December 2016. See "*Monetary System—The Jordanian Banking Sector*".

Jordan's external debt (public and private) as at 31 December 2016 was JD 19,326.9 million, as compared to JD 18,637.4 million as at 31 December 2015, representing an increase of 3.7%. Public sector external debt accounted for 43.7% of total external debt as at 31 December 2016. Jordan's external debt (public and private) to GDP ratio increased to 70.4% as at 31 December 2016 from 70.0% as at 31 December 2015. As at 31 March 2017, Jordan's external debt was JD 19,382.5 million. See "*Public Sector Debt—External Debt*".

Balance of Payments

The following table sets forth data on Jordan's balance of payments for the periods indicated.

Balance of Payments(1)(2)

	2012	2013	2014	2015	2016(3)	Jan – Mar 2016(3)	Jan – Mar 2017(3)
			(JD millions)				
Current account	**(3,344.9)**	**(2,487.7)**	**(1,851.7)**	**(2,418.2)**	**(2,563.4)**	**(1,026.5)**	**(788.2)**
Trade balance (net)	(7,486.6)	(8,270.1)	(8,495.6)	(7,336.2)	(6,761.5)	(1,906.3)	(1,814.9)
Exports, f.o.b.	5,599.5	5,618.0	5,953.1	5,561.4	5,331.4	1,161.5	1,239.2
Imports, f.o.b.	13,086.1	13,888.0	14,449.2	12,897.6	12,092.9	3,067.8	3,054.1
Services account	1,332.3	1,209.5	1,778.9	1,235.8	1,044.5	130.1	284.2
Income account	(275.5)	(240.4)	(295.9)	(307.1)	(216.0)	58.2	61.5
Current transfers (net)	3,084.9	4,813.3	5,160.9	3,989.3	3,369.6	691.5	681.0
Capital and financial account	**3,834.0**	**1,956.1**	**1,084.1**	**1,945.4**	**2,350.1**	994.3	980.6
Capital account	1.8	45.7	58.3	80.0	60.0	11.0	6.0
Financial account	3,832.2	1,910.4	1,025.8	1,865.4	2,290.1	983.3	974.6
Direct investment	1,095.5	1,371.1	1,487.5	1,135.5	1,090.3	372.2	338.7
Abroad (net)	(3.8)	(11.1)	(59.2)	(0.7)	(2.3)	10.3	2.2
In Jordan (net)	1,099.3	1,382.2	1,546.7	1,136.2	1,092.6	361.9	336.5
Portfolio investment (net)	316.2	1,172.5	824.9	919.6	848.9	(13.6)	(379.7)
Other investment (net)	94.9	3,080.3	391.4	357.9	(432.2)	98.1	119.3
Reserve assets	2,325.6	(3,713.5)	(1,678.0)	(547.6)	783.1	526.6	896.3
Net errors and omissions	**(489.1)**	**531.6**	**767.6**	**472.8**	**213.3**	**32.2**	**(192.4)**
			(%)				
Current account/GDP(4)	(15.2)	(10.4)	(7.3)	(9.1)	(9.3)	16.4	12.1
Trade balance/GDP(4)	(34.1)	(34.7)	(33.4)	(27.5)	(24.6)	(30.5)	(28.0)
Services account/GDP(4)	6.1	5.1	7.0	4.6	3.8	2.1	4.4
Income account/GDP(4)	(1.3)	(1.0)	(1.2)	(1.2)	(0.8)	0.9	0.9
Current transfers (net)/GDP(4)	14.0	20.2	20.3	15.0	12.3	11.1	10.5
Direct investment (net)/GDP(4)	5.0	5.7	5.8	4.3	4.0	6.0	5.2
Gross official reserves (*U.S.$ millions*)	7,593.4	12,820.2	15,002.9	15,698.2	14,499.9	15,140.3(5)	13,302.7(5)
Coverage (in months of prospective imports of goods and non-factor services)	4.0	6.6	7.5	9.2	8.3	8.8(5)	7.6(5)

Source: CBJ

Notes:

(1) Certain figures in this table have been revised and may differ from previously published data.

(2) Descriptions of items in the balance of payments are set out in the IMF's Balance of Payments and International Investment Position Manual (Sixth Edition) (BPM6).

(3) Preliminary.

(4) Based on GDP at current market prices.

(5) Gross official reserves were U.S.$13,105.4 million, representing 7.4 months of imports, as at 30 June 2017 and were U.S.$12,787.9 million, representing 7.2 months of imports, as at 31 August 2017.

Current Account

The Kingdom's trade deficit fluctuated in the period 2012-2016, but the levels of imports significantly exceeded the levels of exports in each year. The trade deficit decreased by JD 725.1 million from 2012 to 2016. In 2016, the trade deficit decreased by JD 574.7 million, as compared to 2015, primarily due to the impact of lower international oil prices, as well as the commencement of LNG terminal operations at the port of Aqaba. See "*The Economy—Production Sectors—Electricity and Water—Natural Gas*". The trade deficit was JD 6,761.5 million in 2016, as compared to 7,336.2 million at 2015. In the three months ended 31 March 2017, the net trade deficit was JD 1,814.9 million, as compared to JD 1,906.3 million in the corresponding period in 2016.

In 2016, imports decreased by JD 804.7 million (6.2%), as compared to 2015. Imports (FOB) were JD 12,092.9 million in 2016, as compared to JD 12,897.6 million in 2015. This decrease was primarily due to a 23.4% decrease in energy imports and a 2.6% decrease in non-energy imports. Imports (FOB) were JD 3,054.1 million for the three months ended

31 March 2017, as compared to JD 3,067.8 million for the corresponding period in 2016, a decrease of JD 13.7 million, or 0.4%.

Total exports (including domestic exports and re-exports) decreased from JD 5,599.5 million in 2012 to JD 5,331.4 million in 2016, a decrease of JD 268.1 million, or 4.8%. The decrease in exports in 2016 was primarily due to decreases in food and live animals, fertilizer, phosphates and potash exports. Total exports (including domestic exports and re-exports) decreased to JD 2,493.6 million in the six months ended 30 June 2017, as compared to JD 2,507.4 million in the corresponding period in 2016, a decrease of JD 13.8 million, or 0.6%. This decrease in exports was primarily due to the JD 33.1 million, or 1.6%, decrease in domestic exports, which was partially offset by the JD 19.3 million, or 4.8%, increase in re-exports.

The current account deficit was JD 2,563.4 million in 2016, as compared to JD 2,418.2 million in 2015, representing an increase in the deficit of JD 145.2 million, or 6.0%, primarily as a result of a decrease in the services account surplus by 15.5%, which was partially offset by a 7.8% improvement in the trade balance. The current account recorded a deficit of JD 788.2 million for the three months ended 31 March 2017, as compared to JD 1,026.5 million in the corresponding period in 2016, representing a decrease of JD 238.3 million, or 23.2%. This decrease was primarily due to the JD 154.1 million, or 118.4%, increase in the services account surplus, as well as a 4.8% decrease in the trade deficit. In the three months ended 31 March 2017, the net trade deficit was JD 1,814.9 million, as compared to JD 1,906.3 million in the corresponding period in 2016.

See "*—Foreign Trade*".

Net services income decreased by 15.5% from a surplus of JD 1235.8 million in 2015 to a surplus of JD 1,044.5 million in 2016. Net services income increased by JD 154.1 million, or 118.4%, from a surplus of JD 130.1 million in the three months ended 31 March 2016 to a surplus of JD 284.2 million in the corresponding period in 2017. This increase was primarily due to an increase in travel-related receipts.

The income account deficit decreased by JD 91.1 million, or 29.7%, to JD 216.0 million in 2016, as compared to JD 307.1 million in 2015. The income account surplus increased by JD 3.3 million, or 5.7%, from a surplus of JD 58.2 million in the three months ended 31 March 2016 to a surplus of JD 61.5 million in the corresponding period in 2017.

Net current transfers decreased by JD 619.7 million, or 15.5%, from JD 3,989.3 million in 2015 to JD 3,369.9 million in 2016. This decrease was primarily due to decreases in other sector net current transfers. Net current transfers decreased by JD 10.5 million, or 1.5%, from JD 691.5 million in the three months ended 31 March 2016 to JD 681.0 million in the corresponding period in 2017.

Capital and Financial Account

During 2016, the capital and financial account recorded net inflows of JD 2,236.5 million, as compared to JD 1,945.4 million in 2015, an increase of JD 291.1 million, primarily as result of net FDI net inflows of JD 1,090.3 million, portfolio investment net inflows of JD 848.9 million, other investment net outflows of JD 545.8 million and a decrease in the reserve assets of JD 783.1 million.

The Kingdom's capital and financial account recorded net inflows of JD 1,945.4 million in 2015, as compared to JD 1,084.1 million in 2014, reflecting an increase of JD 861.3 million. This increase was primarily due to an increase in the financial account net inflows. See "*Public Debt*".

In the three months ended 31 March 2017, the capital and financial account recorded net inflows of JD 980.6 million, as compared to JD 994.3 million in the corresponding period in 2016, a decrease of JD 13.7 million, or 1.4%. This decrease was primarily due to decreases in capital transfer and FDI inflows, as well as an increase in portfolio investment outflows. This decrease was partially offset by an increase in other investment and reserve assets inflows.

Gross official reserves were U.S.$13,105.4 million as at 30 June 2017, as compared to U.S.$14,499.9 million as at 31 December 2016 and U.S.$15,698.2 million as at 31 December 2015. Gross foreign reserves represented 7.4 months of imports as at 30 June 2017, 8.3 months of imports as at 31 December 2016 and 9.2 months of imports as at 31 December 2015. As at 31 August 2017, gross official reserves were U.S.$12,787.9 million, representing 7.2 months of imports.

Foreign Trade

The following table sets forth certain external trade indicators for the periods indicated.

External Trade Indicators(1)

	2012	2013	2014	2015	2016(2)	Jan – June 2016	Jan – June 2017
				(JD millions)			
Total exports	5,599.5	5,618.0	5,953.1	5,561.4	,5359.4	2,507.4	2,493.6
Domestic exports	*4,749.6*	*4,805.2*	*5,163.1*	*4,797.6*	*4,396.5*	*2,105.0*	2,071.9
Re-exports	*849.9*	*812.8*	*790.0*	*763.8*	*963.5*	*402.4*	421.7
Imports(3)	14,733.7	15,667.3	16,280.2	14,537.2	13,720.5	6,807.3	7,023.1
Total foreign trade(4)	**19,483.3**	**20,472.6**	**21,443.2**	**19,334.8**	**18,116.9**	**8,912.4**	**9,094.9**
Trade balance(5)	**(9,134.3)**	**(10,049.3)**	**(10,327.1)**	**(8,975.8)**	**(8,360.8)**	**(4,299.9)**	**(4,529.4)**

Source: CBJ

Notes:

(1) Certain figures in this table have been revised and may differ from previously published data.
(2) Preliminary.
(3) Including imports of non-residents.
(4) Domestic exports (not including re-exports) plus imports.
(5) Total exports minus imports.

The Government has implemented several measures aimed at increasing foreign trade. A number of sectors benefit from exemptions and reductions in customs duties under the Investment Law (as defined below) including exemptions from custom duties on imported fixed assets and raw materials. The Investment Promotion Law instituted simplified licensing and registration procedures and the Investment Law introduced a "one-stop shop" for investment and established the Jordan Investment Commission and development centres. See "*—Investment Promotion*".

The Government has also overhauled Jordan's customs legislation to streamline the process of importing and exporting goods. Such measures have included introducing a simplified export procedure for local products, reducing the number of officials involved and the time needed for goods to clear customs. The number of customs procedures and approvals required to import or export goods have also been significantly reduced in recent years.

Jordan is a party to a number of free trade agreements with both Arab and non-Arab countries, including the United States. In addition, Jordan has entered into a number of bilateral investment treaties and international investment agreements. See "*Description of the Kingdom—International Relations*".

In July 2016, the Government and the EU announced plans to simplify the rules of origin that Jordanian importers apply in trading with the EU. Under the terms of these relaxed trade rules, which are aimed at improving employment opportunities and conditions for Syrian refugees in Jordan, Jordanian manufacturers that employ a certain number of refugees would pay lower or no duties on certain of their exports to EU countries over the next ten years. This measure is expected to boost investment and create jobs both for Jordanians and for refugees living in Jordan. The relaxation of these rules of origin was made following the EU's commitment to review the rules at the London conference on the Syrian crisis held in February 2016 and as part of the Jordan Compact. Government officials have conducted workshops on the simplified rules to raise local awareness and encourage Jordanian companies to take advantage of potential opportunities. The Government is also developing an export house to assist exporters to the EU. The Government, with assistance from the World Bank, is developing an export diversification strategy for advanced economies, including the EU, to help increase the market share of Jordanian products in these countries. This strategy, the first draft of which was prepared in the first half of 2017, is expected to be finalised in the next few months.

In October 2016, the U.S. Department of Labor lifted restrictions on the import of garment products from Jordan into the United States. It is anticipated that this will have a positive effect on the volume of Jordanian exports to the United States.

Jordan 2025 identifies a number of policies and initiatives to increase foreign trade, including adopting and implementing a national export strategy, completing negotiations with trading partners including the EU, GCC countries and Mexico, updating the national trade policy, developing trade relations and legal frameworks to regulate trade with non-traditional markets, developing a plan for the promotion of exports of goods and services in certain promising sectors and directing technical support programmes at existing companies to enable them to access new markets. In conjunction with these measures, Jordan 2025 targets certain trade facilitation measures, including establishing logistics centres in Aqaba and along border areas and adapting a multimodal transport law. Jordan 2025 targets an increase in national exports of 10% by 2025, from 2015 levels. The JEGP also identifies polices and initiatives to increase foreign trade, enhance the penetration of export goods and services in new markets and reduce the trade balance deficit, including, *inter alia*, through the continuing negotiations with key trade partners, such as the EU, the GCC and Mexico, developing trade relations and preparing a legal and legislative framework to regulate trade with partners in Africa, Eurasian countries and Russia, establishing an export coordination unit at the Jordan Enterprise Development Corporation ("**JEDCO**") and developing alternatives to exempting export profits from income tax.

Total foreign trade was JD 18,116.9 million in 2016, representing a decrease of JD 1,217.9 million, or 6.3%, as compared to 2015. Total foreign trade was JD 19,483.3 million in 2012 and increased to JD 20,472.6 million in 2013, JD 21,443.3 million in 2014 and JD 19,334.8 million in 2015, representing increases of JD 989.3 million, or 5.1%, in 2013 and JD 970.7 million, or 4.7%, in 2014 and a decrease of JD 2,108.5 million, or 9.8% in 2015. Over the period 2012-2016, imports have decrease by 6.9%, whereas, exports have decreased by 4.3% (representing a decrease 7.4% and 13.3% increase over the period for domestic exports and re-exports, respectively). The decrease in exports has principally been driven by decreases in exports to neighbouring countries, in particular Iraq and Syria, as a result of border closures and security issues and the decrease in potash and phosphate exports due the decrease in international demand. The decrease in imports has principally been driven by decreases in energy imports by 20.7%, which was primarily due to the impact of lower international oil prices, as well as the commencement of LNG terminal operations at the port of Aqaba.

In August 2017, the main border crossing between Jordan and Iraq located at Tureibil was reopened for the first time since 2015. Before the border closure, domestic exports to Iraq represented 16.1%, or JD 828.7 million, of total Jordanian domestic exports in 2014, as compared to 7.5%, or JD 333.8 million in 2016. While the reopening of the border crossing is expected to have a positive impact on trade with Iraq, there can be no assurance that trade with Iraq will reach or be similar to the historic level of trade prior to the closing of the Tureibil border crossing.

Total foreign trade was JD 9,094.9 million in the six months ended 30 June 2017, as compared to JD 8,912.3 million in the corresponding period in 2016, representing an increase of JD 182.6 million, or 2.0%, primarily due to an increase in imports.

In the seven months ended 31 July 2017, the net trade deficit was JD 5,347.7 million, as compared to JD 4,833.9 million in the corresponding period in 2016, representing an increase of JD 513.8 million, or 10.6%.

Merchandise Exports

Merchandise exports (*i.e.,* domestic exports and re-exports) decreased by JD 202.0 million, or 3.6%, to JD 5,359.4 million in 2016, as compared to JD 5,561.4 million in 2015. The ratio of merchandise exports to GDP decreased to 19.5%, as compared to 20.9% in 2015. Merchandise exports decreased by JD 13.8 million, or 0.6%, to JD 2,493.6 million in the six months ended 30 June 2017, as compared to JD 2,507.4 million in the corresponding period in 2016.

Total exports for the seven months ended 31 July 2017 were JD 2,478.3 million, as compared to JD 2470.9 million in the corresponding period of 2016, representing an increase of JD 7.4 million, or 0.3%.

Domestic Exports

The following table sets forth data on domestic exports by product for the periods indicated.

Domestic Exports by Product(1)

	2012	2013	2014	2015	2016(2)	Jan – June 2016(2)	Jan – June 2017(2)
				(JD millions)			
Food and live animals, of which:	**786.7**	**893.3**	**966.9**	**920.1**	**736.1**	**349.9**	**312.0**
Live Animals	98.0	156.2	147.8	147.3	98.8	54.6	54.1
Dairy Products and Eggs	34.4	36.3	37.3	29.5	30.3	17.6	14.6
Cereal and Cereal Preparations	26.5	27.8	33.6	24.5	15.8	7.8	6.3
Vegetables	354.2	364.3	457.4	399.8	306.0	122.6	116.1
Fruits and nuts	130.8	139.7	108.4	141.4	116.7	59.7	39.3
Fodder	14.9	18.9	19.6	19.7	25.4	13.1	12.0
Beverages and tobacco	**60.2**	**72.8**	**80.8**	**78.7**	**67.3**	**36.1**	**29.9**
Beverages	32.7	33.2	29.2	30.4	28.0	15.6	9.4
Tobacco and Manufactured Tobacco Substitutes	27.5	39.5	51.5	48.3	39.2	20.6	20.5
Crude materials except fuels, of which:	**987.7**	**753.4**	**830.2**	**863.7**	**706.5**	**326.4**	**343.9**
Phosphates	426.0	267.4	333.5	371.6	330.7	168.7	142.5
Potash	478.8	420.0	423.8	434.6	302.0	124.8	157.0
Mineral fuels, lubricants and related materials	**13.6**	**7.6**	**8.7**	**5.8**	**4.6**	**1.4**	**1.5**
Animal and vegetable oils, fats and waxes	**14.6**	**11.4**	**7.9**	**4.6**	**6.3**	**3.9**	**1.5**
Vegetable fats or oils	10.3	5.4	4.3	1.8	0.8	0.5	0.2
Chemicals, of which:	**1,148.1**	**1,245.5**	**1,312.7**	**1,038.2**	**1,052.3**	**520.6**	**501.3**
Complex fluorine salts	10.8	7.0	5.0	6.4	2.5	0.3	0
Sulphuric acid; oleum	1.5	3.0	3.0	1.8	0.8	0.3	1.0
Carbonates	22.4	21.5	22.0	23.3	19.7	11.0	9.1
Phosphoric acid	84.7	82.2	76.3	127.8	59.3	19.7	46.5
Dyeing, tanning and colouring materials	38.3	46.5	42.9	38.1	35.0	16.4	16.3
Medical and pharmaceutical products	382.0	438.7	424.4	398.9	467.7	227.6	201.8
Polishing & cleaning preparations & perfume materials	69.6	120.7	115.3	98.4	88.7	43.7	42.8
Plastic & articles thereof	64.7	91.0	90.2	76.2	53.2	27.3	24.1
Fertilizers	242.8	209.1	303.2	151.5	132.5	75.0	64.5
Manufactured goods classified by material, of which:	**433.5**	**479.1**	**488.2**	**431.2**	**374.7**	**196.9**	**190.2**
Paper and cardboard	136.3	130.5	134.7	118.5	111.1	56.2	54.1
Textile yarn, fabrics, made up articles & related products	49.4	55.6	48.6	45.6	33.3	17.6	19.1
Cement	20.5	19.0	23.8	21.3	17.0	8.4	11.8
Worked monumental or building stone	14.5	14.9	35.4	45.9	46.7	26.1	24.4
Machinery and transport equipment, of which:	**224.3**	**262.3**	**245.4**	**200.5**	**173.7**	**85.7**	**73.1**
Buses	9.5	34.2	3.5	0.8	0.3	0.0	0.0
Miscellaneous manufactured articles, of which:	**979.5**	**1,069.9**	**1,221.8**	**1,253.5**	**1,264.5**	**577.6**	**607.7**
Clothes	738.0	810.1	908.2	979.1	1,005.5	453.3	492.3
Footwear	1.0	0.9	0.8	1.2	1.3	0.9	0.4
Printed matter	20.9	22.2	22.5	9.3	6.7	3.1	2.1
Plastic products	88.6	100.7	112.7	85.3	70.2	34.5	38.3
Commodities and transactions not classified elsewhere	**101.4**	**9.9**	**0.4**	**1.3**	**10.7**	6.5	10.8
Total exports	**4,749.6**	**4,805.2**	**5,163.0**	**4,797.6**	**4,396.5**	**2,105.0**	**2,071.9**

Source: CBJ

Notes:

(1) Certain figures in this table have been revised and may differ from previously published data.

(2) Preliminary.

The following tables set forth the destination of domestic exports from Jordan for the periods indicated.

Geographic Distribution of Domestic Exports(1)

	2012		**2013**		**2014**		**2015**		**2016(2)**		**Jan-June 2016(2)**		**Jan-June 2017(2)**	
	Value *(JD millions)*	**of total** *(%)*	**Value** *(JD millions)*	**of total** *(%)*	**Value** *(JD millions)*	**of total** *(%)*	**Value** *(JD millions)*	**of total** *(%)*	**Value** *(JD millions)*	**of total** *(%)*	**Value** *(JD millions)*	**of total** *(%)*	**Value** *(JD millions)*	**of total** *(%)*
Arab countries, of which	**2,307.0**	48.6	**2,571.7**	**53.5**	**2,656.4**	**51.4**	**2,444.0**	**50.9**	**2141.9**	**48.7**	**1056.3**	**50.2**	**943.0**	**45.5**
Saudi Arabia	*523.6*	*11.0*	*651.7*	*13.6*	*708.9*	*13.7*	*787.3*	*16.4*	*646.6*	*14.7*	*348.0*	*16.5*	*271.4*	*13.1*
Iraq	*716.4*	*15.1*	*883.1*	*18.4*	*828.7*	*16.1*	*493.2*	*10.3*	*333.8*	*7.5*	*161.2*	*7.7*	*161.2*	*7.8*
United Arab Emirates	*173.7*	*3.7*	*192.3*	*4.0*	*201.4*	*3.9*	*228.0*	4.8	*237.3*	*5.4*	*100.9*	*4.8*	*95.3*	*4.6*
Syria	*140.9*	*3.0*	*95.9*	*2.0*	*142.2*	*2.8*	*84.8*	1.8	*29.9*	*0.7*	*16.4*	*0.8*	*13.6*	*0.7*
Lebanon	*167.4*	*3.5*	*97.1*	*2.0*	*96.8*	*1.9*	*90.3*	1.9	*96.3*	*2.2*	*48.7*	*2.3*	*40.7*	*2.0*
Kuwait	*72.1*	*1.5*	*96.0*	*2.0*	*122.8*	*2.4*	*210.5*	4.4	*231.1*	*5.3*	*106.6*	*5.1*	*91.0*	*4.4*
EU countries	**215.8**	**4.5**	**171.4**	**3.6**	**216.5**	**4.2**	**121.5**	**2.5**	**116.7**	**2.7**	**61.6**	**2.9**	**56.9**	**2.7**
Other European countries	**41.3**	**0.9**	**23.6**	**0.5**	**20.6**	**0.4**	**23.7**	**0.5**	**16.3**	**0.4**	**11.3**	**0.5**	**10.5**	**0.5**
NAFTA and South American Countries, of which	**809.7**	**17.0**	**886.6**	**18.5**	**979.3**	**19.0**	**1044.9**	**21.8**	**1090.2**	**24.8**	**507.8**	**24.1**	**527.4**	**25.9**
United States	*788.5*	*16.6*	*847.6*	*17.6*	*929.9*	*18.0*	*1,002.1*	*20.9*	*,1041.2*	*23.7*	*473.0*	*22.5*	*501.8*	*24.2*
Asian countries, of which	**1,149.2**	**24.2**	**906.2**	**18.9**	**1,021.8**	**19.8**	**959.6**	**20.0**	**785.8**	**17.9**	**359.3**	**17.1**	**393.1**	**19.0**
India	*510.5*	*10.7*	*350.9*	*7.3*	*459.8*	*8.9*	*418.1*	*8.7*	*347.1*	*7.9*	*182.7*	*8.7*	*195.7*	*9.4*
Indonesia	*192.7*	*4.1*	*161.6*	*3.4*	*85.5*	*1.7*	*98.3*	*2.0*	*104.2*	*2.4*	*47.9*	*2.3*	*46.2*	*2.2*
Malaysia	*46.6*	*1.0*	*67.2*	*1.4*	*38.9*	*0.8*	*45.1*	*0.9*	*45.6*	*1.0*	*25.2*	*1.2*	*14.5*	*0.7*
China	*132.4*	*2.8*	*73.6*	*1.5*	*131.3*	*2.5*	*149.7*	*3.1*	*87.3*	*2.0*	*18.5*	*0.9*	*36.9*	*1.8*
Other countries	**226.6**	**4.8**	**245.6**	**5.1**	**268.5**	**5.2**	**203.9**	**4.3**	**245.6**	**5.6**	**117.5**	**5.6**	**140.9**	**6.8**
Total	**4,749.6**	**100.0**	**4,805.2**	**100.0**	**5,163.0**	**100.0**	**4,797.6**	**100.0**	**4,396.5**	**100.0**	**2,105.0**	**100.0**	**2,071.9**	**100.0**

Source: CBJ

Notes:

(1) Certain figures in this table have been revised and may differ from previously published data.

(2) Preliminary.

In 2016, the United States was the largest importer of Jordanian goods, purchasing 23.7% of Jordanian domestic exports. Saudi Arabia was Jordan's second largest trading partner, purchasing 14.7% of Jordanian exports, followed by India with 7.9%. The top six importers of Jordanian exports (the United States, Saudi Arabia, India, Iraq, the UAE and Kuwait) collectively accounted for 64.5% of domestic exports during 2016, as compared to 65.4% in 2015.

In the six months ended 30 June 2017, the United States was the largest importer of Jordanian goods, purchasing 24.2% of Jordanian domestic exports, followed by Saudi Arabia (purchasing 13.1%) and India (purchasing 9.4%).

The general price index of domestic exports decreased by 5.2% to 225.9 in 2016, as compared to 238.3 in 2015, while the quantity index decreased by 3.8% to 245.1 in 2016, as compared to 254.8 in 2015. The general price index of domestic exports increased by 1.7% to 227.1 in June 2017, as compared to 223.2 in June 2016, while the quantity index decreased by 9.1% to 244.9 in June 2017, as compared to 269.5 in June 2016.

Re-exports

In 2016, re-exported commodities increased by JD 199.2 million, or 26.1%, to JD 963.0 million, as compared to JD 763.8 million in 2015. Consumer goods and capital goods accounted for approximately 81.0% of total re-exports in 2016 with 24.3% of re-exports being imported by France, the United States, the Netherlands and Saudi Arabia, in 2016.

In the six months ended 30 June 2017, re-exported commodities were JD 421.7 million, as compared to JD 402.4 million in the corresponding period in 2016, representing an increase of JD 19.3 million, or 4.8%.

Re-exports for the seven months ended 31 July 2017 were JD 481.4 million, as compared to JD 477.1 million in the corresponding period of 2016, representing an increase of JD 4.3 million, or 0.9%.

Imports

The following table sets forth the levels of Jordanian imports by product for the periods indicated.

Domestic Imports by Product(1)

	2012	2013	2014	2015	2016(2)	Jan – June 2016(2)	Jan – June 2017(2)
				(JD millions)			
Food and live animals, of which:	**2,275.2**	**2,407.5**	**2,630.7**	**2,438.0**	**2,573.1**	1,330.1	**1,217.3**
Live animals	92.6	144.7	132.6	153.3	159.5	87.4	69.8
Meat, fish and preparations thereof	379.9	398.3	404.5	417.1	346.8	184.1	166.5
Dairy products and eggs	182.9	187.9	231.4	213.0	178.7	99.2	98.2
Wheat and flour of wheat	210.6	205.7	282.6	157.9	324.6	213.4	67.2
Rice	108.6	90.4	132.6	134.7	102.1	53.7	53.4
Barley	157.9	201.9	189.4	110.8	139.3	22.2	56.5
Maize	152.1	136.1	132.6	108.9	121.4	45.3	62.6
Fruits, vegetables and nuts	286.3	319.1	333.0	370.8	393.6	206.3	210.6
Sugar	160.7	131.9	129.8	111.6	126.2	86.7	79.6
Coffee, tea, cocoa, spices and manufactures thereof	132.2	158.6	156.2	184.3	178.7	94.9	102.4
Fodder	162.9	129.2	174.8	147.8	162.9	60.1	77.1
Beverages and tobacco, of which:	**101.6**	**129.5**	**135.1**	**145.5**	**144.5**	**72.1**	**68.4**
Tobacco and tobacco manufactures	41.5	63.3	60.2	61.9	52.4	24.4	27.6
Crude materials except fuels, of which:	**248.9**	**256.0**	**296.7**	**261.3**	**250.8**	**137.1**	**112.3**
Oil seeds oleaginous fruit	35.6	49.5	62.4	55.0	50.9	32.4	23.4
Wood and cork	70.8	66.3	71.6	62.1	57.7	29.3	26.5
Pulp and waste paper	46.2	45.1	49.1	47.5	40.4	16.7	20.0
Textile fibres and their wastes	25.6	30.9	30.1	27.9	25.5	13.2	9.6
Crude minerals and crude fertilizers	26.9	24.2	30.7	25.4	25.0	17.1	8.6
Mineral fuels, lubricants and related materials, of which:	**4,692.8**	**4,135.0**	**4,414.5**	**2,508.2**	**1,989.7**	**911.2**	**1,080.2**
Crude oil	1,958.2	1,828.2	1,640.7	931.1	648.6	257.5	358.0
Petroleum products	2,286.1	1,870.9	2,443.6	984.4	646.6	342.2	271.8
Animal and vegetable oils, fats and waxes, of which:	**141.2**	**128.0**	**127.7**	**116.0**	**124.2**	**67.6**	**63.1**
Crude palm oil	0.3	0.1	0.6	0.1	0.2	0.1	0.1
Chemicals, of which:	**1,524.6**	**1,593.6**	**1,644.1**	**1,539.4**	**1,494.7**	**765.7**	**702.3**
Ammonia	0.0	0.0	6.2	2.7	5.6	5.6	0.1
Dyeing, tanning and colouring materials	63.7	60.5	58.5	56.9	55.6	27.6	27.3
Medical and pharmaceutical products	385.0	384.9	394.8	419.8	458.4	221.5	203.5
Polishing & cleaning preparations & perfume materials	160.5	185.3	210.5	199.5	221.9	109.9	102.8
Fertilizers	32.1	26.0	35.1	32.5	33.4	20.9	12.1
Plastic and articles thereof	438.2	484.1	522.2	452.5	388.0	206.0	191.6
Manufactured goods classified by material, of which:	**2,175.0**	**2,532.8**	**2,350.4**	**2,253.0**	**2,116.4**	**1,084.0**	**994.5**
Rubber products	80.4	77.6	79.7	75.8	73.4	38.2	33.4
Cork and wood manufacturers	103.5	110.9	100.7	85.7	72.8	37.8	33.2
Paper and cardboard	218.0	238.1	248.3	232.7	218.7	112.0	109.0
Textile yarn, fabrics and made up articles	495.9	589.1	595.4	599.5	609.7	310.9	324.1
Iron and steel	593.6	571.0	526.8	471.8	444.8	229.1	149.8
Machinery and transport equipment, of which:	**2,418.5**	**2,822.4**	**2,964.1**	**3,336.6**	**3,382.8**	**1,664.2**	**1,929.5**
Power generating machinery and equipment	156.2	349.0	297.6	341.3	191.5	91.5	352.1
Machinery specialised for agriculture, industry and construction sectors	235.0	280.7	270.3	276.1	235.2	127.5	99.6
Office machines and automatic data processing equipment	211.2	155.1	143.1	140.9	140.0	76.1	72.0
Telecommunication equipment	329.0	372.5	354.3	422.1	437.6	197.3	194.9
Electrical machinery, apparatus and appliances	299.6	353.1	337.7	446.4	459.0	267.5	263.7
Other machinery and equipment	340.9	352.1	342.9	364.5	406.0	179.0	241.3
Transport equipment and spare parts	846.6	960.0	1,218.1	1,345.3	1,513.6	725.3	705.8
Miscellaneous manufactured articles, of which:	**905.5**	**1,060.6**	**1,019.0**	**1,052.2**	**1,092.4**	**573.6**	**532.9**
Clothing and footwear	289.5	342.3	326.5	339.3	385.7	212.5	188.1
Professional, scientific and controlling instruments	100.8	122.7	143.9	156.5	147.0	75.3	72.1
Commodities and transactions not classified elsewhere	**250.5**	**601.7**	**697.9**	**886.9**	**551.5**	**201.7**	**322.5**
Total imports	**14,733.7**	**15,667.3**	**16,280.2**	**14,537.2**	**13,720.4**	**6,807.3**	**7,023.0**

Source: CBJ

Notes:
(1) Certain figures in this table have been revised and may differ from previously published data.
(2) Preliminary.

The Government's trade liberalisation policies, as well as general economic growth, have generally resulted in increased imports. Total imports increased by 9.6% in 2012, 6.3% in 2013 and 3.9% in 2014, before decreasing by 10.7% in 2015 and 5.6% in 2016. The decrease in the value of imports in 2016 was primarily due to the decrease in energy imports by 20.7% and the decrease in non-energy imports by 2.5%. In the six months ended 30 June 2017, total imports increased by JD 215.9 million, or 3.2%, as compared to the corresponding period in 2016. This increase was primarily due to an increase in crude oil imports and other imports.

The ratio of imports to GDP decreased to 50% in 2016, as compared to 54.6% in 2015. The decrease in the imports to GDP ratio was primarily due to the decrease in total imports value by JD 816.7 million, or 5.6%.

The general price index of imports increased by 4.6% to 355.5 in 2016, as compared to 339.9 in 2015, while the quantity index decreased by 6.2% to 165.7 in 2016, as compared to 176.6 in 2015. The general price index of imports was 303.4 in June 2017, as compared to 360.0 in June 2016, while the quantity index was 179.6 in June 2017, as compared to 157.2 in June 2016.

The following table sets forth the origin of Jordanian imports for the periods indicated.

Origins of Jordanian Imports[1]

	2012		2013		2014		2015		2016[2]		Jan-June 2016[2]		Jan-June 2017[2]	
	Value	Of Total	Value	Of Total	Value	Of Total	Value	Of Total	Value	Of Total	Value	Of Total	Value	Of Total
	(JD millions)	*(%)*	*(JD millions)*	*(%)*	*(JD millions)*	*(%)*	*(JD millions)*	*(%)*	*(JD millions)*	*(%)*	*(JD millions)*	*(%)*	*(JD millions)*	*(%)*
Arab countries, of which	**5,260.9**	**35.7**	**4,809.3**	**30.7**	**4,888.8**	**30.0**	**3,714.5**	**25.6**	**3,138.2**	**22.9**	**1,522.7**	**22.4**	**1,644.8**	**23.4**
Saudi Arabia	*3,469.7*	*23.5*	*2,850.4*	*18.2*	*3,166.7*	*19.5*	*2,173.4*	*15.0*	*1,673.8*	*12.2*	*812.4*	*11.9*	*854.2*	*12.2*
Egypt	*560.5*	*3.8*	*500.2*	*3.2*	*390.7*	*2.4*	*348.1*	*2.4*	*336.6*	*2.5*	*174.4*	*2.6*	*178.8*	*2.5*
United Arab Emirates	*418.8*	*2.8*	*520.2*	*3.3*	*776.1*	*4.8*	*598.5*	*4.1*	*623.7*	*4.5*	*279.3*	*4.1*	*380.1*	*5.4*
Syria	*171.3*	*1.2*	*184.4*	*1.2*	*108.3*	*0.7*	*72.3*	*0.5*	*63.2*	*0.5*	*29.0*	*0.4*	*25.3*	*0.4*
Iraq	*230.8*	*1.6*	*252.9*	*1.6*	*4.4*	*0.0*	*0.7*	*0.0*	*2.0*	*0.0*	*1.8*	*0.0*	*0.6*	*0.0*
EU countries, of which	**2,578.8**	**17.5**	**3,398.8**	**21.7**	**3,205.5**	**19.7**	**3,137.2**	**21.6**	**3,288.4**	**24.0**	**1,708.8**	**25.1**	**1,475.9**	**21.0**
Germany	*575.2*	*3.9*	*598.1*	*3.8*	*638.4*	*3.9*	*670.3*	*4.6*	*625.7*	*4.6*	*311.2*	*4.6*	*290.3*	*4.1*
Italy	*658.6*	*4.5*	*735.9*	*4.7*	*496.1*	*3.0*	*571.5*	*3.9*	*597.2*	*4.4*	*302.5*	*4.4*	*249.7*	*3.6*
France	*265.7*	*1.8*	*270.8*	*1.7*	*319.4*	*2.0*	*272.6*	*1.9*	*331.2*	*2.4*	*177.4*	*2.6*	*163.0*	*2.3*
United Kingdom	*183.2*	*1.2*	*195.0*	*1.2*	*253.8*	*1.6*	*199.2*	*1.4*	*197.4*	*1.4*	*98.4*	*1.4*	*156.8*	*2.2*
Other European countries	**947.8**	**6.4**	**847.6**	**5.4**	**1,223.3**	**7.5**	**801.4**	**5.5**	**539.6**	**3.9**	**233.0**	**3.4**	**219.4**	**3.1**
NAFTA and South American Countries, of which	**1,502.9**	**10.2**	**1582.8**	**10.1**	**1,512.8**	**9.3**	**1,522.7**	**10.5**	**1,591.3**	**11.6**	**724.6**	**10.6**	**1,082.9**	**15.4**
United States	*977.5*	*6.6*	*969.3*	*6.2*	*937.6*	*5.8*	*894.7*	*6.2*	*952.2*	*6.9*	*448.4*	*6.6*	*786.6*	*11.2*
Asian countries, of which	**4,150.5**	**28.2**	**4,678.3**	**29.9**	**5,100.3**	**31.3**	**4,869.3**	**33.5**	**4,552.4**	**33.2**	**2,314.7**	**34.0**	**2,220.7**	**31.6**
China	*1,416.4*	*9.6*	*1,620.1*	*10.3*	*1,705.9*	*10.5*	*1,874.7*	*12.9*	*1,911.7*	*13.9*	*937.5*	*13.8*	*970.2*	*13.8*
India	*506.8*	*3.4*	*789.9*	*5.0*	*869.6*	*5.3*	*401.5*	*2.8*	*331.9*	*2.4*	*156.3*	*2.3*	*189.8*	*2.7*
Japan	*277.5*	*1.9*	*341.6*	*2.2*	*395.5*	*2.4*	*423.4*	*2.9*	*449.2*	*3.3*	*220.9*	*3.2*	*175.3*	*2.5*
South Korea	*406.3*	*2.8*	*393.1*	*2.5*	*542.3*	*3.3*	*491.4*	*3.4*	*440.8*	*3.2*	*228.8*	*3.4*	*189.3*	*2.7*
Turkey	*568.9*	*3.9*	*538.5*	*3.4*	*604.1*	*3.7*	*537.3*	*3.7*	*472.2*	*3.4*	*251.6*	*3.7*	*251.4*	*3.6*
Other countries	**292.8**	**2.0**	**350.5**	**2.2**	**349.3**	**2.1**	**492.1**	**3.4**	**610.5**	**4.4**	**303.6**	**4.5**	**379.2**	**5.4**
Total	**14,733.7**	**100.0**	**15,667.3**	**100.0**	**16,280.2**	**100.0**	**14,537.2**	**100.0**	**13,720.4**	**100.0**	**6,807.3**	**100.0**	**7,023.0**	**100.0**

Source: CBJ

Notes:

(1) Certain figures in this table have been revised and may differ from previously published data.

(2) Preliminary.

In 2016, China was the largest exporter of goods into Jordan, accounting for 13.9% of imports. Saudi Arabia followed China, accounting for 12.2%, followed by the United States, with 6.9%, China, Saudi Arabia, the United States, Germany, the UAE, Italy and Turkey accounted for approximately 50.0% of total imports in 2016, as compared to 50.4% in 2015.

In the six months ended 30 June 2017, China was the largest exporter of goods into Jordan (accounting for 13.8% of imports), followed by Saudi Arabia (12.2% of imports) and the United States (11.2% of imports).

Imports for the seven months ended 31 July 2017 were JD 8,307.4 million, as compared to JD 7,781.9 million in the corresponding period of 2016, representing an increase of JD 525.5 million, or 6.8%.

Foreign Direct Investment

FDI plays an important role in creating employment and raising standards of living in Jordan, as well as financing Jordan's current account deficit and building up foreign currency reserves. FDI increased from JD 1,095.5 million in 2012 (representing 5.0% of GDP), JD 1,371.0 million in 2013 (representing 5.7% of GDP), JD 1,487.5 million in 2014 (representing 5.8% of GDP), JD 1,135.5 million in 2015 (representing 4.3% of GDP) and JD 1,090.3 in 2016 (representing 4.0% of GDP).

The following table sets forth certain FDI figures for the periods indicated.

Foreign Direct Investment(1)

	2012	2013	2014	2015	2016(2)	Jan – Mar 2016(2)	Jan – Mar 2017(2)
				(JD millions)			
From abroad (net)	1,099.3	1,382.2	1,546.7	1,136.2	1,092.6	10.3	2.2
From Jordan (net)	(3.8)	(11.1)	(59.2)	(0.7)	(2.3)	361.9	336.5
Net direct investment	**1,095.5**	**1,371.1**	**1,487.5**	**1,135.5**	**1,090.3**	**372.2**	**338.7**
Direct investment (net)/GDP(3)	5.0	5.7	5.8	4.3	4.0	6.0	5.2

Source: CBJ

Notes:
(1) Certain figures in this table have been revised and may differ from previously published data.
(2) Preliminary.
(3) Based on GDP at current market prices.

Jordan ranked 118 out of 190 countries in the World Bank's 2017 Doing Business Report, moving down five places from its 2016 ranking.

See "*Risk Factors—Risks Relating to the Kingdom—Foreign direct investment and remittances*".

Investment Promotion

In recent years, the Government has adopted a number of initiatives to encourage investment and facilitate doing business in Jordan. Jordan 2025 also identifies a number of policies and initiatives to improve the business environment in Jordan, including, *inter alia*, strengthening the capacities of the Jordan Investment Commission ("**JIC**"), developing a ten-year national investment strategy, developing a strategic plea for investment promotion aimed at high-value countries and investments, expanding industrial zones and implementing measures to reduce the costs of doing business in Jordan. The JEGP also sets out a number of policies and initiatives to improve the investment climate in Jordan, including, *inter alia*, attracting and promoting investments from Jordanians residing abroad, assigning the Economic and Social Council the role of monitoring regional and global developments in order to assess possible spill over effects on Jordan's economy and conducting periodic studies of Jordan's investment indicators.

In November 2013, Jordan became the fourth country from the MENA region to adhere to the OECD Declaration on International Investment and Multinational Enterprises, which aims to promote investment activity among adhering countries.

The Government has, jointly with the World Bank, developed a roadmap to enhance the investment climate in Jordan. This roadmap identifies the most urgent reforms needed as those in respect of starting a business, registering a property, dealing with construction permits, paying taxes and business inspection reform.

The Government has submitted a draft business inspection law to the National Assembly, which is aimed at reducing overlapping and unplanned business inspections, introduce risk-based targeting and help raise businesses awareness of compliance requirements.

Amendments to the competition law to ensure the independence of relevant agencies and to monitor and enforce good market conduct have been prepared and submitted to the National Assembly.

In May 2016, the National Assembly passed the Jordan Investment Fund Law, which established a fund with the exclusive right to own, develop, operate and manage certain projects, including, *inter alia*: (i) the national railway system (ii) the electricity connectivity system with Saudi Arabia; (iii) the pipeline transporting crude oil and other oil derivatives to a petroleum refinery, together with consumption and storage facilities; and (iv) any other project approved by the Council of Ministers. Pursuant to the law, the fund's Board of Directors is chaired by the Prime Minister. Other members include the Minister of Planning and International Co-operation, the Minister of Finance, the Minister of Energy and Industry, the Minister of Trade and Supply and three further members to be selected by the Council of Ministers. Under the law, the fund benefits from certain incentives and tax exemptions.

See "*The Economy—Public Private Partnerships*".

Jordan Investment Commission

On 16 October 2014, a new investment law, Law № 30/2014 (the "**Investment Law**") was passed. The Investment Law consolidated two entities: the Jordan Investment Board (which operated under the previous Investment Promotion Law), the Jordanian Development Zones and the Free Zones Commissions (which operated under the development zones and free zones law) into a new entity, the Jordan Investment Commission. The JIC is responsible for screening both local and foreign investments in Jordan. The Investment Law also incorporates a statement of investors' rights and a legal framework for a newly-established "Investment Window", which is a "one-stop shop" located at the JIC's headquarters. The Investment Window aims to provide a single place service to licence the economic activities in Jordan and review and simplify the licencing procedures through the institution. The Investment Window became fully operational in 2017. The Investment Law provides for the JIC to act as the sole government agency responsible for attracting investments, supporting exports and offering a safe and stable investment environment and confers on the JIC the power and authority required to centralise and expedite all investment related procedures, including establishing and regulating development and free zones. As the regulating entity for development and free zones, the JIC is able to tailor specific geographic areas in Jordan for companies interested in establishing and managing sector-specific and free zones.

The Investment Law also created the Investment Council, which acts under the chairmanship of the Prime Minister. The Investment Council is responsible for: (i) submitting recommendations to the Council of Ministers in respect of new legislation, national strategies and investment related policies; (ii) ratifying the JIC's annual plan, advising and providing recommendations to the JIC and appointing and setting the remuneration for the JIC's auditors; (iii) analysing and proposing solutions to obstacles to investment in Jordan and directing the JIC to develop mechanisms to enhance investment activity; (iv) overseeing the JIC's activities; and (v) ratifying the JIC's financial statements and presenting such financial statements to the Council of Ministers for ratification. The Investment Law also expands the sectors previously covered by the Investment Promotion Law to include crafts and services, in addition to the previously covered sectors of industry, agriculture, hotels, hospitals, entertainment cities, research centres, media production, convention centres, transport, distribution and extraction of water, gas and oil derivatives using pipelines, air transport, sea transport and railways.

Thirteen sets of regulations relating to the Investment Law are at various stages of Government review and approval, including: regulations relating to the Investment Window and investment incentives, which have been adopted; regulations regarding registration procedures in development zones and taxation in development and free zones, which are awaiting Government approval; and regulations regarding customs procedures and tax incentives for investment in less-developed areas are, which are currently being drafted.

Jordan Investment Board

The Jordan Investment Board was established under the Investment Promotion Law to promote FDI and local investment, as well as offering financial investments to sustain such investment. The Jordan Investment Board has entered into bilateral investment agreements with a number of countries, including the United States, France, Germany, the UAE, Qatar, Kuwait, Malaysia and Turkey, to promote economic co-operation and to encourage the flow of private capital and the transfer of technology to stimulate economic development. Pursuant to the Investment Law, the Jordan Investment Board has been consolidated into the JIC.

Jordan Free and Development Zones Group

Following the establishment of the free zone in Aqaba Port in 1973, the Free Zones Corporation was established in 1976 as a Government corporation with financial and administrative independence. In April 2011, the Free Zones Corporation was transformed into a Government-owned company and was subsequently registered as a private company. In August 2016, the Free Zones Corporation was merged with the Jordan Development Zones Corporation (a Government-owned company) to create the Jordan Free and Development Zones Group, a Government-owned company registered as a private company. The Jordan Free and Development Zones Group is responsible for organising and developing private free zones as export platforms to contribute to the development of the national economy. In 2015, there were six public free zones and 40 private free zones in Jordan.

In 2016, there were 2,552 companies registered in the free zones, as compared to 2,527 companies in 2015. The value of exported goods from public and private free zones for both domestic and foreign markets decreased to JD 3.2 billion in 2016, as compared to JD 3.5 billion in 2015, a decrease of JD 0.2 billion, or 9.0%. There were approximately 3,316 investors in the free zones in 2016, as compared to approximately 3,247 investors in 2015, an increase of 2.1%.

Pursuant to the Investment Law, free zones in Jordan are now regulated by the JIC.

The following table sets forth certain statistics regarding Jordan's free zones in 2016.

Jordan's Free Zones

	Public Free Zones	**Private Free Zones**	**Total**
Number of free zones	6	33	39
Number of registered companies	2,397	155	2,527
Number of investors	3,244	72	3,316
Volume of investments (*JD millions*)	486	692	1,178
Number of employees	19,390	8,122	27,512
Imports (*JD billions*)	2.4	0.6	3.0
Exports to local markets (*JD billions*)	1.6	0.1	1.7
Exports to external markets (*JD billions*)	1.1	0.4	1.5
Total exports (*JD billions*)	2.7	0.5	3.2
Trade volume (*JD billions*)	5.1	1.1	6.2

Source: Ministry of Finance

Jordan Enterprise Development Corporation

JEDCO was established by a decree of the Council of Ministers on 12 June 2003 to improve the economic competitiveness of enterprises in the various industrial, agricultural and service sectors in Jordan, to support them and to help enable them to develop and compete locally and globally, along with increasing export volume and opportunities. JEDCO is consolidated under the JIC.

In September 2014, JEDCO, in cooperation with the International Trade Centre and the World Bank, launched the regional project "Development of SMEs Exports through Virtual Market Places", a U.S.$3 million project for the period 2014-2017 to support up to 600 SME development projects (200 from each of Jordan, Morocco and Tunisia).

MONETARY SYSTEM

Central Bank of Jordan

Following the enactment of the Law of the Central Bank of Jordan in 1959, the CBJ commenced operations on 1 October 1964. The CBJ is an autonomous public legal entity governed by the CBJ Law, which outlines the CBJ's authority and responsibilities. The CBJ is the issuer of all Jordanian currency. It is responsible for formulating and implementing monetary, credit and banking policy, maintaining price stability, managing the Kingdom's gold and foreign reserves and regulating and supervising the Jordanian banking sector.

Although it is state-owned, the CBJ has the status of an autonomous corporate body. The CBJ is managed by a governor and two deputies, who are each appointed by the Prime Minister for a five-year term, subject to renewal, and a board of directors, which includes the governor, the two deputies and five other members (who are appointed by the Prime Minister for three-year terms, subject to renewal). The current governor's term expires in January 2022.

Amendments to the CBJ Law were approved by the National Assembly in May 2016 and became effective on 16 June 2016. These amendments are intended to increase transparency and align the CBJ's autonomy and oversight functions with international best practice. The amendments aim to:

- enhance the CBJ's ability to maintain financial stability through the expansion of its monitoring and supervisory role in respect of financial institutions or institutions that provide payment services or electronic currency or electronic transfers and the regulation and development of payment, settlement and clearing systems;

- enhance the CBJ's policy autonomy through the removal of provisions in the CBJ Law that may conflict with such autonomy;

- enhance the financial autonomy of the CBJ through the removal of provisions in the CBJ Law relating to direct Government financing by the CBJ and the CBJ activity as the "lender of last resort" for the Government in emergency circumstances;

- restructure the CBJ's board of directors to promote the independence of the chairman and the other members of the board and to increase their responsibilities and authorities;

- provide the CBJ with the necessary tools to oversee the operations of Islamic banks in the Kingdom; and

- reform the penalties and measures that may be imposed or taken by the CBJ in respect of banks and institutions under its supervision.

Monetary Policy

The Government views the growth and success of the Jordanian banking sector as a key driver for the economic development of the country, as a whole. The CBJ has historically sought to maintain monetary and banking stability by controlling inflation rates and stabilising the foreign exchange rate.

The CBJ monitors domestic, regional and global economic and political developments with the aim of safeguarding macroeconomic stability and ensuring high reserve buffers. The monetary policy implemented by the CBJ successfully contributed to maintaining the inflation rates within acceptable levels, despite the Government decision to liberalise oil derivatives prices in November 2012 and the increase tariff on certain imported goods, in addition to the impact of increased domestic demand for goods and services fuelled by Syrian refugees. The CBJ cut interest rates twice during 2014, by an aggregate of 75 basis points, after cuts of 50 basis points in 2013. These cuts were driven by positive momentum in the economy, including a strong external position, confidence in the Jordanian Dinar, continued de-dollarisation and a level of inflation acceptable to the CBJ. See "*Risk Factors—Risks Relating to the Kingdom—Exchange rate*".

As a result of above target levels of reserves, as well as declines in headline and core inflation and the current account deficit, the CBJ lowered interest rates by 25 basis points in February 2015, to 2.75% (the main CBJ rate), with the aim of stimulating and reducing the cost of credit, as well as encouraging consumption and investment to foster economic growth. The CBJ lowered interest rates by a further 25 basis points in July 2015, to 2.50%.

In December 2016, the CBJ raised its key interest rate (the CBJ main rate) by 25 basis points to 2.75%. In 2017, the CBJ raised interest rates on three occasions in order to maintain the competitiveness of the Jordanian Dinar and preserve monetary and financial stability. In February 2017, the CBJ raised its key interest rates (the CBJ main rate) by 50 basis points to 3.25%. The CBJ raised interest rates by a further 25 basis points in March 2017, to 3.50%, before raising interest rates again by 25 basis points in June 2017 to 3.75%, in response to rising interest rates in the global and regional financial markets.

As at 31 July 2017, foreign assets held at the CBJ were JD 10,774.0 million, a decrease of 8.6%, as compared to 31 December 2016. This decrease was primarily due to a JD 722.9 million, or 14.4%, decrease in bonds and treasury bills held by the CBJ. The decrease in bonds and treasury bills held by the CBJ was primarily due to the amortisation of bonds and treasury bills, as well as the repayment of foreign-denominated loans.

Domestic liquidity amounted to JD 32,880.7 million as of 30 June 2017, as compared to JD 32,876.2 million as at 31 December 2016, and total deposits at licenced banks amounted to JD 32,785.8 million as at 30 June 2017, as compared to JD 32,900.0 million as at 31 December 2016. The outstanding balance of credit facilities extended by licensed banks amounted to JD 24,053.1 million, as at 30 June 2017, as compared to JD 22,905.8 million as at 31 December 2016.

The CBJ is committed to maintaining the attractiveness of the Jordanian Dinar and keeping reserves at an adequate level. The CBJ also monitors the risk premium, dollarisation, core inflation and the effectiveness of monetary policy transmission mechanisms.

The following table sets forth the financial position of the CBJ as at the dates indicated.

Assets and liabilities of the Central Bank of Jordan

	As at 31 December					As at 31 July 2017
	2012	**2013**	**2014**	**2015**	**2016**	
			(JD millions)			
Gold and SDRs[(1)]	681.2	577.4	655.2	1,095.2	1,146.3	1,230.2
Cash, balances and deposits	2,602.6	4,221.3	5,892.1	4,823.1	4,851.3	4,479.5
Bonds and treasury bills	2,976.3	5,002.5	4,828.0	5,829.5	5,020.3	4,297.4
Other foreign assets[(2)]	766.9	766.9	766.9	766.9	766.9	766.9
Total foreign assets (net)	**7027.0**	**10,568.1**	**12,142.2**	**12,514.7**	**11,784.8**	**10,774.0**
Claims on central government	2,052.5	1,637.5	1,169.7	1,003.8	938.4	821.5
Claims on deposit-money banks	432.3	453.7	511.2	355.6	338.2	344.7
Claims on financial institutions	81.6	76.3	76.3	76.2	97.0	166.0
Claims on private sector	20.0	20.6	22.4	23.2	22.9	22.9
Other assets	701.0	447.8	111.0	355.9	271.7	227.2
Total domestic assets	**3,287.4**	**2,635.8**	**1,890.6**	**1,814.7**	**1,668.2**	**1,582.3**
Total assets	**10,314.4**	**13,203.9**	**14,032.8**	**14,329.4**	**13,453.0**	**12,356.3**
Currency issued	3,558.0	3,938.1	4,177.9	4,336.8	4,620.8	4,890.0
Banks' deposits	4,553.5	6,169.5	7,279.8	7,614.9	6,406.2	5,607.9
In Jordanian Dinar, of which:	*3,677.1*	*5,457.7*	*6541.6*	*6,997.0*	*5,668.7*	*4,804.8*
Certificates of Deposit	*230.9*	*230.9*	*259.3*	*1,076.5*	*1,030.9*	*800.0*
In foreign currencies	*876.4*	*711.8*	*738.2*	*617.9*	*737.5*	*803.1*
Public entities deposits	15.2	13.3	1.9	1.1	1.4	0.3
Central government deposits	759.1	1,125.0	956.9	914.1	1,031.0	446.7
Financial institutions deposits	3.7	7.4	5.7	4.5	15.1	6.7
Foreign liabilities	612.9	1,348.9	1,196.5	961.2	817.7	826.6
Capital, reserves and provisions	464.4	290.8	154.1	240.1	293.5	285.7
Other liabilities	347.6	310.9	260.0	256.7	267.3	292.4
Total liabilities	**10,314.4**	**13,203.9**	**14,032.8**	**14,329.4**	**13,453.0**	**12,356.3**

Source: CBJ

Notes:

(1) Special Drawing Rights

(2) Includes loans arising from payment agreements.

The Jordanian Banking Sector

Banking activities in the Kingdom are regulated under Banking Law № 28 of 2000 (as amended) (the "**Jordanian Banking Law**"), which places supervision and control of the Jordanian banking system in the hands of the CBJ. In 2015, the Government proposed amendments to the Jordanian Banking Law in order to cope with domestic, regional and international developments in the banking supervision industry. The amendments, among other things, aim to strengthen the regulatory framework for the corporate governance of banks, by:

- enhancing corporate governance practices in the banking sector and transparency in dealing with banks' customers (*i.e.*, consumer protection);
- establishing certain anti-nepotism policies;
- enhancing the powers of banks' boards of directors and authorising the establishment of sub-committees;
- granting the CBJ the power to specify the number of board members and the number of independent members for each bank, in addition to establishing independence requirements;
- authorising the CBJ to take appropriate measures to address any financial problems facing a bank that may result in the sale or other actions in order to maintain the financial stability of the system
- increasing the amount of fines that can be imposed in cases of violations that have material impact on a bank;
- complying with the new Electronic Transaction Law (already in force); and
- authorising the CBJ to assign an advisory body to assess any of a bank's functions (at the expense of the relevant bank).

These amendments were approved by the Chamber of Deputies and are currently being considered by the Economic Committee of the Senate.

Due in part to the supervision of the CBJ and the limited operations of Jordanian bank lending abroad, Jordanian banks were not as adversely affected by the global financial crisis as banks elsewhere and the assets of licenced Jordanian banks have grown every year between 2011 and 2016. In 2016, total deposits amounted to JD 32,900.0 million, as compared to JD 32,598.5 million, as at 31 December 2015. Growth has continued in 2017, with deposits reaching JD 32,785.8 million as at 30 June 2017. This deposit growth has enabled Jordanian banks to continue to increase lending activity. The increase in total deposits in 2016 was primarily due to higher deposits from the private sector. See "*—Structure of Deposits*".

The following table sets forth the aggregate financial position of licenced banks in the Kingdom as at the dates indicated.

Assets and liabilities of licenced banks

	As at 31 December					As at 30 June
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
			(JD millions)			
Cash in vaults (in foreign currencies)	289.6	238.7	210.5	184.2	174.5	202.9
Balances with foreign banks	4,437.5	3,348.1	3,289.6	3,258.5	3,934.9	4,108.0
Portfolio (non-resident)	483.9	508.9	641.9	692.6	716.9	727.1
Credit facilities to private sector (non-resident)	853.4	818.0	481.9	477.1	479.7	481.3
Other foreign assets	288.7	238.2	107.2	72.1	138.5	131.3
Total foreign assets	**6,353.1**	**5,151.9**	**4,731.1**	**4,684.5**	**5,444.6**	**5,650.6**
Claims on the public sector	9,023.8	10,458.8	11,015.4	11,514.1	11,086.2	10,940.1
Claims on central government	*8,540.3*	*9,994.5*	*10,635.0*	*11,160.6*	*10,540.9*	*10,305.1*
Claims on public entities(1)	*483.5*	*464.3*	*380.4*	*353.4*	*545.3*	*635.0*
Claims on private sector (resident)	15,933.5	17,201.9	17,830.3	18,681.3	20,567.4	21,714.1
Claims on financial institutions	122.5	90.3	91.1	89.4	182.8	275.1
Reserves	3,976.2	5,745.1	6,858.2	7,360.9	6,036.5	5,062.5
Deposits with the CBJ in foreign currencies	865.8	751.9	732.8	611.5	731.5	4,472.1
Unclassified assets	3,000.5	3,402.9	3,609.2	4,191.5	4,334.5	**3,996.7**
Total domestic assets	**32,922.3**	**37,650.9**	**40,137.0**	**42,448.7**	**42,938.9**	**42,810.7**
Total assets	**39,275.4**	**42,802.8**	**44,868.1**	**47,133.2**	**48,383.5**	**48,461.3**
Demand deposits	6,284.8	6,956.6	7,662.0	8,451.7	8,966.0	8,744.2
Public non-financial institutions	*39.0*	*29.6*	*65.2*	*96.1*	*46.2*	*33.2*
Municipalities and village councils	*3.4*	*4.5*	*24.2*	*17.2*	*24.2*	*15.3*
Non-banking financial institutions	*69.4*	*68.8*	*87.1*	*97.6*	*67.4*	*73.9*
Social Security Corporation	*59.0*	*88.0*	*66.5*	*77.0*	*180.4*	*80.2*
Private sector (resident)	*6,114.0*	*6,765.7*	*7,419.0*	*8,163.8*	*8,647.7*	*8,541.6*
Time and saving deposits	15,426.4	16,779.5	17,766.4	19,215.1	19,712.3	19,615.8
Public non-financial institutions	*275.9*	*321.2*	*180.8*	*256.2*	*277.0*	*242.3*
Municipalities and village councils	*15.7*	*17.2*	*29.1*	*37.3*	*38.2*	*37.8*
Non-banking financial institutions	*205.5*	*209.1*	*273.3*	*345.6*	*318.1*	*297.5*
Social Security Corporation	*656.3*	*801.9*	*725.4*	*939.9*	*773.8*	*1,052.6*
Private sector (resident)	*14,273.0*	*15,430.1*	*16,557.8*	*17,636.0*	*18305.2*	*17,985.6*
Foreign liabilities	5,827.2	6,716.1	6,738.3	6,671.4	6,430.7	6,635.9
Central government deposits	646.7	744.0	1,380.0	1,293.2	1,130.2	987.2
Credit from the CBJ	998.3	842.7	645.6	500.6	499.3	536.9
Capital, accounts and allowances	5,848.2	6,146.2	6,773.7	7,107.8	7,261.2	7,179.3
Unclassified liabilities	4,243.8	4,617.7	3,902.1	3,893.4	4,383.8	**4,762.0**
Total liabilities	**39,275.4**	**42,802.8**	**44,868.1**	**47,133.2**	**48,383.5**	**48,461.3**

Source: CBJ

Note:
(1) Includes public non-financial institutions, the Social Security Corporation and municipalities and local councils.

There are 25 licensed banks in Jordan, 16 of which are Jordanian (including three Islamic banks) and nine branches of foreign banks, including one Islamic bank. Banks carried out their activities through a composite network of 805 branches and 86 representative offices (as at 31 December 2016). The ratio of the Jordanian population to the total number of branches was approximately 12,200 people per branch as at 31 December 2016. The Social Security Corporation participates in the ownership of several Jordanian banks.

Banks licenced in Jordan have fully-provisioned their investment in countries experiencing conflicts, including Syria and Iraq.

The following table sets forth data in relation to the indicators of bank soundness in Jordan as at the dates indicated.

Indicators of Bank Soundness

	As at 31 December					As at 30 June
	2012	2013	2014	2015	2016[(1)(2)]	2017[(1)(2)]
	(%, unless otherwise indicated)					
Risk-weighted capital adequacy ratio	19.0	18.4	18.4	19.1	19.0	17.7
Non-performing loans (*in millions of JD*)	1,336	1,285	1,064	1,010	973	1,036
Non-performing loans (*as a % of total loans*)	7.7	7.0	5.6	4.9	4.4	4.4
Provisions (*as % of classified loans*)	69.4	77.0	77.6	74.7	78.2	79.3
Liquidity ratio	143.5	149.1	152.2	149.0	138.1	129.2
Return on assets	1.1	1.2	1.4	1.3	1.1	1.2
Return on equity	8.6	9.9	11.0	10.3	8.8	9.4

Source: CBJ

Notes:
(1) Computed in accordance with Basel III.
(2) Preliminary

Islamic Banking

Islamic banking in Jordan has grown in recent years and, according to preliminary figures, as at 30 June 2017, accounted for approximately 16.3% of total banking sector assets, 19.5% of total customer deposits and 22.0% of total credit facilities. The CBJ has issued regulations regarding corporate governance and regulatory capital adequacy for Islamic banks operating in the Kingdom and Islamic banks follow the Islamic Financial Services Boards Standards and Accounting and Auditing Organisation for Islamic Financial Institutions Standards.

Structure of deposits

The following table sets forth the structure of deposits with licenced banks in the Jordanian banking sector as at the dates indicated.

Deposits Structure[(1)]

	As at 31 December					As at 30 June
	2012	2013	2014	2015	2016	2017
			(JD millions)			
Public sector	**1,696.1**	**2,006.6**	**2,471.1**	**2,717.1**	**2,470.2**	**2,448.5**
Demand deposits	240.1	271.3	293.9	378.0	461.9	252.8
In Jordanian Dinars	*227.7*	*258.1*	*281.0*	*362.0*	*419.1*	*2,195.7*
In foreign currencies	*12.4*	*13.2*	*12.9*	*15.4*	*42.8*	*35.6*
Saving deposits	0.5	1.1	1.9	0.6	1.0	24.1
In Jordanian Dinars	*0.5*	*1.1*	*1.9*	*0.6*	*0.9*	*24.0*
In foreign currencies	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*0.1*
Time deposits	1,455.5	1,734.2	2,175.3	2,338.5	2,005.5	2,171.6
In Jordanian Dinars	*1,427.3*	*1,719.5*	*2,164.4*	*2.305.2*	*1,898.1*	*2,080.0*
In foreign currencies	*28.2*	*14.7*	*10.9*	*33.3*	*107.4*	*91.6*
Private sector (resident)	**20,387.0**	**22,195.8**	**23,976.9**	**25,799.7**	**26,952.9**	**26,527.2**
Demand deposits	6,114.0	6,765.7	7,419.0	8,163.8	8,647.7	8,541.6
In Jordanian Dinars	*3,867.4*	*4,657.5*	*5,222.6*	*5,709.9*	*5,893.8*	*5,838.0*
In foreign currencies	*2,246.6*	*2,108.2*	*2,196.4*	*2,453.9*	*2,753.6*	*2,703.6*
Saving deposits	3,293.3	3,234.8	3,651.6	4,034.9	4,725.2	4,899.1
In Jordanian Dinars	*2,322.4*	*2,527.1*	*2,906.6*	*3,262.6*	*3,759.2*	*3,889.4*
In foreign currencies	*970.9*	*707.7*	*745.0*	*772.3*	*966.0*	*1,009.7*
Time deposits	10,979.7	12,195.3	12,906.3	13,601.0	13,580.0	13,086.5
In Jordanian Dinars	*8,894.4*	*10,461.5*	*11,445.7*	*12,190.5*	*11,920.2*	*11,315.7*
In foreign currencies	*2,085.3*	*1,733.*	*1,460.6*	*1,410.5*	*1,659.8*	*1,770.8*
Private sector (non-resident)	**2,611.7**	**3,113.0**	**3,452.6**	**3,638.5**	**3,091.4**	**3,438.7**
Demand deposits	1,029.3	1,132.1	1,187.3	1,308.8	1,135.6	1,228.6
In Jordanian Dinars	*136.1*	*219.6*	*301.2*	*347.3*	*392.5*	*413.6*
In foreign currencies	*893.2*	*912.5*	*886.1*	*961.5*	*743.1*	*815.0*
Saving deposits	419.7	663.1	533.6	550.1	488.8	580.3
In Jordanian Dinars	*97.1*	*183.7*	*192.9*	*227.3*	*235.1*	*247.1*
In foreign currencies	*322.6*	*479.4*	*340.7*	*322.8*	*253.7*	*333.2*
Time deposits	1,162.7	1,317.8	1,731.7	1,779.6	1,467.0	1,629.8
In Jordanian Dinars	*508.7*	*744.8*	*1,175.8*	*1,217.6*	*1,087.0*	*1,089.6*
In foreign currencies	*654.0*	*573.0*	*555.9*	*562.4*	*380.0*	*540.2*
Non-banking financial institutions	**274.9**	**277.8**	**360.4**	**443.2**	**385.5**	**371.4**
Demand deposits	69.4	68.8	87.1	97.6	67.4	73.9
In Jordanian Dinars	*33.2*	*28.3*	*56.3*	56.7	*53.7*	*56.7*
In foreign currencies	*36.2*	*40.5*	*30.8*	40.9	*13.7*	*17.2*
Saving deposits	0.9	1.4	1.6	1.0	1.3	1.1
In Jordanian Dinars	*0.0*	*0.4*	*0.7*	*0.1*	*0.5*	*0.2*
In foreign currencies	*0.9*	*1.0*	*0.9*	*0.9*	*0.8*	*0.9*
Time deposits	204.6	207.6	271.7	344.6	316.8	296.4
In Jordanian Dinars	*196.3*	*201.4*	*264.0*	*334.5*	*310.0*	*290.3*
In foreign currencies	*8.3*	*6.2*	*7.7*	*10.1*	*6.8*	*6.1*
Total deposits	**24,969.7**	**27,593.2**	**30,261.0**	**32,598.5**	**32,900.0**	**32,785.8**

Source: CBJ

Note:

(1) For the exchange rates used to calculate the Jordanian Dinar equivalent of foreign currency-denominated deposits, see "—*Foreign Exchange Rates*".

Total deposits at licenced banks in Jordan were JD 32,900.0 million as at 31 December 2016, as compared to JD 32,598.5 million as at 31 December 2015, an increase of JD 301.5 million, or 0.9%. Residential private sector deposits accounted for the greatest proportion both of total deposits and of the increase in deposits in 2016, increasing by JD 1,153.2 million, or 4.5%, and accounting for 81.9% of the total deposits and 3.8 times the overall increase in total deposits in 2016.

Total deposits decreased to JD 32,785.8 million as at 30 June 2017, a decrease of JD 114.2 million, as compared to 31 December 2016. This decrease was primarily due to a JD 425.7 million, or 1.6%, decrease in resident private sector deposits, which was partially offset by an increase in non-resident private sector deposits.

Lending Activities

The following tables set forth the structure of credit facilities extended by licenced banks in Jordan as at the dates indicated.

Credit Facilities Extended by Licenced Banks by type and maturity of credit facility

	As at 31 December					As at 30 June 2017
	2012	2013	2014	2015	2016	
			(JD millions)			
Total credit	**17,829.8**	**18,939.7**	**19,274.5**	**21,103.5**	**22,905.8**	**24,053.1**
Overdraft	2,257.3	2,378.9	2,228.4	2,219.2	2,510.0	2,715.6
Loans and advances	15,297.5	16,279.1	12,606.6	13,802.8	14,957.6	15,756.1
Due within 3 months	*2,448.1*	*3,025.2*	*1,649.7*	*1,589.8*	*1,352.5*	*1,751.6*
Due within 3-6 months	*1,072.4*	*1,161.2*	*941.4*	*960.0*	*948.8*	*1,017.4*
Due within 6-12 months	*1,364.3*	*1,588.5*	*1,229.4*	*1,154.3*	*1,319.1*	*1,219.5*
Due in more than 12 months	*9,184.3*	*9,382.1*	*7,703.8*	*9,045.8*	*10,587.3*	*10,922.4*
Received	*46.1*	*49.6*	*0.0*	*0.0*	*0.0*	*0.0*
Accrued	*1,182.3*	*1,072.5*	*1,082.3*	1,052.9	*749.9*	*845.2*
Discounted bills and bonds	275.0	281.7	240.7	256.4	241.8	204.9
Due within 3 months	*149.1*	*155.5*	*129.7*	*158.8*	*135.2*	*96.4*
Due within 3-6 months	*33.7*	*27.2*	*34.7*	*26.8*	*29.4*	*25.5*
Due within 6-12 months	*17.3*	*19.5*	*21.0*	*18.4*	*25.7*	*22.1*
Due in more than 12 months	*23.2*	*25.8*	*14.6*	*13.8*	*22.6*	*33.1*
Received	*2.8*	*5.3*	*0.4*	*4.6*	*1.1*	*6.5*
Accrued	*48.9*	*48.4*	*40.3*	*34.0*	*27.8*	*21.3*
Islamic banks receivables(1)	—	—	4,067.8	4,691.8	5,046.1	5,224.8
Credit cards(2)	—	—	131.0	133.3	150.3	151.7

Source: CBJ

Notes:

(1) Since 31 December 2014, Islamic banks receivables have been accounted for as a separate line item. Prior to 31 December 2014, Islamic banks receivables were accounted for as loans and advances.

(2) Since 31 December 2014, credit cards have been accounted for as a separate line item. Prior to 31 December 2014, credit cards were accounted for as overdraft.

Credit Facilities Extended by Licenced Banks, by borrower and economic activity

	As at 31 December					As at 30 June 2017
	2012	2013	2014	2015	2016	
	(JD millions)					
Type of Borrower						
Central Government	1,234.5	1,222.3	1,133.2	2,193.7	2,154.9	2,227.2
Public entities	357.2	320.9	348.6	325.6	358.2	384.5
Financial institutions	9.1	9.5	6.6	9.0	11.6	12.3
Private sector (resident)	15,375.6	16,569.1	17,304.1	18,098.1	19,901.4	20,947.8
Private Sector (non-resident)	853.4	818.0	482.0	477.1	479.7	481.3
Total	**17,829.8**	**18,939.7**	**19,274.5**	**21,103.5**	**22,905.8**	**24,053.1**
Economic Activity						
Agriculture	254.9	235.7	243.4	217.1	304.5	341.5
Mining	73.0	164.1	196.1	170.2	288.4	234.2
Industry	2,515.7	2,649.6	2,531.2	2,145.8	2,203.4	2,526.4
General trade	3,754.9	3,937.3	3,683.8	3,883.8	4,075.5	4,178.9
Construction	3,682.6	4,086.4	4,552.8	4,904.5	5,827.7	6,349.8
Transportation services	554.5	536.7	292.7	259.8	355.8	585.0
Tourism, hotels and restaurants	505.6	503.5	571.5	593.1	597.7	372.1
Public services and utilities	2,172.0	2,172.6	2,170.0	3,232.0	3,296.2	3,640.9
Financial services	486.1	508.8	539.5	515.2	577.2	589.5
Other	3,830.5	4,145.1	4,493.5	5,182.0	5,379.4	5,234.8
Of which, buying shares	*322.5*	*260.0*	*210.0*	*178.5*	*168.6*	*141.9*
Total	**17,829.8**	**18,939.7**	**19,274.5**	**21,103.5**	**22,905.8**	**24,053.1**
Of which, in foreign currencies	2,297.7	2,670.6	2,567.7	2,821.8	2,719.2	2,586.6

Source: CBJ

Total credit facilities extended by licenced banks in Jordan were JD 22,905.8 million as at 31 December 2016, as compared to JD 21,103.5 million as at 31 December 2015, an increase of JD 1,802.3 million, or 8.5%. Private sector resident credit facilities accounted for the greatest proportion both of total credit facilities and the increase in credit facilities in 2016, increasing by JD 1,803.3 million, or 10.0%, and accounting for 86.9% of total credit facilities. Credit facilities extended to the construction, general trade and other sectors (mostly comprising facilities extended to individuals for consumption purposes) accounted for the greatest proportions of credit facilities, accounting for 25.4%, 17.8% and 23.3%, respectively, as at 31 December 2016.

Total credit facilities increased to JD 24,053.1 million as at 30 June 2017, an increase of JD 1,147.3 million, or 5.0%, as compared to JD 22,905.8 million as at 31 December 2016. Central government credit facilities increased by JD 72.3 million, or 3.4%, and private sector resident credit facilities increased by JD 1,046.4 million, or 5.3%, over the corresponding period. Credit facilities extended to the construction, other, general trade, public services and utilities sectors accounted for the greatest proportions of credit facilities, accounting for 26.4%, 21.8%, 17.4% and 15.1%, respectively.

Deposit Insurance

The Jordan Deposit Insurance Corporation ("**JODIC**") was established in 2000. JODIC's aim is to promote financial stability by protecting depositors, encouraging savings, supporting confidence in the banking system, dealing with bank failures and protecting the Jordanian tax payers. JODIC is managed by a Board of Directors, chaired by the Governor of the CBJ.

All Jordanian banks and branches of foreign banks operating in the Kingdom are required to be members of JODIC, excluding Islamic banks (for which membership is voluntary) and branches of Jordanian banks operating outside the Kingdom. The capital of JODIC consists of JD 1 million paid by the Government and JD 100,000 paid by each member bank. Banks pay an annual premium of JD 2.5 per JD 1,000 in insured deposits to JODIC. The JODIC Board of Directors may increase the premium for a bank up to JD 5 per JD 1,000 if the CBJ finds that the degree of risk assumed by such bank has become unacceptable.

JODIC guarantees deposits up to JD 50,000, excluding Government deposits, interbank deposits and certain cash collateral. In order to meet these obligations, JODIC maintains reserves of 3% of total insured deposits, which it invests in Government bonds and deposits with the CBJ. In addition, JODIC may issue bonds.

JODIC also acts as the sole legal representative of a bank in liquidation. Liquidation proceedings must ordinarily be completed within two years, but may be extended under certain circumstance.

In order to strengthen the bank resolution framework, the Government has announced that it intends to submit to the National Assembly amendments to the law establishing JODIC. These amendments, which are in line with the Financial Stability Board key attributes, are expected to include: (i) institutional arrangements with a clear division of labour and interagency co-ordination; (ii) recovery and resolution planning requirements; (iii) triggers for entry into resolution; (iv) resolution powers; (v) creditor and shareholder safeguards; (vi) a least cost test to fund resolution with a systemic exception; and (vii) a robust deposit insurance framework.

Banking Supervision

The CBJ conducts both off-site and on-site supervision of banks in Jordan. Off-site supervisory activities include the monitoring of the financial positions of banks, which is provided on a daily, weekly, monthly, quarterly, semi-annual and annual basis, the calculation and analysis of key financial ratios and indices and regular reviews of the banks' compliance with applicable laws and regulations. The CBJ also conducts on-site visits to ensure compliance by, and review the quality of, the management of the banks and the adequacy of internal control procedures. As part of its efforts to strengthen the anti-money laundering and counter terrorism framework, the CBJ has begun to implement a risk-based framework for offsite supervision for banks and money exchange firms and has started establishing a framework for onsite supervision.

In October 2010, Jordan was recognised as the first country in the MENA region to be in compliance with the recommendations of the Financial Action Task Force, following the completion of the review of Jordan's anti-money laundering and counter-terrorist financing framework. As a result, Jordan is no longer subject to monitoring by the Financial Action Task Force's International Cooperation Review Group (ICRG). In February 2012, the Kingdom entered into the Criminals Extradition Convention and the Mutual Legal Assistance Convention with France, which regulates extradition, seizure and confiscation matters relating to criminals and the proceeds of crimes between the two countries. In addition, in July 2012, the Jordan Anti-Money Laundering and Counter Terrorist Financing Unit joined the Egmont Group of Financial Intelligence Units to combat money laundering and financing terrorism.

In 2013, the CBJ's anti-money laundering and counter-terrorist financing rules were reviewed by the Middle East and North Africa Financial Action Task Force, which is comprised of 19 nations in the region. This review recognised Jordan's efforts to combat money laundering and terrorist financing through legislative, regulatory and supervisory procedures and noted that previous deficiencies relating to criminalisation of money laundering had been addressed through amendments to the Anti-Money Laundering Law. As a result of the review, Jordan was moved from requiring regular follow-ups to biennial updates.

In June 2015, Law № 31 of 2015 amending the Anti-Money Laundering law was published, pursuant to which the Anti-Money Laundering Law was converted from a temporary law to a permanent law. The AML/CFT unit has since reviewed the Anti-Money Laundering Law to ensure that it remains in line with Financial Action Task Force standards. As a result of this review, amendments to the Anti-Money Laundering Law have been prepared and are expected to be submitted to the Council of Ministers by the end of 2017. The AML/CFT unit has also initiated, with technical assistance from the IMF, a national risk assessment, which is expected to be finalised by early 2018.

The IMF commenced a technical assistance program for the Kingdom to assist it in combating terrorist financing, building capacity in preventing, detecting, prosecuting and convicting terrorist financing operations and money laundering and reviewing the Kingdom's legislative framework related to combating the financing of terrorism. Furthermore, the IMF is working with the supervisory authorities on financial and non-financial institutions in Jordan to strengthen the supervision frameworks to develop and use risk based systems and procedures for offsite and onsite supervision for banks, money exchange companies, securities brokers, insurance companies, leasing companies, real estate agents, precious metal dealers and non-profit organisations. A risk-based framework for offsite supervision for banks and money exchange firms was implemented in the beginning of 2017.

The CBJ adopted various measures and procedures in 2009 to build confidence in the banking sector, raise the degree of competition among banks and strengthen their risk management based on international best practice, in line with Basel II. The CBJ has issued all the regulations for Basel II implementation, including those related to Pillars I, II and III.

In October 2011, the CBJ issued regulations requiring licensed banks to provide detailed impact studies of Basel III on capital adequacy and liquidity to the CBJ by June 2012. Following receipt of these studies, the CBJ formed a committee to draft regulations regarding capital and liquidity in line with Basel III. The CBJ issued Basel III regulations in respect of capital adequacy in September 2016. Liquidity regulations are currently under review.

In June 2017, the CBJ issued regulations regarding domestic systemically important banks, which aim to enhance the ability of such banks to maintain a sound financial position and reduce adverse side effects that may result from large domestic systemically important banks facing financial difficulty. The regulations are in line with international best practices and are part of the CBJ's implementation of the Basel framework for dealing with domestic systemically important banks. The regulations set out an objective methodology for the identification of domestic systemically important banks based on their size, interconnectedness, substitutability and complexity of their operations. The regulations set out capital surcharge requirements for domestic systemically important banks, as well as enhanced corporate governance and risk management rules.

The CBJ is preparing regulations regarding the implementation of IFRS 9 (*Financial Instruments*), which are expected to become effective in 2018.

The key banking sector regulations include the following:

- *Corporate Governance:* As part of its continuous efforts to enhance transparency and efficiency within the banking sector, the CBJ issued new corporate governance regulations for conventional and Islamic banks on 30 September 2014. In 2016, the CBJ made further amendments to the corporate governance regulations to reflect certain recommendations issued by the Basel Committee. Amendments to the Jordanian Banking Law, including in respect of the role and responsibilities of the board of directors of the CBJ, as well as providing for the separation between ownership and management of banks, are also expected to be made and are aimed at strengthening the regulatory framework for corporate governance and maintaining a stable and a resilient banking sector in the Kingdom.

- *Capital requirement*: The minimum requirement for paid up capital of banks is JD 100 million for domestic banks and JD 50 million for branches of foreign banks.

- *Capital Adequacy:* Under the Jordanian Banking Law, Jordanian banks must at all times maintain the minimum regulatory capital determined from time-to-time by the CBJ. The current minimum is 12% of risk-weighted assets (*i.e.,* credit, operational and market risk and capital charge).

- *Reserve Requirements:* Under Article 42a of the CBJ Law, as amended, the CBJ requires Jordanian banks to deposit cash reserves with the CBJ. The CBJ has discretion to determine the reserve ratio and may keep this compulsory cash reserve in a current account or as a call or time deposit, the balance of which may not be reduced by withdrawals below the prescribed percentage, unless approved by the CBJ.

- *Liquidity Requirements:* Under Article 42a-1 of the Jordanian Banking Law, Jordanian banks must maintain a minimum limit set by the CBJ of total liquid assets, or specific types of such assets, as a proportion its total assets (including guarantees and securities existing in favour of the bank), or as a proportion of its total liabilities. The current minimum liquidity ratio is 100%.

- *Exposure Limits:* Under Article 41 of the Jordanian Banking Law, the CBJ sets limits in relation to the loan to regulatory capital ratio permitted for banks to grant loans to a person and such person's related parties, as well as the ratio of total loans granted to the prime ten clients of a bank to the total amount of loans granted by the Bank. The current exposure limit is 25% of the bank's regulatory capital in respect of a person and to related parties.

- *Asset Classification and Provisioning:* Under Article 42 of the Jordanian Banking Law, banks must adhere to the regulations of the CBJ in relation to classification and valuation of assets and the reserves to be maintained on the basis of such classification and valuation.

- *Credit and Investment Policy:* Under Article 21 of the Jordanian Banking Law, banks are required to have in place a written credit and investment policy that defines the criteria and terms for granting credit facilities and principles of investment. A copy of the policy and any amendments to it must be provided to the CBJ.

- *Offshore Restrictions:* Banks are generally not permitted to lend outside of Jordan.

The Government is also pursuing other key reform measures, including new bankruptcy and insolvency reforms, as well as a new secured lending law, each of which has been submitted to the Chamber of Deputies. The timing of the implementation of these measures is not yet known. Among other things, these reforms are expected to improve banks' ability to monitor and assess borrowers' creditworthiness through the credit bureau, which commenced operations in 2015.

Non-Performing Loans

Banks are required to classify non-performing loans according to risk criteria in three categories, as defined in the instructions for classification of credit facilities and calculating impairment provisions and reserves for general banking risks: substandard, doubtful and loss. Banks are required to provision for such loans by 25%, 50% and 100%, respectively. Under Article 43 of the Jordanian Banking Law, provisions allocated against non-performing loans may be deducted from a bank's taxable income, provided that such allocation is approved by the CBJ.

Non-performing loans amounted to JD 1,285.3 million as at 31 December 2013, JD 1,064.1 million as at 31 December 2014, JD 1,010.0 million as at 31 December 2015, JD 969 million as at 31 December 2016 and JD 1,035.5 million as at 30 June 2017 (according to preliminary figures), representing 7.0%, 5.6%, 4.9%, 4.4% and 4.4%, respectively, of all loans outstanding as at the relevant date. The increase in non-performing loans in the six months ended 30 June 2017 was primarily due to customary movements in the non-performing loan portfolio. The decrease in non-performing loans in 2016 was primarily due to debt write-offs, foreclosures and, to a lesser extent, debt rescheduling. Non-performing loans were covered by provisions of 77.0% as at 31 December 2013, 77.6% as at 31 December 2014, 74.7% as at 31 December 2015, 77.9% as at 31 December 2016 and 79.3% as at 30 June 2017 (according to preliminary figures). In November 2015, Jordanian Banks, in coordination with the International Financial Corporation and the Association of Banks in Jordan, agreed a set of non-binding principles regarding the settlement of debts out of court. These principles facilitate resolving issues faced by customers who deal with multiple banks.

Treatment of Financial Institutions in Difficulty

Under the CBJ Law, the CBJ may grant exceptional credit facilities to a bank when there are conditions that may adversely affect monetary and financial stability in Jordan. A specialised committee chaired by the Governor of the CBJ determines whether such facilities should be granted on a case-by-case basis and makes a recommendation to the board of directors of the CBJ. The board of directors of the CBJ has the authority to approve such facilities.

The Jordanian Banking Law gives powers to the CBJ, in certain circumstances, to take control of a bank that is in difficulty, including to:

- decide that the bank must merge with another bank, subject to the latter's consent;
- replace the weaker bank's board of directors prior to or during the merger;
- grant incentives to encourage the merger, such as loans;
- approve the acquisition of one bank by another; and
- decide to liquidate a bank in certain cases.

During and since the global financial crisis, the CBJ did not need to provide financial assistance to any Jordanian bank.

Equity Participation

Under the Jordanian Banking Law, Jordanian banks are prohibited from holding equity in a company other than a bank in excess of the ratio prescribed by the CBJ. In any event, such equity participations must not in any case exceed 10% of the company's subscribed capital and the aggregate share capital owned in other companies is not permitted to exceed 50% of the bank's subscribed share capital.

The Companies Law, which governs ownership of a bank's capital, removed the previous 10% limit on investment in a bank's share capital by a single investor. However, the prior approval of the CBJ is still required for investments by a single investor or group of related parties that would result in the investor (or group) owning share capital in excess of the 10% threshold. The previous foreign investment ceiling of 49% was lifted in 1997, allowing unlimited foreign participation in Jordanian banks.

Jordanian Banking in the Palestinian Territories

Due to the historic links between the Kingdom and the Palestinian territories, seven Jordanian banks operate in such territories. Whilst the Palestinian Monetary Authority regulates the branches of Jordanian banks operating in the Palestinian territories, the CBJ receives their financial statements and has the right to conduct on-site examinations of such branches.

The following table shows the consolidated balance sheet of branches of Jordanian banks operating in the Palestinian territories as at the dates indicated.

Consolidated Balance Sheet of Jordanian Banks' Branches Operating in the Palestinian Territories

	As at 31 December					As at 30 June 2017
	2012	2013	2014	2015	2016	
			(JD millions)			
Cash in vaults	180.6	216.1	201.5	206.9	202.5	192.8
Balances with the banking system	1,657.5	1,845.3	1,726.8	1,637.4	1,788.3	1,600.4
Credit facilities	1,534.6	1,515.0	1,567.2	1,761.3	1,917.5	2,138.4
In Jordanian Dinars	*199.6*	*186.5*	*216.8*	*247.7*	*244.1*	*279.5*
In U.S. Dollars	*842.8*	*814.2*	*892.4*	*816.1*	*855.2*	*869.7*
In other foreign currencies	*492.2*	*514.3*	*458.0*	*697.5*	*818.2*	989.2
Portfolio	408.1	430.4	497.8	436.1	504.6	528.4
Other assets	116.5	112.1	131.2	127.6	153.9	203.1
Total assets	**3,897.3**	**4,118.9**	**4,124.5**	**4,169.3**	**4,566.8**	**4,663.1**
Deposits of banking system	189.1	163.8	159.5	183.0	280.8	278.5
Customers' deposits	2,952.0	3,160.9	3,126.2	3,185.8	3,438.3	3,491.6
In Jordanian Dinars	*768.5*	*904.1*	*933.5*	*957.4*	*974.6*	*994.8*
In U.S. Dollars	*1,177.8*	*1,243.7*	*1,136.2*	*1,097.4*	*1,270.3*	*1,246.2*
In other foreign currencies	*1,005.7*	*1,013.1*	*1,056.5*	*1,131.0*	*1,193.4*	*1,250.6*
Capital, reserves and provisions	528.2	555.0	586.3	556.8	593.5	632.1
Other liabilities	228.0	239.2	252.5	243.7	254.2	511.3
Total liabilities	**3,897.3**	**4,118.9**	**4,124.5**	**4,169.3**	**4,566.8**	**4,663.1**

Source: CBJ

The consolidated balance sheet of Jordanian banks in the Palestinian territories increased by JD 397.5 million, or 9.5%, to JD 4,566.8 million as at 31 December 2016 from JD 4,169.3 million as at 31 December 2015, as compared to an increase of JD 44.8 million, or 1.1%, during 2015.

In the six months ended 30 June 2017, the consolidated balance sheet of Jordanian banks in the Palestinian territories increased by JD 96.3 million, or 2.1%, to JD 4,663.1 million as at 30 June 2017, from JD 4,566.8 million as at 31 December 2016.

Money Supply

During the period 2011-June 2017, the money supply in the Kingdom grew significantly. Between 2011 and 2016, money supply grew at an average annual rate of 7.5% for M1 and 6.4% for M2.

The following table sets forth information regarding money supply in the Kingdom as at the dates indicated.

Money Supply

	As at 31 December					**As at 30 June 2017**
	2012	**2013**	**2014**	**2015**	**2016**	
			(JD millions)			
Money supply (M1)	**7,211.1**	**8,408.4**	**9,231.7**	**9,880.2**	**10,386.9**	**10,527.2**
Change from previous year *(%)*	(0.8)	16.6	9.8	7.0	5.1	1.4
Currency in circulation	3,215.0	3,606.6	3,804.4	3,933.2	4,181.3	4,514.6
Demand deposits in Jordanian Dinars	3,996.1	4,801.8	5,427.3	5,947.0	6,205.6	6,012.6
Quasi-money	17,734.0	18,955.0	20,008.7	21,725.3	22,489.3	22,353.5
Demand deposits in foreign currencies	*2,307.6*	*2,175.5*	*2,242.3*	*2,510.4*	*2,776.9*	2,737.7
Time and saving deposits, of which:	*15,426.4*	*16,779.4*	*17,766.4*	*19,214.9*	*19,712.4*	19,615.8
In foreign currencies	*3,088.0*	*2,459.8*	*2,221.2*	*2,199.2*	*2,642.0*	2,789.9
Foreign assets (net)	6,665.5	6,923.4	7,932.3	8,137.3	8,845.4	8,105.4
CBJ	*6,139.7*	*8,487.4*	*9,939.5*	*10,124.2*	*9,831.5*	9,090.7
Licensed banks	*525.8*	*(1,564.0)*	*(2,007.2)*	*(1,986.9)*	*(986.1)*	(985.3)
Domestic assets (net)	18,279.7	20,440.0	21,308.1	23,468.2	24,030.8	24,775.3
Money supply (M2)	**24,945.2**	**27,363.4**	**29,240.4**	**31,605.5**	**32,876.2**	**32,880.7**
Change from previous year *(%)*	3.4	9.7	6.9	8.1	4.0	0.0
Net claims on public sector	9,944.8	10,959.1	10,854.3	11,739.8	10,999.1	11,172.4
Net claims on central government general budget	7,805.3	9,004.5	9,265.5	9,173.5	8,244.9	8,350.3
Net claims on central government own-budget	1,656.0	1,490.3	1,208.4	2,212.9	2,208.9	2,187.1
Claims on public entities	483.5	464.3	380.4	353.4	545.3	635.0
Claims on private sector (resident)	15,953.6	17,222.5	17,852.8	18,704.5	20,590.3	21,737.2
Claims on financial institutions	204.1	166.6	167.4	165.7	279.8	441.2
Other items (net)	(7,822.8)	(7,908.2)	(7,566.4)	(7,141.8)	(7,838.4)	(8,575.5)

Source: CBJ

Inflation

In 2016, Jordan's monetary conditions were characterised by deflation of (0.8)%, primarily due to decreases of the prices of food and oil in the global market and the resulting impact on domestic prices. Between 2011 and 2016, inflation, as measured by the CPI, was 4.5% in 2012, 4.8% in 2013, 2.9% in 2014, (0.9)% in 2015 and (0.8)% in 2016. The high inflation rate in 2013 was primarily due to the increase in fuel prices, which was, in turn, as a result of the Government's decision to liberalise the prices of oil derivatives in November 2012. The Syrian conflict had an estimated impact on end-of-period CPI inflation of approximately 0.6 percentage points in 2014. The deceleration in the inflation rate in 2014 was primarily due to the decline in international oil prices and other related commodities, as well as the decline in international food prices.

In July 2015, the CBJ lowered interest rates by 25 basis points, after having reduced interest rates by 25 basis points in February 2015. Against the backdrop of over-performing reserves, a narrowing of the risk premium (which had temporarily increased earlier in 2015), and low inflation, the interest rate cut aimed to further revive economic activity in light of weak performance in the first quarter of 2015. In December 2016, the CBJ raised its key interest rate (the CBJ main rate) by 25 basis points to 2.75%. In 2017, the CBJ raised interest rates on three occasions in order to maintain the competitiveness of the Jordanian Dinar and preserve monetary and financial stability. In February 2017, the CBJ raised its key interest rates (the CBJ main rate) by 50 basis points to 3.25%. The CBJ raised interest rates by a further 25 basis points in March 2017, to 3.50%, before raising interest rates again by 25 basis points in June 2017 to 3.75%, in response to rising interest rates in the global and regional financial markets.

In 2016, there was deflation at a rate of 0.8% as compared to 0.9% in 2015. The Government's inflation expectation for 2017 is 3.3%, while the IMF's expectation for 2017 is 2.3% and for 2018 is 2.5%.

Inflation has increased in 2017 to date, as compared to 2016 levels. This increase is primarily due to higher global food and oil prices and the pass-through effect of increased fuel excises and the removal of certain general sales tax exemptions, which were introduced in the 2017 budget. See "*Public Finance—The Budget Process—Reform*".

The following table sets forth annual year-on-year inflation rates, as measured by the CPI, for the twelve months ended in the month indicated.

Annual Inflation Rates as measured by the CPI

	2012	**2013**	**2014**	**2015**	**2016**	**2017**
			(%)			
January	3.09	6.00	3.32	0.16	(1.04)	2.5
February	3.20	6.93	3.21	(1.70)	(0.75)	4.6
March	3.66	6.48	3.29	(1.21)	(1.67)	4.3
April	4.17	5.18	3.45	(1.06)	(1.18)	3.5
May	3.91	4.46	3.75	(0.22)	(1.57)	3.7
June	4.16	4.81	3.12	0.34	(2.20)	3.7
July	4.88	4.52	3.12	(0.63)	(0.42)	1.8
August	4.91	4.25	2.98	(0.74)	(0.56)	2.3
September	4.90	4.57	2.63	(1.17)	(0.75)	—
October	5.01	4.84	2.18	(1.18)	(0.54)	—
November	6.19	2.99	2.14	1.51	0.50	—
December	5.99	3.11	1.66	1.57	0.84	—

Source: Department of Statistics

The following table sets forth the relative weight and composition of the components that the Department of Statistics uses to calculate the CPI.

Weight and Composition of the Consumer Price Index

	Weight (Relative Importance)	2012	2013	2014	2015	2016	31 Aug 2017
	(%)		*(2010=100 in all line items)*				
Food and non-alcoholic beverages, of which:	**33.4**	**109.0**	**113.6**	**114.0**	**115.2**	**111.2**	**110.5**
Cereal and related products	*5.0*	*97.3*	*97.2*	*97.9*	*98.1*	*98.6*	*98.3*
Meat and poultry	*8.2*	*112.6*	*118.8*	*118.4*	*118.8*	*106.7*	*100.6*
Dairy products and eggs	*4.2*	*117.9*	*123.2*	*122.7*	*123.4*	*120.2*	*121.0*
Oils and fats	*1.9*	*105.8*	*102.3*	*102.3*	*106.1*	*108.7*	*112.4*
Fruits and nuts	*2.7*	*110.0*	*119.1*	*122.1*	*128.0*	*124.1*	*123.5*
Vegetables	*3.9*	*100.8*	*113.9*	*111.4*	*113.4*	*108.3*	*109.3*
Sugar and confectionery	*2.8*	*112.8*	*112.7*	*114.6*	*114.9*	*115.0*	*118.2*
Alcohol and tobacco and cigarettes, of which:	**4.4**	104.4	94.4	108.5	112.3	115.9	126.1
Alcoholic beverages	*0.0*	*104.4*	*105.7*	*120.3*	*121.6*	*124.9*	*127.8*
Tobacco and cigarettes	*4.4*	*104.4*	*94.3*	*108.4*	*112.2*	*115.8*	*126.0*
Housing, of which:	**21.9**	**107.4**	**114.7**	**120.2**	**120.9**	**122.3**	**126.1**
Rents	*15.6*	*108.5*	*113.2*	*120.8*	*126.8*	*130.0*	*134.0*
Fuels and lighting	*4.8*	*105.2*	*122.7*	*122.5*	*106.2*	*101.5*	*103.9*
Clothing and footwear	**3.5**	**110.1**	**114.5**	**125.2**	**131.3**	**133.3**	**131.2**
Household furnishings and equipment	**4.2**	**105.8**	**108.3**	**110.8**	**112.9**	**114.0**	**116.1**
Transportation	**13.6**	**116.9**	**129.5**	**132.3**	**113.5**	**109.1**	**121.2**
Communications	**3.5**	**95.2**	**95.2**	**95.2**	**95.2**	**95.0**	**96.8**
Education	**5.4**	**107.1**	**111.1**	**114.8**	**118.3**	**120.6**	**123.4**
Health	**2.2**	**112.3**	**107.8**	**114.6**	**117.5**	**121.9**	**130.7**
Culture and recreation	**2.3**	**103.9**	**103.7**	**106.4**	**112.2**	**117.4**	**126.8**
Restaurants and hotels	**1.8**	**114.2**	**126.0**	**128.6**	**130.3**	**131.8**	**132.3**
Other goods and services	**3.7**	**108.8**	**115.1**	**116.6**	**117.6**	**120.2**	**128.4**
Consumer Price Index	**100.0**	**108.9**	**114.1**	**117.4**	**116.4**	**115.5**	**119.1**

Source: Department of Statistics

Interest Rates

The CBJ cut interest rates twice during 2014, by an aggregate of 75 basis points, after it previously cut rates by a similar 25 basis points in October and August 2013. The reductions were prompted by continued positive momentum in the economy, including a strong external position, confidence in the Jordanian Dinar, continued de-dollarisation and a level of inflation acceptable to the CBJ. As a result, the rediscount rate (the rate charged by the CBJ on loans to banks) was 4.25% at the end of 2014, as compared to 4.50% at the end of 2013; the interest rate on the overnight repurchase agreements was 4.0% at the end of 2014, as compared to 4.25% at the end of 2013; and the interest rate on the overnight deposit window was 2.75% at the end of 2014, as compared to 3.50% at the end of 2013.

In February 2015, the CBJ cut interest rates by 25 basis points to 2.75% and the discount window (window rate) by 100 basis points. The CBJ attributed its decision to a combination of declining inflation, the increased attractiveness of dinar-denominated assets and declines in the current account deficit. At the same time, the CBJ reintroduced certificates of deposits (with maturities of one to two weeks) to manage excess liquidity in the banking system more effectively. In July 2015, the CBJ lowered the interest rates on monetary tools by 25 basis points to 2.5%, with the aim of stimulating credit and reducing its cost, in addition to encouraging consumption and investment. In December 2016, the CBJ raised its key interest rate (the CBJ main rate) by 25 basis points to 2.75%. In 2017, the CBJ raised interest rates on three occasions in order to maintain the competitiveness of the Jordanian Dinar and preserve monetary and financial stability. In February 2017, the CBJ raised its key interest rates (the CBJ main rate) by 50 basis points to 3.25%. The CBJ raised interest rates by a further 25 basis points in March 2017, to 3.50%, before raising interest rates again by 25 basis points in June 2017 to 3.75%, in response to rising interest rates in the global and regional financial markets.

In 2012, the CBJ introduced a new operating framework aimed at increasing the effectiveness of its monetary policy. As part of this new framework, in May 2012, the CBJ introduced weekly and monthly repurchase facilities, which aims to improve the distribution of excess reserves in order to reduce the volatility of interest rates in the interbank market and to provide higher flexibility to commercial banks in managing their liquidity needs. In addition, in June 2012, the CBJ commenced open market operations acting as a buyer and seller of treasury securities and Government-guaranteed securities for the purpose of injecting or absorbing liquidity in the markets, as needed, rather than conducting currency swaps with commercial banks.

Banks' Interest Rates

In 2016, both credit and deposit interest rates at licensed banks generally declined (except for certain discounted bills and bonds).

The following table sets forth certain interest rates on credit facilities and deposits at licensed banks for the periods indicated.

Banks' Weighted Average Interest Rates on Deposits and Credit Facilities[1]

	2012	2013	2014	2015	2016	Jan – June 2017
			(%)			
Deposits						
Demand deposits	0.42	0.38	0.43	0.32	0.26	0.25
Saving deposits	0.76	0.87	0.79	0.62	0.56	0.54
Time deposits	4.19	4.97	4.11	3.06	3.04	3.30
Credit facilities						
Overdrafts	9.28	9.20	9.15	8.01	7.60	8.24
Loans and advances	8.95	9.03	8.84	8.24	7.83	8.21
Discounted bills and bonds	9.59	10.13	9.95	8.70	10.42	9.69

Source: CBJ

Note:

(1) Interest rates in this table represent weighted averages for customers at the individual bank level and for banks at the banking system level.

Foreign Exchange Rates

The currency of Jordan is the Jordanian Dinar. There are 1,000 fils to one dinar. In October 1995 Jordan adopted a pegged exchange rate system, whereby the Jordanian Dinar was pegged to the U.S. Dollar at 709 fils per U.S. Dollar and has remained at such peg to date. The exchange rate of the Jordanian Dinar against the other major currencies is determined according to the exchange rates of these currencies against the U.S. Dollar in the international financial markets. The CBJ believes that the currency peg has contributed to the strengthening of confidence in the Jordanian Dinar and continues to serve the Jordanian economy. There are no plans to remove or change the currency peg. See "*Risk Factors—Risks Relating to the Kingdom—Exchange rate*".

The following table sets forth the average exchange rate of the Jordanian Dinar in major foreign currency units as at the dates indicated.

Average Exchange Rate of the Jordanian Dinar in Major Foreign Currency Units

	As at 31 December					30 June
	2012	2013	2014	2015	2016	2017
			(Fils)			
U.S. Dollar	709.00	709.00	709.00	709.00	709.00	709.00
Euro	909.64	938.57	940.07	769.71	746.08	794.09
Pound Sterling	1,120.68	1,105.03	1,165.15	1,061.18	884.51	905.49
Japanese Yen (¥100)	887.01	725.26	669.80	581.17	610.10	639.86

Source: CBJ

Foreign Assets

Pursuant to applicable law, the CBJ follows investment rules and guidelines established by the CBJ's board of directors in respect of its management of foreign reserves, which sets out, *inter alia*, eligible investments, currencies, maturities, ratings and size limits.

The following table sets forth the CBJ's net foreign assets as at the dates indicated.

Net Foreign Assets(1)

	As at 31 December					As at 31 July
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
			(JD millions)			
Gold	524.6	425.6	528.0	997.9	1,078.5	1,173.9
Special drawing rights	156.6	151.8	127.2	97.3	67.8	56.3
Convertible currencies	2,602.6	4,221.3	5,892.1	4,823.1	4,851.3	4,479.5
Bond and treasury bills	2,976.3	5,002.5	4,828.0	5,829.6	5,020.3	4,297.4
Loans arising from payment agreements	766.9	766.9	766.9	766.9	766.9	766.9
Subscription to international financial institutions	296.0	303.8	300.8	315.0	330.7	339.7
Gross foreign assets	7,323.0	10,871.9	12,443.0	12,829.8	12,115.5	11,113.7
Liabilities in foreign currencies	1,750.4	2,239.3	2,040.8	1,707.3	1,613.5	1,566.6
Net foreign assets	**5,572.6**	**8,632.5**	**10,402.2**	**11,122.5**	**10,502.0**	**9,547.1**

Source: CBJ

Note:

(1) Classification is based on currency irrespective of residency.

The CBJ's foreign reserves are not subject to any security interest or other encumbrances.

As at 31 December 2016, the CBJ's net international reserves were lower than the targeted amount under the EFF with the IMF. This was primarily due to a larger than expected accumulation of net foreign assets by commercial banks in response to an increase in deposit dollarisation. As part of its review of the EFF, which was completed in June 2017, the IMF waived this non-compliance. See "*Public Debt—International Institutions—IMF*".

The dollarisation ratio fluctuated in the seven months ended 31 July 2017 and reached a high of 19.5% as at 30 June 2017 before decreasing to 19.1% in July 2017. The main drivers of the dollarisation ratio include Jordanian investors purchasing foreign shares and the reclassification of a portion of bank subsidiary deposits from customer deposits to bank deposits.

Stock Market

The Amman Stock Exchange (the "**ASE**") was established in March 1999, following the restructuring of the Jordan Capital Market as a private, non-profit institution with administrative and financial autonomy. It is authorised to function as an exchange for the trading of securities. The exchange is governed by a board of directors, currently comprising seven members. The chief executive officer oversees the day-to-day running of the ASE and reports directly to the board. The ASE membership is comprised of Jordan's 57 brokerage firms. In February 2017, the ASE was registered as a public company, wholly-owned by the Government.

Jordan has a small fixed income market, largely comprised of treasury bills and bonds issued by the public sector. Historically, the Government financed its budget deficits through foreign loans or direct borrowing arrangements with banks as opposed to issuing treasury bonds on the local capital market. However, in May 2001, the National Assembly passed The Public Debt Management Law, which, *inter alia*, required that Government domestic borrowing be carried out by issuing Government securities and prohibited direct domestic borrowings from commercial banks or other institutions.

Since August 2016, companies listed on the ASE are placed into one of two markets on the basis of various standards, including shareholders' equity, free float, profitability, number of shareholders and capital. The ASE has also indicated that it will embark on a number of key projects to maintain the lead it has amongst Arab and regional stock exchanges, such as launching new indexes and new financial instruments.

The following table sets forth selected indicators for the Amman Stock Exchange as at the dates indicated.

Indicators for the Amman Stock Exchange

	As at 31 December					As at 31 July 2017
	2012	2013	2014	2015	2016	
Number of listed companies	243	240	236	228	224	194
Market capitalisation (*JD millions*)	19,141.5	18,233.5	18,082.6	17,984.7	17,339.4	17,159.3
Value traded (*JD millions*)	1,978.8	3,027.3	2,263.4	3,417.1	2,329.5	2,352.0
Average daily trading (*JD millions*)	7.9	12.4	9.1	13.9	9.5	16.2
Volume of traded shares (*millions*)	2,384.1	2,705.8	2,321.8	2,585.8	1,836.7	1,205.3
Volume of transactions (*thousands*)	975	1074,4	956.0	899.0	786.2	480.6
Number of trading days	251	245	249	246	245	145
Turnover ratio (*%*)	33.9	38.0	32.8	37.3	27.2	18.0
ASE general weighted price index	4,593.6	4,336.7	4,237.6	4,229.9	4,069.7	4.076.1
ASE general free float weighted price index	1,957.6	2,065.8	2,165.5	2,136.3	2,170.3	2,139.8
ASE general un-weighted price index	552.3	585.1	585.8	533.3	493.2	—
Volume of traded bonds (*thousands*)	0.0	2.1	0.0	0.0	0.0	11.4
Value of traded bonds (*JD millions*)	0.0	2.0	0.0	0.9	0.0	1.4
P/E ratio (*times*)	15.6	14.7	15.3	14.0	16.6	19.9
P/BV (*times*)	1.5	1.3	1.3	1.3	1.3	1.3
Dividend yield ratio (*%*)	4.6	4.6	4.2	3.6	4.14	4.5
Non-Jordanian ownership of total market cap. (*%*)	51.7	49.9	48.8	49.5	49.6	48.3
Net investment of non-Jordanians (*JD millions*)	37.6	146.9	(22.2)	10.6	237.1	(344.7)
Market capitalisation/GDP (*%*)	93.5	83.0	75.8	70.7	65.1	62.5

Source: Amman Stock Exchange

Nonbank Financial Sector

Jordan's nonbank financial sector is small. Its assets amounted to less than 5% of total financial assets in 2015. It mainly consists of insurance and microfinance companies, and money exchangers.

In June 2015, the National Assembly approved a microfinance institutions law, which aims to improve the supervision of the microfinance sector and was developed by the Government, with technical assistance from the *Gesellschaft für Internationale Zusammenarbeit* (GIZ) and financial assistance from the World Bank. In June 2017, the CBJ issued new regulations for the supervision of microfinance institutions in order to formalise the shadow banking sector. It is estimated that through this new regulatory framework, an additional 10% of the population could access finance through microfinance. In 2015, a new money changers law was submitted to the Council of Ministers, with the aim of increasing supervision of this sector.

Amendments to the insurance law, which are awaiting the approval of the National Assembly, provide for the transfer of the supervision of the insurance sector to the CBJ (expected to be finalised in 2018). See "*The Economy—Principal Sectors of the Economy—Insurance*".

Jordan 2025

Jordan 2025 includes a number of initiatives for the banking sector and, in particular, SME lending. In respect of the banking sector, Jordan 2025 aims to (i) improve transparency and financial depth of the sector through, *inter alia*, the operation of the credit bureau, the creation of a national steering committee and a technical committee to raise financial awareness and increase the use of financial services, the development of a national payments system to increase financial depth and proliferation and the strengthening of the financial consumer protection framework; (ii) encourage lending against movable collateral by reviewing the law on attaching moveable and immovable property to secure debt; (iii) increase loan guarantees for SMEs and entrepreneurs through the restructuring of the Jordan Loan Guarantee Corporation to strengthen its role; and (iv) increase funds available to SMEs and entrepreneurs through the provision of CBJ funding programmes in certain industries, the establishment of a fund to support SME start-ups, the encouragement of value-added services offered by credit information companies and co-operation and information exchange between all credit providers and the credit bureau. Jordan 2025 targets increasing the percentage of bank loans provided to SMEs from 9% in 2014 to 14% by 2025, while the coverage of credit bureaus (of the adult population) is targeted to reach 55% by 2025.

PUBLIC FINANCE

The Budget Process

The Government's financial year runs from 1 January to 31 December. The General Budget Law sets out the budget for the year and estimates of revenues and expenditures for the year, as well as a three-year budget forecast with revenue and expenditure estimates.

The budget process begins in May of the previous year with the General Budget Department of the Ministry of Finance preparing a draft budget covering the general Government budget for the year and the budgets for the various independent institutions. The draft budget is generally approved by the Council of Ministers by the end of November and, in accordance with Article 112 of the Constitution, presented to the National Assembly for approval. When voting upon the draft budget for a given year, the National Assembly considers and votes on each section individually. In its deliberations, the National Assembly may reduce expenditures in a particular section but may not increase such expenditures. After the close of the deliberations regarding the draft budget, it may propose further laws in respect of additional expenditures. If approved, the draft budget becomes the General Budget Law for the year. If the National Assembly does not approve the budget before 1 January of the relevant year, Article 113 of the Constitution permits the Government to continue spending at a monthly rate of one-twelfth of the previous year's budgeted appropriations. The Government is required to submit final accounts to the National Assembly within six months of the end of each year.

If the Chamber of Deputies has been dissolved, the General Budget Department prepares the draft budget and submits it to the Council of Ministers to approve as a temporary budget law. The temporary budget law is then presented to the King for ratification. When the National Assembly returns, the temporary law is submitted to the National Assembly for endorsement. If endorsed, it is then presented to the King a second time for ratification. If not endorsed, the temporary budget law is returned to the Council of Ministers for reconsideration.

Successive governments have implemented a policy to avoid having budgetary arrears to the extent possible. Where additional expenditures are required and in certain other circumstances, budget supplements are prepared and approved in the same way as the General Budget Law. Budget supplements were prepared in 2011 and 2012 (as well as in earlier years), which added appropriations of JD 584 million in 2011 and JD 807 million in 2012, principally in order to cover extraordinary expenditures relating to subsidies of oil products and food items, principally due to increased international market prices of such commodities, which were sold at subsidised fixed prices domestically, as well as an appropriation of JD 50 million in 2012 to cover the costs of accommodating refugees from Syria. See "*Risk Factors—Risks Relating to the Kingdom—Syrian refugees*", "*Risk Factors—Risks Relating to the Kingdom—Subsidy and tax reform*" and "*—Subsidies*". There were no budget supplements in 2013, 2014, 2015 or 2016.

The budgets for individual Government departments, including 59 decentralised public enterprises, regulatory commissions and agencies, are jointly prepared by the General Budget Department and the relevant individual Government unit and must then be approved in the same manner as the Government's budget. Although the budgets of the 59 decentralised agencies are not consolidated in the budget of the central government, grants made by the Government to such agencies are reflected in the central Government's expenditures, and net income received by the Government from such agencies is reflected in the central Government's revenues. The budgets of the ten official universities are approved by the relevant university's board of trustees and the Higher Council of Education and are then submitted to the Council of Ministers for approval.

Municipal budgets are approved by the Ministry of Municipalities and also require Council of Ministers approval. The Greater Amman Municipality Budget is approved by the Prime Minister. The budgets of Government departments are not included in the General Budget Law; a separate budget law is issued for Government departments.

In the context of the SBA with the IMF, certain measures were adopted in order to improve budget execution. With effect from the 2016 budget, General Budget institutions are required to prepare their base budget requests within approved preliminary budget ceilings. In addition, in September 2015 a law requiring that all Government agency revenue is collected through the treasury single account (the "**TSA**") beginning in January 2016 was passed by the National Assembly. An action plan has also been prepared for the resolution of arrears between agencies in the energy and healthcare sectors.

The Chamber of Deputies adopted the 2017 budget, on 25 January 2017 as Law № 2 of 2017. The General Budget Department of the Ministry of Finance is in the process of preparing the draft 2018 budget in accordance with the timetable set out above.

General Budget Department

Since 1964, the General Budget Department of the Ministry of Finance has prepared the draft annual General Budget Law. The Law Regulating the Budget Law № 58 of 2008, *inter alia*, sets out the duties and responsibilities of the General Budget Department, which include:

- preparing the draft annual General Budget Law for the Kingdom;
- preparing budgets of individual Government departments;
- preparing details of the process of approval for the above budgets, which budgets must be approved by 1 January annually;
- proposing allocation of human resources in accordance with public policy;
- proposing allocation of financial resources in accordance with public policy;
- reviewing all requests for Government funds and assessing the performance of Government departments;
- preparing budgets for certain public institutions;
- providing opinions on the accounts of independent public institutions; and
- providing opinions on draft legislation.

Reform

In addition to the recent introduction of approved budget ceilings for Government departments, the Government has announced its commitment to further reforms to improve public financial management. This includes making the macro-fiscal unit at the Ministry of Finance operational, consolidating the central Government's financial statements with those of extra-budgetary agencies and public utilities and working towards the gradual integration of trust accounts into the TSA. The Ministry of Finance is also working to consolidate the budgets of the Government and state-owned entities.

In January 2015, a new income tax law was implemented, which aimed to increase Government revenues (by 0.25% in 2015 (and more thereafter)) through the raising of tax rates for banks, companies in the electricity generation and distribution and mining sectors and other legal entities. The law also introduced a new personal income tax bracket (20% on net incomes over JD 20,000), increased the withholding tax rate on income earned by non-residents (from 7% to 10%) and re-established a presumptive tax for small individual tax payers and businesses with income under JD 100,000. A number of exemptions to these income tax measures have also been introduced. Amendments to the income tax law, which reduce the personal tax exemption threshold, establish a minimum corporate income tax, reduce the income thresholds for individuals and families and increase taxation on other sources of income are expected to be approved by the National Assembly in the second half of 2017 and to come into effect in 2018.

Following the conclusion of the EFF with the IMF, the Government conducted a comprehensive review of tax and customs exemptions. As a result of this review, in the 2017 budget, the Government introduced a number of fiscal measures, including a reduction of certain general sales tax exemptions (primarily those relating to certain non-basic food items, fertilisers and construction materials) and customs duty exemptions. The 2017 budget also increased fuel excises and fees. The Government has indicated that it will continue to reduce certain tax and customs exemptions and that it expects to identify further measures in the 2018 budget to generate additional revenues. In the IMF Staff Report relating to the 2017 Article IV Consultation, the IMF noted that it was "encouraged by the authorities' commitment to continue removing exemptions on the general sales tax and customs duties".

The Government has also announced its intention to broaden the income tax base and strengthen tax compliance. In this regard, the Government is working with USAID to assess potential options with the aim of amending the income tax law by the end of 2017.

In addition, the Ministry of Finance has established a Macro Fiscal Unit to improve data gathering and the quality of statistical information.

Jordan 2025 highlights a number of priority initiatives for public financial management, including reviewing legislation to achieve greater equity in the distribution of tax burdens, expanding the use of technology in the collection of public revenues, reducing and clarifying tax exemptions, reviewing financial legislation to achieve greater fiscal discipline and updating legislation regarding financial audit and control in line with international best practices. Jordan 2025 targets budget balance by 2025.

In line with the targets set out in the EFF, the Government has prepared a draft organic budget law, which includes provisions for: (i) macro-fiscal policy, fiscal rules, top-down budgeting and approval of the fiscal strategy aspects of budget preparation; (ii) treasury control, cash management tasks and details on reporting for general government or public sector aspects of budget execution; and (iii) audit provisions covering the obligation to follow-up on audit queries and the requirement for public entities to establish internal audit functions. The Council of Ministers has approved the draft organic budget law, which is being submitted to the National Assembly for review and approval.

Recent Budgets

The following table sets forth summaries of the 2016 and 2017 budgets of the central Government, as well as the actual 2016 results.

Budget 2016-2017

	2016[(1)] (*actual*)	**2016** (*budgeted*)	**2017** (*budgeted*)
		(JD millions)	
Domestic revenues, *of which:*	6,233.6	6,755.0	7,342.4
Tax revenues	*4,254.3*	*4,597.0*	*5,200.9*
Pension contributions	*15.2*	*16.5*	*17.0*
Other revenues[(1)]	*1,964.1*	*2,161.5*	*2,124.4*
Foreign grants	836.0	814.0	777.0
Total revenues and grants	**7,069.6**	**7,589.0**	**8,119.4**
Current expenditure	6,919.1	7,185.1	7,595.7
Capital expenditure	1,029.1	1,310.6	1,216.9
Total expenditure	**7,948.2**	**8,495.0**	**(8,812.5)**
Overall deficit/surplus			
Including foreign grants[(2)]	(878.6)	(906.7)	(693.1)
Excluding foreign grants[(2)]	(1,714.6)	(1,720.7)	(1,470.1)
Overall deficit (including grants)/GDP *(%)*	(3.2)	(3.1)	(2.5)
Overall deficit (excluding grants)/GDP *(%)*	(6.2)	(5.9)	(5.3)

Source: Ministry of Finance

Notes:

(1) Including revenues received by the Government from the decentralised agencies of Government including, inter alia, the CBJ.

(2) Grants include foreign aid and other grants received by the Government from abroad. See "*Risk Factors—Risks Relating to the Kingdom—Foreign grants*".

Public Accounts

The following table sets forth a summary of the revenues, expenditure and overall balance of the budget sector public accounts for the periods indicated.

Summary of Central Government Public Accounts

	2012	2013	2014	2015	2016
			(JD millions)		
Domestic Revenues, *of which:*	4,726.9	5,119.8	6,031.1	5,910.9	6,233.6
Tax Revenues	*3,351.4*	*3,652.5*	*4,037.1*	*4,097.1*	*4,254.3*
Pension Contributions	*24.3*	*22.1*	*21.0*	*18.6*	*15.2*
Other Revenues[1]	*1,351.2*	*1,445.2*	*1,973.0*	*1,795.2*	*1,964.1*
Foreign Grants [2][3]	327.3	639.1	1,236.5	886.2	836.0
Total Revenues and Grants	**5,054.3**	**5,758.9**	**7,267.6**	**6,797.1**	**7,069.6**
Current Expenditure, *of which:*	6,202.8	6,055.9	6,713.6	6,624.5	6,919.2
Interest payments (commitment basis)	*582.9*	*736.5*	*925.9*	*914.4*	*835.3*
Capital Expenditure	675.4	1,021.0	1,137.5	1,098.2	1,029.1
Total expenditure	**6,878.2**	**7,076.9**	**7,851.1**	**7,722.7**	**7,948.2**
Overall deficit					
Including foreign grants[2][3]	*(1,824.0)*	*(1,318.0)*	*(583.5)*	*(925.6)*	*(878.6)*
Excluding foreign grants[2][3]	*(2,151.3)*	*(1,957.1)*	*(1,820.0)*	*(1,811.8)*	*(1,714.6)*
Overall deficit (including grants)/GDP *(%)*[4]	(8.3)	(5.5)	(2.3)	(3.5)	(3.2)

Sources: Ministry of Finance, CBJ

Notes:

(1) Including revenues received by the Government from the decentralised agencies of Government including, *inter alia*, the CBJ.

(2) See "*Risk Factors—Risks Relating to the Kingdom—Foreign grants*".

(3) Grants include foreign aid and other grants received by the Government from abroad.

(4) GDP at current market prices.

Summary

Total revenues and grants grew from JD 5,054.3 million in 2012 to JD 7,069.6 million in 2016. The principal factors resulting in the overall increases in revenues from 2012 to 2016 have been increases in tax revenues (from JD 3,351.4 million in 2012 to JD 4,254.3 million in 2016) and increases in other revenues, which include revenues from selling goods and services, property income and miscellaneous revenues (from JD 1,351.2 million in 2012 to JD 1,964.1 million in 2016). Over the same period, foreign grants have fluctuated widely, but have increased from JD 327.3 million in 2012 to JD 836.0 million in 2016.

In 2016, total revenues and grants increased by JD 272.5 million, or 4.0%, to JD 7,069.6 million, as compared to JD 6,791.1 million in 2015. This increase was primarily due to a JD 322.7 million, or 5.5%, increase in domestic revenues, which was, in turn, primarily a result of a 9.4% increase in other revenues. Foreign grants received by the Kingdom in 2016 were JD 836.0 million, as compared to JD 886.2 million in 2015.

Total budget sector expenditure increased from JD 6,878.2 million in 2012 to JD 7,948.2 million in 2016. The principal factors resulting in the overall increases in expenditure from 2012 to 2016 have been increases in current expenditure (from JD 6,202.8 million in 2012 to JD 6,919.2 million in 2016), while capital expenditure has fluctuated but overall increased (from JD 675.4 million in 2012 to JD 1,029.1 million in 2016). Increases in current expenditure over the period have primarily been due to increases in military expenditure (from JD 1,756.8 million in 2012 to JD 2,215.5 million in 2016), social benefits (from JD 1,206.4 million in 2012 to JD 1,476.3million in 2016), interest payments (from JD 582.9 million in 2012 to JD 835.3 million in 2016), purchases of goods and services (from JD 235.5 million in 2012 to JD 443.8 million in 2016) and compensation of employees (from JD 1,176.4 million in 2012 to JD 1,370.0 million in 2016).

In 2016, total budget sector expenditure increased by JD 223.8 million, or 2.9%, to JD 7,948.2 million, as compared to JD 7,722.7 million in 2015. This increase was primarily due to: (i) a JD 218.6 million, or 10.9%, increase in military expenditure; and (ii) a JD 25.4 million, or 1.9%, increase in compensation of employees, which was, in turn, primarily a result of a 1.5% increase in wages, salaries and allowances; and a 6.5% increase in social security. This increase was partially offset by a 17.0% decrease in subsidies which was, in turn, primarily a result of a 37.2% decrease in food and oil subsidies.

The budget sector overall fiscal deficit (including foreign grants) has decreased from JD 1,824.0 million in 2012 to JD 878.6 million in 2016. Accordingly, the overall deficit as a percentage of total GDP decreased from 8.3% in 2012 to 3.2% in 2016 and peaked at 8.3% in 2012.

Revenues

The Government's principal sources of revenue are taxes on income and profits (consisting of corporate and personal income taxes), taxes on financial transactions, taxes on goods and services, taxes on international trade, pension contributions, revenues from selling goods and services and property income. In 2016, tax revenues accounted for 60.2% of total budget sector revenues (or 68.2% of domestic revenues). Non-tax revenues mainly comprise of the proceeds of the sale of goods and services, property income and miscellaneous revenues such as revenues from mining. The Government also receives significant revenue in the form of grants from foreign governments and international agencies. For a further description of certain tax reform developments and proposals, see "*—The Budget Process—Reform*".

The following table sets forth the components of domestic revenues for the periods indicated.

Components of Domestic Revenues

	2012	2013	2014	2015	2016
			(JD millions)		
Taxes on Income and Profits, of which:	688.3	681.9	766.3	858.8	944.7
Income tax from individuals[1]	*131.8*	*131.9*	*154.0*	*207.0*	*193.9*
Income tax from companies and other projects	*556.5*	*550.0*	*612.3*	*651.8*	*75.2*
Taxes on financial transactions	102.8	112.7	132.1	124.7	114.8
Taxes on goods and services	2,274.7	2,532.9	2,811.4	2,779.9	2,883.8
Taxes on international trade and transactions, of which:	285.6	324.9	327.3	332.7	311.1
Customs duties and fees	*285.6*	*324.9*	*327.3*	*331.7*	*296.7*
Other additional taxes	0.0	0.0	0.0	0.0	0.0
Tax Revenues	**3,351.4**	**3,652.4**	**4,037.1**	**4,096.1**	**4,254.3**
Pension Contributions	**24.3**	**22.1**	**21.0**	**18.6**	**15.2**
Revenues from selling goods and services	682.4	792.2	883.0	852.8	828.3
Property income, of which:	333.8	299.5	516.0	336.2	292.2
Financial surplus	*304.5*	*264.2*	*476.7*	*296.4*	*261.0*
Interest on privatisation proceeds	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Miscellaneous revenues, of which:	335.0	353.6	574.0	606.3	843.6
Mining revenues	*114.6*	*36.0*	*25.1*	*27.4*	*54.3*
Repayments	*28.6*	*24.2*	*21.5*	*39.2*	*28.7*
Other Revenues[2]	**1,351.2**	**1,445.3**	**1,973.0**	**1,795.4**	**1,964.1**
Total Domestic Revenues	**4,726.9**	**5,119.8**	**6,031.1**	**5,910.1**	**6,233.6**

Source: Ministry of Finance

Notes:

(1) The Government estimates that between 5-10% of Jordanians are personal income tax payers.

(2) Including revenues received by the Government from the decentralised agencies.

The following table sets forth central Government budget sector revenues for the periods indicated.

Revenues

	2012	2013	2014	2015	2016
		(JD millions, unless otherwise indicated)			
Total Revenues and Grants	**5,054.3**	**5,758.9**	**7,267.6**	**6,796.1**	**7,069.6**
Annual change *(%)*	(6.6)	13.9	26.2	(6.5)	4.0
Percentage of GDP(1)	23.0	24.1	28.6	25.5	25.7
Percentage of Total Revenues and Grants	100.0	100.0	100.0	100.0	100.0
Percentage of Tax Revenues	150.8	157.7	180.0	165.9	166.2
Domestic Revenues	**4,726.9**	**5,119.8**	**6,031.1**	**5,910.1**	**6,233.6**
Annual change *(%)*	12.6	8.3	17.8	(2.0)	5.5
Percentage of GDP(1)	21.5	21.5	23.7	22.2	22.7
Percentage of Total Revenues and Grants	93.5	88.9	83.0	87.0	88.2
Percentage of Tax Revenues	141.0	140.2	149.4	144.3	146.5
Tax revenues	**3,351.4**	**3,652.4**	**4,037.1**	**4,096.1**	**4,254.3**
Annual change *(%)*	9.4	9.0	10.5	1.5	3.9
Percentage of GDP(1)	15.3	15.3	15.9	15.4	16.7
Percentage of Total Revenues and Grants	66.3	63.4	55.5	60.3	60.2
Percentage of Tax Revenues	100.0	100.0	100.0	100.0	100.0
Pension contributions	**24.3**	**22.1**	**21.0**	**18.6**	**15.2**
Annual change *(%)*	17.4	(9.1)	(5.0)	(11.4)	0.1
Percentage of GDP(1)	0.1	0.1	0.1	0.1	0.1
Percentage of Total Revenues and Grants	0.5	0.4	0.3	0.3	0.2
Percentage of Tax Revenues	0.7	0.6	0.5	0.5	0.4
Other revenues	**1,351.2**	**1,445.3**	**1,973.0**	**1,795.4**	**1,964.1**
Annual change *(%)*	21.1	7.0	36.5	(9.0)	9.4
Percentage of GDP(1)	6.2	6.1	7.8	6.7	7.1
Percentage of Total Revenues and Grants	26.7	25.1	27.1	26.4	27.8
Percentage of Tax Revenues	40.3	39.6	48.8	43.8	46.2
Foreign grants(2)	**327.3**	**639.1**	**1,236.5**	**886.2**	**836.0**
Annual change *(%)*	(73.1)	95.3	93.5	(28.3)	(5.7)
Percentage of GDP(1)	1.5	2.7	4.9	3.3	3.0
Percentage of Total Revenues and Grants	6.5	11.1	17.0	13.0	11.8
Percentage of Tax Revenues	9.8	17.5	30.6	21.6	19.6

Source: Ministry of Finance

Notes:

(1) GDP at current market prices.

(2) See "*Risk Factors—Risks Relating to the Kingdom—Foreign grants*".

Expenditure

The rates of growth in central Government budget sector total expenditure over the past four years were 2.9% in 2013, 10.9% in 2014 and 2.9% in 2016. Government budget sector total expenditure declined by 1.6% in 2015.

The following table sets forth the components of public expenditure for the years indicated.

Components of Public Expenditure

	2012	**2013**	**2014**	**2015**	**2016**
			(JD millions)		
Compensations of employees, of which:	1,176.4	1,266.8	1,320.1	1,344.6	1,370.0
Wages, salaries and allowances	*1,109.0*	*1,183.8*	*1,234.1*	*1,245.2*	*1,264.1*
Social security	*67.4*	*83.0*	*86.0*	*99.4*	*105.9*
Purchases of goods and services	235.5	270.5	479.5	402.6	443.8
Interest payments (commitment basis), of which:	582.9	736.5	925.9	914.4	835.3
Internal	*483.1*	*634.7*	*750.2*	*710.0*	*622.0*
External	*99.9*	*101.8*	*175.7*	*204.4*	*213.3*
Subsidies, *of which*:	960.0	339.8	297.9	291.0	241.4
Subsidies for non-financial institutions, of which:	*66.4*	*78.6*	*78.3*	*94.1*	*108.4*
Emergency expenditures	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Food & oil subsidies	*889.3*	*260.2*	*218.4*	*195.4*	*122.7*
Grants(1)	183.4	192.7	205.8	117.2	123.5
Social benefits, of which:	1,206.4	1,357.9	1,472.6	1,442.0	1,476.3
Pensions and compensation	*982.4*	*1,046.5*	*1,115.9*	*1,162.8*	*1,212.7*
Social assistance, of which:	*224.0*	*311.4*	*356.7*	*279.2*	*263.4*
Social safety net	*106.5*	*193.4*	*176.6*	*0.0*	*0.0*
Miscellaneous expenditure, of which:	101.4	113.0	91.7	115.8	213.4
Scholarships and training	*3.8*	*3.3*	*3.3*	*2.1*	*3.1*
Military expenditure	1,756.8	1,778.7	1,920.1	1,996.9	2,215.5
Current Expenditure	**6,202.8**	**6,055.9**	**6,713.6**	**6,624.5**	**6,919.2**
Capital Expenditure	**675.4**	**1,021.0**	**1,137.5**	**1,098.2**	**1,029.1**
Total Expenditure	**6,878.2**	**7,076.9**	**7,851.1**	**7,722.7**	**7,948.2**

Source: Ministry of Finance

Note:

(1) Including funds transferred to decentralised agencies.

The following table sets forth budget sector expenditure for the years indicated.

Expenditures

	2012	2013	2014	2015	2016
	(JD millions, unless otherwise indicated)				
Total Expenditure	**6,878.2**	**7,076.9**	**7,851.1**	**7,722.7**	**7,948.2**
Annual Change *(%)*	1.2	2.9	10.9	(1.6)	2.9
Percentage of GDP(1)	31.3	29.7	30.9	29.0	28.9
Percentage of Total Expenditure	100.0	100.0	100.0	100.0	100.0
Percentage of Tax Revenues	205.2	193.8	194.5	188.5	186.8
Current Expenditure	**6,202.8**	**6,055.9**	**6,713.6**	**6,624.5**	**6,919.2**
Annual Change *(%)*	8.1	(2.4)	10.9	(1.3)	4.5
Percentage of GDP(1)	28.2	25.4	26.4	24.9	25.1
Percentage of Total Expenditure	90.2	85.6	85.5	85.8	87.1
Percentage of Tax Revenues	185.1	165.8	166.3	161.7	162.6
Interest Payments (Commitment Basis)	**582.9**	**736.5**	**925.9**	**914.4**	**835.3**
Annual Change *(%)*	35.7	26.4	25.7	(1.2)	(8.7)
Percentage of GDP(1)	2.7	3.1	3.6	3.4	3.2
Percentage of Total Expenditure	8.5	10.4	11.8	11.8	10.5
Percentage of Tax Revenues	17.4	20.2	22.9	22.3	19.6
Capital Expenditure	**675.4**	**1,021.0**	**1,137.5**	**1,098.2**	**1,029.1**
Annual Change *(%)*	(36.1)	51.2	11.4	(3.4)	(6.3)
Percentage of GDP(1)	3.1	4.3	4.5	4.1	3.7
Percentage of Total Expenditure	9.8	14.4	14.5	14.2	12.9
Percentage of Tax Revenues	20.2	28.0	28.2	26.8	24.2

Source: Ministry of Finance

Note:
(1) GDP at current market prices.

2017 Interim Results

The following table sets forth Jordan's interim results for the periods indicated.

Interim Results—January–July 2016 and 2017

	Jan – July 2016	Jan – July 2017(1)
	(JD millions)	
Domestic Revenues	3,862.0	3,966.5
Tax revenues	*2,674.5*	*2,660.8*
Pension contributions	*9.6*	*6.6*
Other revenues(2)	*1,177.9*	*1,299.1*
Foreign grants(3)(4)	248.7	134.1
Total Revenues and Grants	**4,110.7**	**4,100.6**
Current Expenditure	3,940.9	4,099.8
Capital Expenditure	486.6	540.7
Total Expenditure	**4,427.5**	**4,640.4**
Overall Deficit/Surplus		
Including foreign grants(3)(4)	(316.8)	(539.9)
Excluding foreign grants(3)(4)	(565.5)	(674.0)

Source: Ministry of Finance

Notes:
(1) Preliminary data.
(2) Including revenues received by the Government from the decentralised agencies of Government including, *inter alia*, the CBJ.
(3) See "*Risk Factors—Risks Relating to the Kingdom—Foreign grants*".
(4) Grants include foreign aid and other grants received by the Government from abroad.

The budget deficit (including foreign grants) increased by JD 223.1 million, or 70.4%, to JD 539.9 million for the seven months ended 31 July 2017, as compared to JD 316.8 million for the corresponding period in 2016. The increase in the budget deficit was primarily due to the increase in total expenditures (as discussed below), as well as the decrease in total revenues and grants for the seven months ended 31 July 2017, as compared to the corresponding period in 2016.

Total revenues and grants decreased by JD 10.1 million, or 0.2%, to JD 4,100.6 million for the seven months ended 31 July 2017 from JD 4,110.7 million for the corresponding period in 2016. This decrease was primarily due to a JD 114.6 million, or 46.1%, decrease in foreign grants, which was partially offset by a JD 104.5 million, or 2.7%, increase in domestic revenues. See "*Risk Factors—Risks Relating to the Kingdom—Foreign grants*".

Domestic revenues, excluding foreign grants, increased by JD 104.5 million, or 2.7%, to JD 3,966.5 million for the seven months ended 31 July 2017, as compared to JD 3,862.0 million for the corresponding period in 2016, but have been lower than budgeted amounts for the seven months ended 31 July 2017. This increase was primarily due to a JD 121.2 million, or 10.3%, increase in other revenues (primarily increases in miscellaneous revenues, revenues from surpluses and financial revenues from government units), which was partially offset by decreases in tax revenues and pension contributions. The decrease in tax revenues was primarily due to decreases in taxes on income and profits and taxes on financial transactions, which was partially offset by an increase in taxes on goods and services and taxes on international trade.

Total expenditure increased by JD 212.9 million, or 4.8%, to JD 4,640.4 million for the seven months ended 31 July 2017 from JD 4,417.5 million for the corresponding period in 2016, due to a JD 158.9 million, or 4.0%, increase in current expenditures and a JD 54.1 million, or 11.1% increase in capital expenditures. The increase in current expenditures was primarily due to a JD 26.9 million, or 3.4%, increase in the compensation of employees, a JD 15.6 million, or 11.5%, increase in subsidies (see "*—Subsidies*") and a JD 7.6 million, or 1.6%, increase in interest payments.

Subsidies

Government spending on subsidies to support low-income Jordanians has fluctuated in recent years. Total subsidies were JD 960.0 million in 2012, JD 339.8 million in 2013, JD 297.9 million in 2014, JD 291.0 million in 2015 and JD 241.4 million in 2016. Subsidies amount to JD 354.0 million in the 2017 budget. In the seven months ended 31 July 2017, total subsidies were JD 151.3 million, as compared to JD 135.7 million in the corresponding period of 2016, an increase of JD 15.6 million, or 11.5%, reflecting increases of subsidies for non-financial public institutions (*e.g.*, universities) and subsidies for goods (including food and oil), in turn, as a result of increased prices.

The following table sets out subsidies expenditure for the periods indicated.

Subsidies Expenditures

	2012	2013	2014	2015	2016	2017(1)	Jan – July 2016	Jan – July 2017
			(JD millions)					
Subsidies for non-financial public institutions(2)	66.4	78.6	78.3	94.1	108.4	171.5	65.4	105.4
Subsidies for non-financial private institutions	0.9	1.0	1.2	1.5	1.6	2.5	0.8	0.1
Goods subsidies(3)	892.7	260.2	218.4	195.4	131.4	180.0	69.5	45.8
Total Subsidies	**960.0**	**339.8**	**297.9**	**291.0**	**241.4**	**354.0**	**135.7**	**151.3**

Source: Ministry of Finance

Notes:

(1) Budgeted.

(2) Represents subsidies for universities.

(3) Includes food and oil subsidies.

Beginning in 2005, Jordan commenced a strategy to gradually phase out fuel price subsidies and, by February 2008, all domestic fuel prices (except liquid petroleum gas) were based on a market-driven automatic fuel pricing mechanism, which instituted a full pass-through of international fuel prices. This automatic pricing mechanism was withdrawn in January 2011 due to the high international oil prices. In 2012, automatic fuel pricing mechanisms were reinstated for certain refined oil products, resulting in market prices for such products.

In September 2012, there were protests in the cities of Amman, Irbid, Ma'an and Karak in response to a 10% increase in gasoline and diesel fuel prices, a measure intended to reduce the cost of subsidies. As a result of these protests, the King cancelled the fuel price increases. On 13 November 2012, the Council of Ministers announced the lifting of fuel subsidies on household cooking gas, diesel, kerosene and lower-grade gasoline and the introduction of an automatic pricing mechanism. These price increases were accompanied by introducing targeted cash transfers to low- and middle-income families representing approximately 70% of the population in an effort to offset fuel price increases. This announcement resulted in demonstrations in Amman and other cities in Jordan, some of which were violent.

In January 2017, the Kingdom withdrew electricity subsidies. The Government began implementing an automatic tariff adjustment mechanism in January 2017, which is expected to be applied upon the price of oil reaching more than U.S.$55 per barrel. In line with the Government's continuing subsidy policy, water subsidies are being gradually eliminated, while the bread subsidy remains in place.

See "*Risk Factors—Risks Relating to the Kingdom—Subsidy and tax reform*" and "*The Economy—Production Sectors—Electricity and Water—Energy Policy and NEPCO*".

IMF and Improving Budget Statistics

Budget figures and other statistics are discussed with IMF missions in regular Article IV Consultations. In addition, the Ministry of Finance has been working to improve the Government's budget statistics in accordance with the IMF *2001 Government Finance Statistics Manual* classification standard, as well as with the SDDS and the *Report on Standards and Codes*.

The Government's statistics are divided into five categories: (i) Government financial statistics for the ministries and Government offices; (ii) Government financial statistics for autonomous Government institutions; (iii) financial statistics for municipalities and local councils; (iv) financial statistics for the Public Institution for Social Security; and (v) a combination of the previous four categories.

In its Staff Report for the 2014 Article IV Consultation, dated 23 March 2014, the IMF noted that "while progress has been made over the last few years in improving quarterly estimates of the national accounts from the production approach, Jordan has still to develop quarterly national accounts from the expenditure approach. Also, further efforts are needed to ensure that the compilation of the national accounts is compliant with the System of National Accounts 2008". See "*Risk Factors—Risks Relating to the Kingdom—Statistics*".

PUBLIC DEBT

General

Public debt in Jordan is comprised of the domestic and external debt of the central Government (including all ministries and agencies whose budgets make up the general budget) and state-owned enterprises and public agencies, to the extent guaranteed by the central government, and excludes other (*i.e.,* non-guaranteed) debt of state-owned enterprises and public agencies. As at 30 June 2017, Jordan's total outstanding gross public debt was JD 26,472.1 million, as compared to JD 26,092.7 million as at 31 December 2016 (representing an increase of JD 379.4 million, or 1.5% as at 30 June 2017, as compared to 31 December 2016). As at 30 June 2017, Jordan's total outstanding net public debt was JD 25,021.3 million (consisting of JD 10,902.1 million of external debt and JD 14,119.2 million of domestic debt), representing 89.2% of GDP and of which 43.6% was denominated in currencies other than Jordanian Dinars (principally U.S. Dollars). As at 31 December 2016, Jordan's total outstanding net public debt was JD 24,079.4 million (consisting of JD 10,299.0 million of external debt and JD 13,780.4 million of domestic debt), representing 87.7% of GDP.

The following table sets forth certain principal indicators in respect of Jordan's public debt as at the dates indicated.

Public Debt Indicators(1)(2)

	As at 31 December					As at 30 June
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Gross public debt	**17,610.0**	**20,674.0**	**22,651.6**	**24,876.8**	**26,092.7**	**26,472.1**
Gross public debt/GDP *(%)*(3)	80.2	86.7	89.0	93.4	95.1	94.4
Net public debt*(JD millions)*	**16,580.9**	**19,096.7**	**20,555.5**	**22,847.5**	**24,079.4**	**25,021.3**
Net public debt/GDP *(%)*(3)	75.5	80.1	80.8	85.8	87.7	89.2
Weighted average maturity of net public debt (*year/month*)	2.1	3.1	3.2	3.7	4.2	4.6
Net public debt *per capita(JD)*	2,596.0	2,924.0	3,079.0	3,454.0	3,535.9	—
External public debt*(JD millions)*	**4,932.4**	**7,234.5**	**8,030.1**	**9,390.5**	**10,299.0**	**10,902.1**
External public debt/GDP *(%)*(3)	22.5	30.3	31.6	35.3	37.5	38.9
External public debt/exports (goods and services) *(%)*	48.6	71.6	72.9	93.8	106.8	—
Official reserves/external public debt *(%)*	95.5	117.8	124.5	106.9	88.7	73.9
Short term debt/official reserves *(%)*	10.5	8.5	12.5	14.4	9.7	11.3
Weighted average maturity of external public debt (*year/month*)	6.4	5.6	5.4	6.1	6.7	6.9
External public debt *per capita(JD)*	772.0	1,145.8	1,244.2	1,419.7	1,512.2	—
Net domestic debt*(JD millions)*(4)	**11,648.5**	**11,862.2**	**12,525.4**	**13,457.0**	**13,780.4**	**14,119.2**
Net domestic debt to GDP *(%)*(3)	53.0	49.7	49.2	50.5	50.2	50.3
Weighted average maturity of domestic net debt (*year/month*)	1.8	1.9	2.0	2.1	3.0	3.4
Net domestic debt *per capita(JD)*	1,823.0	1,878.7	1,940.7	2,028.9	2,027.4	—
External debt service*(JD millions)*(5)	**558.1**	**598.9**	**906.4**	**1,462.5**	**1,670.5**	**512.4**
External debt service/GDP *(%)*(3)(6)	2.5	2.5	3.6	5.5	6.1	1.8
External debt service/exports (goods and services) *(%)*	5.5	5.9	8.2	14.6	17.3	—
Official reserves/external debt service *(%)*	843.8	1,423.3	1,101.3	686.1	546.8	—
Implicit interest rate(7)*(%)*	**2.7**	**2.6**	**2.8**	**2.5**	**2.5**	—
Government-guaranteed debt(8)	**2,932.2**	**2,638.8**	**2,320.5**	**3,271.0**	**3,323.4**	**3,466.0**
Domestic	2,255.9	1,883.1	1,547.8	2,551.2	2,618.9	2,811.0
External	676.3	755.7	772.7	719.8	704.5	655.0
Gross Government-guaranteed Debt/GDP *(%)*(2)	13.3	11.1	9.1	12.3	12.1	12.4

Source: Ministry of Finance

Notes:

(1) Certain figures in this table have been revised and differ from previously published data.

(2) As at 31 July 2017: (i) gross public debt was JD 26,550.2 million, representing 94.1% of GDP; (ii) net public debt was JD 25,187.5 million, representing 89.3% of GDP; (iii) external public debt was JD 10,905.2 million, representing 38.7% of GDP; and (iv) net domestic debt was JD 14,282.3 million, representing 50.6% of GDP.

(3) All GDP figures at current market prices. The GDP figure for 2017 is estimated.

(4) Includes Treasury Account and central Government bank deposits.

(5) Budget and guaranteed.

(6) Figures reflect debt service payments on a "cash basis", *i.e.*, the transactions are recorded only when cash is actually received or paid out.

(7) External debt only.

(8) The key beneficiaries of Government-guaranteed domestic debt are NEPCO and the Water Authority and the key beneficiary of Government-guaranteed external debt is NEPCO.

Public Debt Management

Steps to revitalise Jordan's economy have been underway since 1989, and Jordan has been pursuing an active public debt management programme in order to control the size and cost of the public debt. Public debt management in Jordan aims to: (i) ensure that the stock and rate of growth of debt can be managed and sustained over time; (ii) ensure that public obligations are fully met; (iii) reduce the susceptibility of the economy to contagion and financial risk; and (iv) enhance the primary market of government securities and develop an active secondary market for domestic debt instruments.

Under the Public Debt Management Law, Government borrowing is restricted to the following purposes: (i) to finance the general budget deficit; (ii) to support the balance of payments; (iii) to finance projects of national priority that are included in the General Budget Law; (iv) to provide the necessary funds set out in the General Budget Law or any temporary law issued to deal with disasters and emergencies; and (v) to restructure internal and external debt. The

Government may not provide guarantees other than in exceptional cases related to projects of national importance and for Government entities, provided that the Council of Ministers, upon the recommendation of the Minister of Finance, approves the issuance of such guarantees.

The Public Debt Management Law provides for the establishment of a Public Debt Management Committee, a ministerial committee formed to manage the public debt. In addition, pursuant to the Public Debt Management Law, outstanding net domestic public debt and outstanding external public debt each may not exceed 60% of GDP at current prices of the latest year for which data is available (under Articles 21 and 22 of the Public Debt Management Law, respectively) and total net public debt (domestic and external) may not exceed 80% (under Article 23 of the Public Debt Management Law). Article 24 of that law provides that the Council of Ministers shall determine the date on which Articles 22 and 23 enter into force.

Pursuant to the 2008 amendment to the Public Debt Management Law, net outstanding domestic public debt and net outstanding external public debt each may not exceed 40% of GDP at current prices of the latest year for which data is available and net outstanding public debt may not exceed 60% of GDP at current prices of the latest year for which data is available. Unless and until a Council of Ministers resolution is passed implementing this amendment, these debt to GDP ratios are not in effect.

The Council of Ministers adopted Resolution № 6743 during its meeting of 26 November 2014 suspending the resolution by which Articles 22 and 23 came into force, thereby suspending the application of Articles 22 and 23 of the Public Debt Management Law for a period of three years, commencing on 26 November 2014. On 19 October 2015, the Special Council for the Interpretation of Laws issued a decision interpreting Article 24 of the Public Debt Management Law and confirming the authority of the Council of Ministers to suspend application of the Council of Ministers' decision by which Articles 22 and 23 came into force for such period or periods as it deems appropriate. As such, the legality of Resolution № 6743 has been confirmed by the decision of the Special Council for the Interpretation of Laws, and, accordingly, Articles 22 and 23 of the Public Debt Management Law are currently suspended. Pursuant to the Constitution, the resolutions of the Special Council for the Interpretation of Laws, once published in the *Official Gazette*, are binding and authoritative. The Council of Ministers adopted Resolution № 2763 during its meeting of 23 April 2017 extending the suspension of the application of Articles 22 and 23 of the Public Debt Management Law until the end of 2024. The Government is and has been in excess of the debt to GDP ratios set out in the Public Debt Management Law. Any past, existing or future breach of the borrowing limits set out in the Public Debt Management Law, however, will not invalidate the issuance of the Notes. See "*Risk Factors—Risks Relating to the Kingdom—Public debt and budget deficit*".

The Government has taken steps to improve the efficiency of debt issuance by increasing the number of treasury bills and bond auctions, reducing the size of offers and moving towards the establishment of a debt auction calendar. In 2016, the Government adopted and published a debt management strategy for 2016 to 2020. In 2017, the Government adopted and published an updated debt management strategy for 2017 to 2021, which aims to: (i) ensure that the Government's financing needs and payment obligations are met at the lowest possible cost in the medium- to long-term and are consistent with a prudent, acceptable degree of risk; and (ii) enhance the primary market for Government securities through the expansion of the investor base and the diversification of debt instruments. In line with the targets set in the context of the EFF, the Government has also developed an action plan to reorganise the Public Debt Directorate with the aim of strengthening the organisational framework for effective public debt management.

On 16 September 2012, the National Assembly passed a law permitting the issuance of *sukuks* by Jordan and Jordanian companies. In 2014, the Government promulgated implementing regulations in two stages: (i) in April 2014, bylaws setting forth permitted *sukuk* structures and enabling the transfer of assets necessary to issue *sukuk* were passed and (ii) in July 2014, the Jordanian Securities Commission passed the remaining regulations relating to dealings in *sukuk* as an investment instrument. In addition, changes to the Companies Law have been made to accommodate corporate issuances of *sukuks*. In May 2016, NEPCO issued a JD 75 million *sukuk*, which will be redeemed in 2021. NEPCO was the first Jordanian company to issue a *sukuk*. In October 2016, the Government issued its debut *sukuk* using an ijarah structure, in an aggregate principal amount of JD 34 million, which will be redeemed in 2021. In March 2017, NEPCO issued a JD 75 million *sukuk*, which will be redeemed in 2022.

The Government, in line with targets set by the IMF, is committed to reducing the net public debt to GDP ratio to less than 80% by the end of 2022.

Domestic Debt

Domestic debt comprises central Government debt denominated in Jordanian Dinars.

Gross domestic debt decreased by JD 223.7 million, or 1.4%, to JD 15,570.0 million as at 30 June 2017, as compared to JD 15,793.7 million as at 31 December 2016. This decrease was primarily due to the JD 364 million, or 2.9%, decrease in outstanding treasury bills and bonds issued by the Government (amounting to JD 12,359 million as at 30 June 2017, as compared to JD 12,723 million as at 31 December 2016), which was, in turn, as a result of the Government's policy to diversify funding sources and reduce the reliance on the domestic market to finance the budget deficit. Gross domestic debt increased by JD 307.4 million, or 2.0% to JD 15,793.7 million as at 31 December 2016, as compared to JD 15,486.3 million as at 31 December 2015. This increase was primarily due to the JD 339 million, or 2.7%, increase in outstanding treasury bills and bonds issued by the Government (amounting to JD 12,723 million as at 31 December 2016, as compared to JD 12,384 million as at 31 December 2015), which was, in turn, as a result of financing a portion of the budget deficit from the domestic market.

Net domestic debt, which is equal to gross domestic debt minus Government deposits in banks, increased by JD 338.8 million, or 2.5%, to JD 14,119.2 million as at 30 June 2017, as compared to JD 13,780.4 million as at 31 December 2016. This increase was primarily due to a JD 192.1 million, or 7.3%, increase in own-budget agencies' debt, as well as a JD 562.0 million, or 27.9%, decrease in deposits. Net domestic debt increased by JD 323.0 million, or 2.4%, to JD 13,780.4 million as at 31 December 2016, as compared to JD 13,457.4 million as at 31 December 2015. This increase was primarily due to a JD 239.7 million, or 1.9%, increase in central budget debt and a decrease of government deposits by JD 15.6 million. Net domestic debt, as a percentage of GDP, decreased from 50.5% as at 31 December 2015 to 50.2% as at 31 December 2016 and 50.3% as at 30 June 2017.

The weighted average maturity of domestic debt increased to 3.4 years as at 30 June 2017, as compared to 3.0 years as at 31 December 2016 and 2.1 years as at 31 December 2015, primarily as a result of the Government's continued policy of issuing domestic bonds with long maturities.

The following table sets forth Jordan's outstanding domestic debt (budgetary and own-budget agencies) as at the dates indicated.

Domestic Debt(1)

	As at 31 December					As at 30 June
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	(JD millions)					
Central Government gross domestic debt	**12,678**	**13,440**	**14,621**	**15,486**	**15,794**	**15,570**
Budgetary agencies	**10,422**	**11,556**	**13,074**	**12,935**	**13,175**	**12,759**
Treasury bonds	8,462	10,353	11,821	12,259	12,248	12,084
Treasury bills	1,180	515	650	125	475	275
Bonds for overdraft settlement	480	400	320	240	160	120
CBJ advance	272	272	272	272	272	272
Loans	0	0	0	0	0	0
Credit facilities	28	17	11	39	20	8
Own-budget agencies(2)	**2,256**	**1,883**	**1,548**	**2,551**	**2,619**	**2,811**
Bonds	1,177	869	609	563	533	533
Credit facilities and loans	1,079	1,014	939	1,989	2,086	2,279
Less bank deposits	**1,029**	**1,577**	**2,096**	**2,029**	**2,013**	**1,451**
Budgetary agencies, *of which*	780	1,366	1,878	1,814	1,816	1,260
Treasury account(3)	(624)	(282)	(663)	(481)	(330)	(896)
Own-budget agencies	249	211	218	215	197	191
Net domestic debt	**11,648**	**11,863**	**12,525**	**13,457**	**13,780**	**14,119**
Government-guaranteed domestic debt	2,255.9	1,883.1	1,547.8	2,551.2	2,618.9	2,811.0
Net domestic debt to GDP*(%)*(4)	53.0	49.7	49.2	50.5	50.2	50.3
Central Government gross domestic debt to GDP*(%)*(4)	57.7	56.3	57.5	58.1	57.5	55.5

Source: Ministry of Finance

Notes:
(1) As at 31 July 2017, net domestic debt was JD 14,282.3 million, representing 50.6% of GDP.
(2) Own-budget agencies are autonomous agencies whose budgets are approved by the Council of Ministers. Most of the fiscal operations of own-budget agencies are fully-funded.
(3) Excludes government deposits within Treasury Single Account.
(4) GDP at current market prices. The GDP figure for 2017 is estimated.

Jordanian banks hold a substantial majority of the domestic debt, holding JD 10,170 million, or 65.3%, of gross domestic debt as at 30 June 2017, JD 10,788 million, or 68.3%, as at 31 December 2016 and JD 11,395 million, or 73.6%, as at 31 December 2015. Domestic debt held by institutions other than banks increased from JD 4,091 million as at 31 December 2015 to JD 5,006 million as at 31 December 2016 and JD 5,401 million as at 30 June 2017, representing increases of 22.4% and 7.9%, respectively.

See "*Risk Factors—Risks Relating to the Kingdom—Refinancing risk*".

The following table sets forth Jordan's outstanding domestic debt, by holder, as at the dates indicated.

Domestic Debt by Holder[(1)]

	As at 31 December					As at 30 June
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	(JD millions)					
Banks	10,509	10,733	11,038	11,395	10,788	10,170
Non-banks	2,168	2,706	3,584	4,091	5,006	5,401
Gross domestic debt	**12,678**	**13,440**	**14,621**	**15,486**	**15,794**	**15,570**

Source: Ministry of Finance

Note:

(1) As at 31 July 2017, 64.4% of domestic debt was held by banks and 35.6% of domestic debt was held by non-banks.

External Debt

External debt consists of central Government debt and Government-guaranteed debt denominated in a foreign currency. As at 30 June 2017, Jordan's total external debt was JD 10,902.1 million, as compared to JD 10,299.0 million as at 31 December 2016 (representing an increase of JD 603.1 million, or 5.9%, as at 30 June 2017, as compared to 31 December 2016) and JD 9,390.5 million as at 31 December 2015 (representing an increase of JD 908.5 million, or 9.6% as at 31 December 2016, as compared to 31 December 2015). These increases were primarily due to the issuance by Jordan of bonds in October 2016 and May 2017. See "*—International Government Bonds*".

The following table sets forth Jordan's outstanding external debt as at the dates indicated.

External Debt[(1)]

	As at 31 December					As at 30 June
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	(JD millions)					
Government debt	4,256.1	6,478.8	7,257.4	8,670.7	9,594.4	10,247.1
Government-guaranteed debt[(1)]	676.3	755.7	772.7	719.8	704.6	655.0
Total external debt	**4,932.4**	**7,234.5**	**8,030.1**	**9,390.5**	**10,299.0**	**10,902.1**

Source: Ministry of Finance

Notes:

(1) As at 31 July 2017, external debt was JD 10,905.2 million (representing 38.7% of GDP), which was comprised of JD 10,252.3 million of Government debt and JD 652.9 million of Government-guaranteed debt.

(2) Includes the U.S.$145 million amortising bond issued by the Development and Investment Projects Fund of the Jordanian Armed Forces, and guaranteed by the Government, in 2005. Payments of principal in respect of this bond are made on a semi-annual basis, with the last payment scheduled to take place in December 2019.

The following table sets forth Jordan's outstanding external debt, by source, as at the dates indicated.

External Debt by Source

	As at 31 December					As at 30 June
	2012	2013	2014	2015	2016	2017
	(JD millions)					
Bilateral	**2,024.2**	**1,869.9**	**1,727.1**	**1,825.5**	**2,001.5**	**2,042.4**
Industrial countries	1,438.8	1,278.4	1,134.5	1,247.7	1,435.3	1,482.3
Rescheduled debt[1]	255.9	194.6	142.6	112.9	96.8	90.4
Non-rescheduled debt	1,182.9	1,083.8	991.9	1,134.7	1,338.5	1,391.9
Arab countries	472.9	467.8	455.4	421.8	393.3	384.2
Other countries	112.5	123.7	137.2	156.0	172.9	175.9
Export credit	**120.2**	**98.1**	**83.0**	**69.9**	**58.7**	**54.8**
Rescheduled debt[1]	96.4	77.3	65.5	55.4	45.7	41.2
Non-rescheduled debt	23.8	20.8	17.6	14.5	10.8	13.6
Multilateral	**1,998.5**	**2,783.2**	**3,037.1**	**3,444.6**	**3,544.2**	**3,440.2**
Others, *of which:*	**789.6**	**2,483.3**	**3,183.0**	**4,050.6**	**4,694.6**	**5,364.7**
Bonds	604.6	2,298.3	2,998.0	3,875.2	4,574.9	5,279.7
Total external debt	**4,932.4**	**7,234.5**	**8,030.1**	**9,390.5**	**10,299.0**	**10,902.1**

Source: Ministry of Finance

Note:
(1) See "*—Debt Restructuring and Cancellation*".

The following table sets forth Jordan's outstanding external debt, by currency, as at the dates indicated.

External Debt by Currency

	As at 31 December					As at 30 June
	2012	2013	2014	2015	2016	2017
	(JD millions)					
U.S. Dollars	1,988.6	3,934.5	4,717.5	5,637.3	6,684.0	7,285.7
Japanese Yen	894.1	663.5	580.9	659.5	682.0	678.4
Euros	457.9	521.5	460.6	577.9	646.8	712.2
Kuwaiti Dinars	830.1	881.0	855.3	774.6	713.5	693.2
Special Drawing Rights	484.6	960.6	1,144.5	1,473.5	1,311.9	1,272.5
Saudi Riyals	158.5	151.5	145.2	136.4	127.9	124.4
British Pounds Sterling	0.7	0.4	0.1	0.0	0.0	0.0
Others	118.0	121.5	126.1	131.4	132.9	135.7
Total external debt	**4,932.4**	**7,234.5**	**8,030.1**	**9,390.5**	**10,299.0**	**10,902.1**

Source: Ministry of Finance

The following table sets forth Jordan's outstanding external debt, by creditor, as at the end of the periods indicated.

External Debt by Creditor

	As at 31 December					As at 30 June
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	(JD millions)					
Japan	955.1	716.4	627.6	699	714.3	707.2
World Bank	790.5	812.0	990.5	1,100.2	1,318.6	1,286.8
France	177.1	231.7	203.6	254.8	415.1	440.8
AFESD	553.1	599.7	580.7	557.2	517.9	501.5
Germany	251.0	260.2	235.6	224.7	233.5	254.8
United States	81.5	74.6	67.6	60.5	53.1	51.2
Kuwait Fund	265.0	271.2	266.5	246.8	232.2	229.1
European Investment Bank	120.2	104.4	93.0	84.3	76.2	72.4
International Monetary Fund	279.1	745.7	964.3	1,310.5	1,137.4	1,059.1
Saudi Fund	158.5	151.5	145.2	136.4	127.9	124.4
Spain	29.1	27.1	25.9	28.5	28.8	28.4
Islamic Development Bank	105.4	101.2	91.3	83.9	75.9	73.5
Arab Monetary Fund	120.6	154.4	151.2	151.2	191.8	214.1
Others, *of which:*	1,046.3	2,984.4	3,584.1	4,452.5	5,176.3	5,858.8
Private creditors (bonds)	*604.6*	*2,298.3*	*2,998.0*	*3,875.2*	4,574.9	5,279.7
Total external debt	**4,932.4**	**7,234.5**	**8,030.1**	**9,390.5**	**10,299.0**	**10,902.1**

Source: Ministry of Finance

In 2013, 2014 and 2015, Jordan issued Eurobonds in aggregate principal amounts of U.S.$1.25 billion, U.S.$1.0 billion and U.S.$2.0 billion, respectively, all of which are guaranteed by the United States of America acting through USAID.

In November 2015, Jordan issued its U.S.$500 million 6.125% Notes due 2026, making its debut bond offering pursuant to Rule 144A under the Securities Act. In October 2016, Jordan issued its U.S.$1 billion 5.750% Notes due 2027. In May 2017, Jordan issued its U.S.$500 million 6.125% Notes due 2026, which were consolidated and form a single series with the notes issued by Jordan in November 2015.

The following table sets forth details of Jordan's outstanding international Government bonds.

International Government Bonds

Issue Date	Issue Size	Coupon	Maturity
31 October 2013[(1)]	U.S.$1,250,000,000	2.503%	30 October 2020
26 June 2014[(1)]	U.S.$1,000,000,000	1.945%	23 June 2019
30 June 2015[(1)]	U.S.$1,000,000,000	2.578%	30 June 2022
30 June 2015[(1)]	U.S.$500,000,000	3.000%	30 June 2025
10 November 2015	U.S.$500,000,000	6.125%	10 November 2026
26 October 2016	U.S.$1,000,000,000	5.750%	31 January 2027
4 May 2017[(2)]	U.S.$500,000,000	6.125%	10 November 2026

Source: Ministry of Finance

Notes:

(1) Guaranteed by the United States, acting through USAID. These notes are not listed.

(2) Consolidated and forming a single series with the notes issued on 10 November 2015.

External Debt Service Projections

The following table sets forth Jordan's external debt service projections, by source, for the periods indicated based on Jordan's outstanding debt as at 30 June 2017.

External Debt Service Projections by Source Based on Amounts Outstanding as at 30 June 2017

	0-3 months	4-6 months	7-9 months	10-12 months	13-18 months	19-24 months	Over two years	Total
				(JD millions)				
Bilateral	**38.9**	**133.9**	**28.0**	**59.0**	**92.6**	**87.7**	**1,955.4**	**2,395.3**
Principal	31.9	120.7	21.7	47.7	75.4	71.5	1,744.0	2,112.9
Interest	7.0	13.2	6.3	11.3	17.2	16.2	211.4	282.4
Export credit	**1.5**	**5.6**	**1.7**	**5.9**	**8.1**	**5.2**	**30.4**	**58.5**
Principal	1.1	5.3	1.3	5.6	7.5	4.8	28.9	54.7
Interest	0.4	0.3	0.4	0.3	0.6	0.4	1.5	3.8
Multilateral	**195.0**	**155.5**	**145.0**	**157.3**	**299.7**	**290.9**	**2,654.1**	**3,897.5**
Principal	181.0	134.2	130.9	138.2	269.1	264.3	2,249.8	3,367.6
Interest	14.0	21.3	14.1	19.0	30.6	26.6	404.3	529.9
Others	**84.8**	**56.0**	**84.7**	**38.4**	**166.1**	**944.9**	**5,442.1**	**6,817.0**
Principal	21.3	22.4	21.3	5.2	26.5	715.2	4,555.1	5,366.8
Interest	63.5	33.6	63.4	33.2	139.6	229.7	887.0	1,450.1
Total	**320.2**	**351.0**	**259.4**	**260.5**	**566.5**	**1,328.6**	**10,082.0**	**13,168.2**

Source: Ministry of Finance

The following table sets forth Jordan's external debt service projections, by currency, for the periods indicated based on Jordan's outstanding debt as at 30 June 2017.

External Debt Service Projections by Currency Based on Amounts Outstanding as at 30 June 2017

	0-3 months	4-6 months	7-9 months	10-12 months	13-18 months	19-24 months	Over two years	Total
				(JD millions)				
U.S. Dollars	**154.8**	**196.0**	**110.6**	**97.3**	**192.6**	**878.4**	**7,339.3**	**8,969.0**
Principal	86.7	144.9	43.9	48.2	77.2	765.3	6,119.5	7,285.7
Interest	68.0	51.2	66.7	49.2	115.4	113.1	1,219.8	1,683.4
Special Drawing Rights	**124.8**	**81.1**	**104.7**	**92.7**	**214.8**	**207.7**	**498.1**	**1,324.0**
Principal	119.8	77.1	98.8	89.0	208.0	202.3	472.1	1,267.1
Interest	5.0	4.0	6.0	3.6	6.8	5.4	26.0	56.9
Kuwaiti Dinar	**22.8**	**21.8**	**22.3**	**21.5**	**40.8**	**37.2**	**671.0**	**837.6**
Principal	15.9	17.6	15.7	17.6	30.9	27.9	567.4	693.0
Interest	6.9	4.2	6.6	3.9	9.9	9.4	103.7	144.5
Japanese Yen	**7.2**	**29.4**	**7.1**	**29.3**	**37.2**	**36.1**	**616.3**	**762.5**
Principal	5.3	25.8	5.3	25.9	32.3	31.6	552.2	678.4
Interest	1.9	3.6	1.8	3.4	4.9	4.6	64.0	84.1
Euros	**3.3**	**16.1**	**7.4**	**13.8**	**23.5**	**22.0**	**723.6**	**809.7**
Principal	1.2	11.6	5.2	11.0	17.2	17.4	648.6	712.2
Interest	2.1	4.5	2.2	2.8	6.3	4.6	75.0	97.5
Others	**7.3**	**6.6**	**7.3**	**5.9**	**57.5**	**147.1**	**233.7**	**465.4**
Principal	6.4	5.6	6.5	5.0	12.8	11.2	218.1	265.6
Interest	0.9	1.0	0.8	0.9	44.8	135.9	15.5	199.8
Total	**320.2**	**351.0**	**259.4**	**260.5**	**566.5**	**1,328.6**	**10,082.0**	**13,168.2**

Source: Ministry of Finance

The following table sets forth Jordan's external debt service projections by interest type for the periods indicated based on Jordan's outstanding debt as at 30 June 2017.

External Debt Service Projections by Interest Type Based on Amounts Outstanding as at 30 June 2017

	0-3 months	4-6 months	7-9 months	10-12 months	13-18 months	19-24 months	Over two years	Total
				(JD millions)				
Floating	**169.9**	**134.2**	**107.7**	**142.8**	**267.0**	**346.0**	**1,898.9**	**3,066.5**
Principal	164.7	120.4	102.6	132.1	212.2	202.1	1,055.05	2,489.5
Interest	5.2	13.8	5.1	10.7	54.8	143.9	343.4	577.0
Fixed	**150.2**	**216.8**	**151.7**	**117.7**	**299.4**	**982.6**	**8,183.1**	**10,101.7**
Principal	70.7	162.2	72.7	64.7	166.3	853.6	7,022.4	8,412.5
Interest	79.6	54.6	79.0	53.0	133.1	128.9	1,160.7	1,689.1
Total	**320.2**	**351.0**	**259.4**	**260.5**	**566.5**	**1,328.6**	**10,082.0**	**13,168.2**

Source: Ministry of Finance

The following table sets forth Jordan's external debt service projections for the periods indicated, as at 30 June 2017, based on Jordan's contracted amount of debt.

External Debt Service Projections Based on Contracted Amount as at 30 June 2017

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
							(JD millions)						
Principal	508.9	831.1	1,367.8	1,370.1	1,194.5	1,461.8	393.8	368.4	722.9	1,060.6	967.9	247.6	303.6
Interest	154.0	308.1	290.4	274.1	236.9	204.2	168.4	159.8	146.2	111.4	62.3	36.2	31.4
Total	**662.9**	**1,139.2**	**1,658.2**	**1,644.2**	**1,431.4**	**1,666.0**	**562.2**	**528.2**	**869.1**	**1,172.0**	**1,030.2**	**283.8**	**335.0**
Currency													
U.S. Dollars	344.4	484.4	1,059.6	1,222.8	1,126.6	1,333.2	248.5	232.5	576.6	896.7	848.7	116.1	108.5
SDRs	201.7	407.1	363.9	179.3	85.0	115.7	100.3	97.9	95.1	81.3	1.3	1.7	0.7
Kuwaiti Dinars	44.9	87.5	76.8	80.5	75.3	71.5	69.8	66.7	63.4	57.4	53.3	51.1	50.5
Euros	22.2	54.5	58.0	65.1	65.5	68.7	71.4	69.7	82.2	80.9	76.7	68.7	129.7
Japanese Yen	36.6	74.5	70.6	67.6	51.6	47.1	46.3	36.8	30.2	35.1	33.0	30.8	30.5
Saudi Riyals	5.9	12.2	12.6	13.8	15.0	18.8	18.6	18.3	16.8	16.6	14.9	13.7	13.5
U.A.E. Dirhams	2.9	5.7	5.5	5.3	3.9	3.7	2.5	1.4	0	0	0	0	0
Swiss Francs	2.1	7.4	5.2	4.0	2.7	1.5	1.6	1.7	1.5	1.0	.2	0	0
Others	2.2	5.9	6.0	5.8	5.8	5.8	3.2	3.2	3.3	3.0	2.1	1.7	1.6
Source													
Bilateral	76.2	163.8	162.1	174.9	513.0	153.0	151.2	138.4	127.3	130.7	124.0	115.0	107.6
Export Credit	8.9	21.1	14.3	11.9	11.9	1.5	1.7	0.8	0.7	0.5	0.2	0	0
Multilateral	323.3	636.6	1,283.2	1,280.9	710.6	1,285.3	203.4	197.3	545.1	870.6	810.1	78.3	75.4
Others	254.5	317.7	198.6	176.5	195.9	226.2	205.9	191.7	196.0	170.2	95.9	90.5	152.0
Interest													
Fixed	366.9	581.6	1,241.8	1,390.4	1,249.8	1,458.6	370.7	344.7	688.9	998.4	939.7	195.0	249.0
Floating	296.0	557.6	416.4	253.8	181.6	207.4	191.5	183.5	180.2	173.6	90.5	88.8	86.0

Source: Ministry of Finance

Government-Guaranteed Debt

The following table sets forth Jordan's outstanding Government-guaranteed external debt, by lender, as at the dates indicated.

Government Guaranteed Debt[(1)(2)]

	As at 31 December					As at 30 June
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	(JD millions)					
Arab countries	132.3	145.5	150.6	141.3	133.7	133.3
Foreign banks and companies	185.0	185.0	185.0	175.4	119.6	81.1
Multilateral institutions, of which:	287.0	363.4	385.7	362.0	420.3	414.9
International Bank for Reconstruction and Development	3.5	3.5	6.7	6.8	6.1	5.8
European Investment Bank	5.9	1.3	0.0	0.0	0.0	0.0
Islamic Development Bank	33.0	34.8	32.6	29.8	27.1	26.7
AFESD	244.5	323.7	346.3	325.4	311.2	306.5
Bonds[(3)]	72.1	61.8	51.5	41.2	30.9	25.7
Total Government-guaranteed debt	**676.3**	**755.7**	**772.7**	**719.8**	**704.6**	**655.0**

Source: Ministry of Finance

Notes:
(1) The key beneficiary of Government-guaranteed external debt is NEPCO.
(2) As at 31 July 2017, Government-guaranteed external debt was JD 652.9 million.
(3) Includes the U.S.$145 million amortising bond issued by the Development and Investment Projects Fund of the Jordanian Armed Forces, and guaranteed by the Government, in 2005. Payments of principal in respect of this bond are made on a semi-annual basis, with the last payment scheduled to take place in December 2019.

The Government may not provide guarantees except in exceptional cases related to projects of national importance and for Government entities, provided that the Council of Ministers, upon the recommendation of the Minister of Finance, approves the issuance of such guarantees.

International Institutions

IMF

Jordan joined the IMF on 29 August 1952 and has benefited from IMF arrangements on a number of occasions.

In 1990, Jordan's external debt as a percentage of GDP reached 189.4%. To reduce this ratio, as well as to restore stability and confidence in the Jordanian Dinar, the Government launched a series of measures, supported by an IMF stand-by arrangement and a trade and industry adjustment loan from the World Bank, which together with certain other facilities and loans were conditional upon Jordan implementing certain reform and stabilisation programmes.

As a result of relatively slow economic growth in the 1990s, Jordan again approached the IMF for assistance. In late 1998, Jordan received a loan commitment of approximately SDR 23.7 million from the IMF for structural adjustment support. In April 1999, Jordan finalised a second IMF agreement that included loans of SDR 55.4 million to support economic adjustment and structural reform. In July 2003, the IMF and Jordan signed a two-year, U.S.$113 million stand-by credit programme. In July 2004, Jordan graduated from its IMF structural adjustment programme, and it completed a "post monitoring programme" in 2007.

On 3 August 2012, the Government and the IMF agreed to the U.S.$2 billion SBA, which is now completed.

On 24 August 2016, the Executive Board of the IMF approved a three-year SDR 514.7 million (approximately U.S.$723 million) Extended Fund Facility for Jordan, of which SDR 51.5 million (approximately U.S.$72.3 million) was initially disbursed in August 2016. The EFF is intended to: (i) support the economic and financial reform efforts outlined in Jordan 2025; (ii) advance fiscal consolidation to lower public debt; and (iii) support broad structural reforms to enhance the conditions for more inclusive growth. On 21 June 2017, the Executive Board of the IMF completed its first review under the EFF. The completion of the first review enabled a further disbursement of SDR 51.5 million (approximately U.S.$71 million), bringing total disbursements under the EFF to SDR 102.9 million (approximately U.S.$141.9 million). The Executive Board also approved the Government's request for a waiver of non-observance of performance criteria under the EFF relating to the net international reserves of the CBJ and the rephasing of access. See "*Description of the Hashemite Kingdom of Jordan—International Relations—International Organisations—IMF*", "*The Economy—Government Programme, Recent Developments and Reforms—EFF Reform Measures*" and "*Risk Factors—Risks Relating to the Kingdom—Reliance on multilateral and bilateral creditors*".

World Bank

The World Bank has supported Jordan's economic adjustment and structural reform process since 1989 when it extended to Jordan a U.S.$150 million Industrial and Trade Policy Adjustment Loan.

Under the World Bank Country Partnership Strategy for 2012-2015, the World Bank approved a First Programmatic Development Policy Loan in January 2012 for an amount of U.S.$250 million, which was designed to strengthen transparency and accountability, budget and debt management, efficiency of public spending and services and private sector development. The Second Programmatic Development Policy Loan in an amount of U.S.$250 million was approved by the World Bank on 13 March 2014, to promote transparency, accountability and job creation in Jordan. In April 2015, the World Bank approved a U.S.$50 million assistance package to Jordan to support start-ups and enhance access to finance for underserved communities in Jordan.

In July 2013, the World Bank approved a U.S.$150 million loan to assist Jordan to mitigate the impact of the Syrian conflict, in particular to help Jordan maintain access to essential healthcare services and basic household needs, which has been adversely affected by the influx of Syrian refugees. In October 2013, a complementary Emergency Services and Social Resilience Grant of U.S.$54.3 million leveraged grants from the United Kingdom, Canada, Sweden and Switzerland. This project aims to help municipalities strengthen their service delivery capacity, supporting local economic development and fostering social cohesion in host communities. See "*Risk Factors—Risks Relating to the Kingdom—Syrian refugees*".

In September 2015, the World Bank approved a U.S.$250 million financial package to support Jordan's efforts to reform the energy and water sectors. The package aims to assist the gradual reform of electricity and water subsidies (electricity subsidies having been withdrawn with effect from January 2017), diversify fuel sources for environmentally friendly and sustainable power generation, improve efficiency in the energy and water sectors and optimise water use, in line with the initiatives identified in Jordan 2025. On 11 December 2016, the World Bank approved a U.S.$250 million financial package to improve the efficiency of the water and energy sectors in Jordan.

In October 2015, the World Bank, the United Nations and the IDB launched MENA Financing Initiative. See "*Description of the Hashemite Kingdom of Jordan—International Relations—Syria—Donor Conferences and Funding Initiatives*".

In May 2016, the World Bank approved a U.S.$2.5 million project to pilot delivery of justice sector services to low income Jordanians and refugees in host communities.

In July 2016, the World Bank approved its Country Partnership Strategy for Jordan for the period 2017-2022. The Country Partnership Strategy is intended to help renew Jordan's social contract and promote economic and social inclusion and focuses on supporting measures to foster conditions for stronger private-sector-led growth and better employment opportunities, as well as to improve the equity and quality of service delivery. A total of U.S.$1.4 billion of funding is available over the six years of the Country Partnership Strategy, with the first portion, U.S.$300 million in concessional rate loans, supported by the GCFF disbursed in October 2016. On 1 December 2016, the World Bank approved a second financial package of U.S.$250 million, consisting of a U.S.$25 million contribution from the GCFF, combined with a U.S.$225 million loan supported by the GCFF. The package is aimed improving the financial viability and efficiency of the water and energy sectors.

On 30 December 2016, the World Bank approved the provision of additional financing of U.S.$10.8 million under the Emergency Services and Social Resilience Project, which was approved on 11 October 2013, and the extension of the completion date of the project until 31 December 2017. The Emergency Services and Social Resilience Project is aimed at helping Jordanian municipalities and host communities address Syrian refugee inflows and supporting local economic development.

In June 2017, the World Bank and Islamic Development Bank announced the signing of a U.S.$150 million project to support the provision of emergency health services to uninsured Jordanians and Syrian refugees (the "**Emergency Health Project**"). The project is comprised of U.S.$50 million of World Bank financing (through U.S.$13.9 million of GCFF financing and U.S.$36.1 million in loans from the International Bank of Reconstruction and Development) and U.S.$100 million of Islamic Development Bank financing (through U.S.$21.0 million of GCFF financing and U.S.$79.0 million in loans from the Islamic Development Bank). The first U.S.$20 million of World Bank financing under this programme was disbursed in September 2017.

In August 2017, the World Bank signed a U.S.$50 million project to promote entrepreneurship in Jordan by providing early-stage financing to approximately 200 small- and medium-sized Jordanian enterprises.

As at 30 April 2017, the World Bank's portfolio in Jordan included 11 active projects valued at U.S.$759 million in loans and grants. The portfolio comprises investments in municipal services, education, energy, environment, public sector governance, public administration, social services, access to finance and the private sector.

Arab Monetary Fund

Jordan's partnership with the AMF has focused on financing structural reforms in the country. In September 2013, Jordan and the AMF signed two loan agreements in an aggregate amount of U.S.$120 million to support the country's economic and financial reforms. In July 2015, the AMF extended a loan of U.S.$58 million to Jordan to support the structural reform of Jordan's public finances. In January 2016, the AMF extended a U.S.$42 million loan to Jordan to support Jordan's economic and financial reforms, as well as to support payment of the balance of Jordan's AMF subscription of transferable paid currencies. In March 2017, the AMF extended a U.S.$56 million loan to Jordan to support Jordan's financial reform programme.

As at 30 June 2017, the total amount of outstanding loans extended by the AMF to Jordan was approximately U.S.$301.6 million.

European Union

Following Jordan's request for Macro-Financial Assistance ("**MFA**") in December 2012, on 29 April 2013, the European Commission proposed up to €180 million in medium-term MFA loans to Jordan. The Memorandum of Understanding listing the economic policy measures to be undertaken by the Jordanian authorities and the Loan Facility Agreement was signed on 18 March 2014. The first tranche of the loan (€100 million) was disbursed by the EU in February 2015 and the second tranche of the loan was disbursed in October 2015. The aim of these loans is to support "*economic reforms and create the conditions for sustainable growth and employment*" and help Jordan deal with humanitarian and security challenges linked to the Syrian crisis.

In August 2017, an agreement for a second package of MFA budget support loans to Jordan of up to €200 million was signed. The first tranche of €100 million is expected to be disbursed in October 2017 and the second tranche is expected to be disbursed in 2018.

Support to Jordan by the EU is governed by the Single Support Framework for EU support to Jordan 2014-2017, which envisages an indicative allocation of €567 million to €693 million over the period to be split across programmes for: (i) reinforcing the rule of law for enhanced accountability and equity in public service delivery (approximately 25% of funding); (ii) employment and private sector development (approximately 30% of funding); (iii) renewable energies and energy efficiency (approximately 30% of funding); and (iv) other measures (approximately 15% of funding).

In connection with the Jordan Compact, approximately U.S.$700 million of grants were pledged in support of the JRP for 2016 at the London conference on Supporting Syria and the Region held in London, including from EU member states. See "*The Hashemite Kingdom of Jordan—International Relations—Syria*".

European Investment Bank

Since 1978, the EIB has granted loans to Jordan in an aggregate amount of approximately €1 billion, mainly for industrial, energy, water, education and transport projects and to help develop the private sector. At the first meeting of the EU-Jordan Task Force in Amman on 22 February 2012, the EIB signalled a strong commitment to increase its lending activity in the country with estimated lending of up to €400 million over the coming years. In 2013, the EIB financed a tranche of U.S.$72 million tranche for the first large-scale on-shore wind farm independent power producer in Jordan. In November 2015, the EIB signed two loan agreements for an aggregate principal amount of U.S.$126 million to finance two water and energy sector projects in Jordan aimed at supporting sustainable economic and social development.

In May 2016, Jordan, the EIB and AFD signed a co-operation agreement to develop technical assistance and advice for phase one of the Red Sea-Dead Sea Project. See "*The Economy—Water*".

European Bank for Reconstruction Development

In 2012, Jordan became a member of the EBRD. The same year, the EBRD agreed to establish a special fund of U.S.$1.25 billion for investment in Egypt, Jordan, Morocco and Tunisia. In 2014, the EBRD provided a U.S.$20 million trade finance line in Jordan for on-lending to micro, small and medium-sized enterprises. In April 2015, the EBRD provided a U.S.$10 million trade facility to Capital Bank Jordan under the EBRD's Trade Facilitation Programme to boost export and import activities in Jordan. In May 2017, the EBRD provided a U.S.$10 million credit line to Jordan Ahli Bank for on-lending to micro, small- and medium-sized enterprises.

As at 15 May 2017, the EBRD had invested almost U.S.$1 billion in 35 projects in various sectors of the Jordanian economy.

Gulf Cooperation Council

In October 2011, the GCC created the U.S.$5 billion Gulf Fund to fund economic and social development projects in Jordan to be granted over five years. The Gulf Fund has not been renewed, and there can be no assurance that the Gulf Fund will be renewed.

See "*Description of the Hashemite Kingdom of Jordan—International Relations—GCC*".

Islamic Development Bank-International Islamic Trade Finance Corporation

In September 2015, the International Islamic Trade Finance Corporation ("**ITFC**"), a member of the Islamic Development Bank, signed a U.S.$3 billion framework agreement with the Government to support the Kingdom's energy and food sectors. Money received under the framework agreement is expected to be used for the import of strategic commodities, including crude oil, oil derivatives and LNG, and foodstuffs, including wheat, barley, sugar and rice. Funds will be drawn-down by the Government, as needed.

Since the creation of the ITFC in 2008, the ITFC has approved trade financing operations in Jordan valued at U.S.$596.5 million, including financing for local banks, the private sector and Government imports. As at 31 July 2016, total trade financing in Jordan provided by the Islamic Development Bank (including the ITFC, but excluding the U.S.$3 billion framework agreement) was U.S.$200 million.

In October 2015, the World Bank, the United Nations and the IDB launched the MENA Financing Initiative. See "*Description of the Hashemite Kingdom of Jordan—Syria—Donor Conferences and Funding Initiatives*".

In June 2017, the World Bank and Islamic Development Bank signed the Emergency Health Project. See "*—World Bank*". The first tranche of Islamic Development Bank financing for the Emergency Health Project is expected to be disbursed in December 2017.

Debt Record

Other than as described below, Jordan has not, within a period of 20 years prior to the date of this Prospectus, defaulted on the principal or interest of any external security.

Debt Restructuring

Debt restructuring programmes have included the restructuring of debt owed to Paris Club members through six restructuring agreements, between 1989 and 2002, totalling approximately U.S.$5.0 billion in principal and interest, including an agreement in 2002 to reschedule approximately U.S.$1.3 billion for the period ending in July 2007, the first time that Paris Club members agreed to reschedule a country's debt for a period exceeding the duration of an IMF adjustment programme.

In addition, Jordan entered into a number of agreements with non-Paris Club members, on similar terms to those with Paris Club creditors, totalling U.S.$376 million, including an agreement with the Kuwait Fund for Arab Economic Development in 2001 to restructure debt of U.S.$210 million.

At the end of March 2008, Jordan completed a buy-back of U.S.$2.4 billion worth of debt owed to Paris Club countries at a discount of 11%. As well as reducing the ratio of external debt balance to GDP by 13 percentage points, this buy-back contributed to reducing the external debt service by approximately U.S.$240 million annually for the period 2008-2014.

An agreement was reached in 1993 with London Club creditors to restructure U.S.$862 million in overdue principal and interest payments through the Brady Plan, as a result of which U.S.$85 million in commercial bank debt was forgiven. In late 2003, Jordan's outstanding Brady bonds were amortised early. As at the date of this Prospectus, Jordan has no outstanding London Club debt.

Jordan has also entered into a number of bilateral restructuring agreements with its creditors. For example, Jordan agreed to buy back the U.S.$800 million debt that it owed to Russia for U.S.$140 million in October 1992. Jordan has also entered into a number of debt swaps since 1989, such as the debt for equity swaps signed with the United Kingdom in 2000 and 2006 to swap U.S.$165 million of its debt at a 38% discount to the face value, for a commitment to establish new investments or buy shares in existing companies.

In May 2011, the Government entered into a debt swap agreement with the Italian government in respect of an amount of €16 million for development projects. Pursuant to this agreement, the Government is permitted to use up to 50% of the amount of debt to finance projects. The remaining 50% was allocated to finance additional development projects.

In September 2011, Jordan entered into a debt swap agreement with Germany for an amount of €27 million, representing a 50% discount rate from the face value. The proceeds were allocated to finance development projects in the fields of education and higher education.

Cancellation

In 1994, in recognition of Jordan signing a peace treaty with Israel, the United States forgave U.S.$700 million worth of debt owed to the United States (approximately 10% of Jordan's then-outstanding debt). In 1994, the government of the United Kingdom also signed an agreement with Jordan to forgive the outstanding balance of its bilateral loans, amounting to U.S.$71 million.

The legislation of some countries does not allow them to forgive loans, such as Japan, Jordan's largest single external creditor. In such circumstances, the Government has negotiated and obtained grants and financial assistance to partially offset certain obligations. In particular, grants from other nations contributed to alleviating some of Jordan's external debt burden after the signing of the Israel-Jordan Peace Treaty in 1994.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form in which they will be endorsed on each Note in definitive form (if issued). The terms and conditions applicable to any Note in global form will differ from those terms and conditions that would apply to the Note were it in definitive form to the extent described under "The Global Certificates".

The U.S.$1,000,000,000 7.375% Notes due 2047 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of The Hashemite Kingdom of Jordan (the "**Issuer**") are constituted by a deed of covenant dated 10 October 2017 (as may be amended or supplemented from time-to-time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of an agency agreement dated 10 October 2017 (as may be amended or supplemented from time-to-time, the "**Agency Agreement**") between the Issuer, Citigroup Global Markets Deutschland AG, as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time-to-time in connection with the Notes), Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time-to-time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time-to-time in connection with the Notes) and any paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time-to-time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents, and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination and Status

(a) *Form and denomination*: The Notes are in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status*: The Notes are the direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured Public External Indebtedness of the Issuer, from time-to-time outstanding, provided, further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public External Indebtedness and, in particular, shall have no obligation to pay other Public External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.

2. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. Under the terms of the Agency Agreement, the Registrar will provide to the Issuer or, at the Issuer's request to the Central Bank of Jordan, an updated copy of the Register prior to the opening of the business day immediately following the business day on which any changes to the Register are made (the "**CBJ Register**"). In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Negative Pledge

(a) So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues to secure any Public External Indebtedness of the Issuer or any other Person or any guarantee or indemnity thereof unless (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

In these Conditions:

"**Indebtedness**" means any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

"**Permitted Security Interest**" means:

(a) any Security Interest arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; or

(b) any Security Interest securing or providing for the payment of Public External Indebtedness incurred in connection with any Project Financing provided that such Security Interest applies to (A) properties which are the subject of such Project Financing or (B) revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss of, or failure to complete, or damage to, such properties; or

(c) the renewal or extension of any Security Interest described in subparagraphs (a) to (b) above, provided that the principal amount of the Public External Indebtedness secured thereby is not increased; or

(d) any Security Interest granted over the underlying assets forming part of any *shari'ah* compliant offering of certificates or other instruments provided that such Security Interest is limited in recourse only to such assets;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, trust or other juridical entity including, without limitation, any state entity or agency of a state or other entity, whether or not having separate legal personality;

"**Project Financing**" means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development or exploitation of any property pursuant to which the persons providing such funds agree that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project;

"**Public External Indebtedness**" means any Indebtedness, which is (A) in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside of The Hashemite Kingdom of Jordan and (B) is denominated or payable, or at the option of the creditor or holder thereof payable, in a currency other than the lawful currency of The Hashemite Kingdom of Jordan; and

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

4. Interest

The Notes bear interest from and including 10 October 2017 at the rate of 7.375% *per annum*, payable semi-annually in arrear on 10 April and 10 October in each year (each, an "**Interest Payment Date**"), commencing on 10 April 2018, subject as provided in Condition 6 (*Payments*). The amount of interest payable on each Interest Payment Date in respect of a full Interest Period (as defined below) will be U.S.$7,375 in respect of each U.S.$200,000 in principal amount of the Notes.

Each Note will cease to bear interest from the due date for redemption unless, upon due surrender, payment of principal is improperly withheld or refused. In such event each such Note shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that day (except to the extent that there is failure in the subsequent payment to the relevant Noteholders under these Conditions). If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

The period beginning on 10 October 2017 and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is called an "**Interest Period**".

5. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 10 October 2047, subject as provided in Condition 6 (*Payments*).

(b) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraph (a) above.

(c) *Purchase*: The Issuer may at any time purchase Notes in the open market or otherwise and at any price.

(d) *Cancellation*: All Notes so redeemed or purchased by the Issuer shall be cancelled and may not be reissued or resold.

6. Payments

(a) *Principal*: Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "business day" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and London, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If an Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Hashemite Kingdom of Jordan or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with The Hashemite Kingdom of Jordan other than the mere holding of the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in New York City by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

8. Events of Default

If any of the following events (each an "**Event of Default**") occurs and is continuing:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Covenant and such default remains unremedied for 45 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(c) *Cross-default of Issuer*:

(i) any Public External Indebtedness of the Issuer is not paid when due or (as the case maybe) within any originally applicable grace period; or

(ii) any Public External Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity (as extended by any originally applicable grace period) otherwise than at the option of the Issuer (provided that no event of default, howsoever described, has occurred); or

(iii) the Issuer fails to pay when due any amount payable by it under any guarantee or indemnity of any Public External Indebtedness;

provided that the aggregate amount of Public External Indebtedness in respect of which one or more of the events mentioned in this paragraph (c) exceeds U.S.$20,000,000 (or its equivalent in any other currency or currencies); or

(d) *Moratorium*: a moratorium on the payment of principal of, or interest on, the Public External Indebtedness of the Issuer is declared by the Issuer; or

(e) *Repudiation*: the validity of the Notes is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

(f) *Performance prevented*: it shall become unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or any such obligations shall be or become unenforceable or invalid, in each case as a result of any law or regulation in The Hashemite Kingdom of Jordan or any ruling of any court in The Hashemite Kingdom of Jordan whose decision is final and unappealable; or

(g) *IMF*: The Hashemite Kingdom of Jordan ceases to be a member of the International Monetary Fund ("**IMF**") (or any successor thereto performing substantially the same function as the IMF) or to be eligible to use the general resources of the IMF,

then the holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer.

If the Issuer receives notice in writing from Holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such Holders wish the relevant declaration to be withdrawn, the Issuer shall, give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain a fiscal agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Written Resolutions

(a) *Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions:*

(i) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Agency Agreement. The Issuer will determine the time and place of the meeting. The Issuer will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(ii) The Issuer or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10% in principal amount of the outstanding Notes (as defined in the Agency Agreement documentation and described in paragraph (i) (*Notes controlled by the Issuer*)) have delivered a written request to the Issuer or the Fiscal Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(iii) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(iv) The notice convening any meeting will specify, inter alia;

(A) the date, time and location of the meeting;

(B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(F) whether paragraph (b) (*Modification of this Series of Notes only*), or paragraph (c) (*Multiple Series Aggregation – Single limb voting*), or paragraph (d) (*Multiple Series Aggregation – Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;

(G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(H) such information that is required to be provided by the Issuer in accordance with paragraph (f) (*Information*);

(I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in paragraph (g) (*Claims Valuation*); and

(J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(v) In addition, the Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to paragraph (a)(iv) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) shall also be provided, mutatis mutandis, in respect of Written Resolutions.

(vi) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(vii) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(viii) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(ix) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities (which for these purposes includes any sukuk representing the credit of The Hashemite Kingdom of Jordan or any other similar instruments) issued directly or indirectly by or with recourse to the Issuer in one or more series with an original stated maturity of more than one year.

(x) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 12 (*Meetings of Noteholders; Written Resolutions*) and Condition 13 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(b) *Modification of this Series of Notes only:*

(i) Any modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(ii) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to paragraph (a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) by a majority of:

(A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Notes.

(iii) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter more than 50% of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(iv) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) *Multiple Series Aggregation – Single limb voting:*

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(ii) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to paragraph (a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(iii) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

(v) The "**Uniformly Applicable**" condition will be satisfied if:

(A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(vi) It is understood that a proposal under paragraph (c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(vii) Any modification or action proposed under paragraph (c)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this paragraph (c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) *Multiple Series Aggregation – Two limb voting*:

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(ii) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to paragraph (a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:

(A) at least 66⅔% of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(iii) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(A) at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.

(v) Any modification or action proposed under paragraph (d)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this paragraph (d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) *Reserved Matters:* In these Conditions, "**Reserved Matter**" means any proposal:

(i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(iv) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(v) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(vi) to change the definition of "Uniformly Applicable";

(vii) to change the definition of "outstanding" or to modify the provisions of paragraph (i) (*Notes controlled by the Issuer*);

(viii) to change the legal ranking of the Notes;

(ix) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 8 (*Events of Default*);

(x) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 17 (*Governing Law and Jurisdiction*);

(xi) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(xii) to modify the provisions of this paragraph (e);

(xiii) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security;

(xiv) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

(A) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

(B) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(f) *Information:* Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to paragraph (b) (Modification of this Series of Notes only), paragraph (c) (Multiple Series Aggregation – Single limb voting) or paragraph (d) (*Multiple Series Aggregation –Two limb voting*), the Issuer shall publish in accordance with Condition 13 (*Aggregation Agent; Aggregation Procedures*), and provide the Fiscal Agent with the following information:

(i) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(ii) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(iii) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in paragraph (a)(iv)(G) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*).

(g) *Claims Valuation:* For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with paragraph (c) (*Multiple Series Aggregation – Single limb voting*) and paragraph (d) (*Multiple Series Aggregation – Two limb voting*), the Issuer may appoint a calculation agent (the "**Calculation Agent**"). The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the par value of the Notes and such affected series of debt securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(h) *Manifest error, etc.:* The Notes, these Conditions and the provisions of the Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

(i) *Notes controlled by the Issuer:* For the purposes of (i) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (ii) this Condition 12 (*Meetings of Noteholders; Written Resolutions*) and Schedule 6 (*Provisions for Meetings of Noteholders*) of the Agency Agreement and (iii) Condition 8 (*Events of Default*), any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

(i) "**public sector instrumentality**" means the Central Bank of Jordan, any department, ministry or agency of the government of The Hashemite Kingdom of Jordan or any corporation, trust, financial institution or other entity owned or controlled by the government of The Hashemite Kingdom of Jordan or any of the foregoing; and

(ii) "**contro**l" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to paragraph (d) (*Certificate*) of Condition 13 (*Aggregation Agent; Aggregation Procedures*), which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) *Publication:* The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with paragraph (g) (*Manner of publication*) of Condition 13 (*Aggregation Agent; Aggregation Procedures*).

(k) *Exchange and Conversion:* Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

13. Aggregation Agent; Aggregation Procedures

(a) *Appointment:* The Issuer will appoint an aggregation agent (the "**Aggregation Agent**") to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or applicable bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(b) *Extraordinary Resolutions:* If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) *Written Resolutions:* If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) *Certificate:* For the purposes of paragraph (b) (*Extraordinary Resolutions*) and paragraph (c) (*Written Resolutions*), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in paragraph (b) (*Modification of this Series of Notes only*), paragraph (c) (*Multiple Series Aggregation – Single limb voting*) or paragraph (d) (*Multiple Series Aggregation – Two limb voting*) of Condition 12 (*Meetings of Noteholders; Written Resolutions*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

(i) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(ii) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of paragraph (i) (*Notes controlled by the Issuer*) of Condition 12 (*Meetings of Noteholders; Written Resolutions*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) *Notification:* The Aggregation Agent will cause each determination made by it for the purposes of this Condition 13 (*Aggregation Agent; Aggregation Procedures*) to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

(f) *Binding nature of determinations; no liability:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 13 (*Aggregation Agent; Aggregation Procedures*) by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) *Manner of publication:* The Issuer will publish all notices and other matters required to be published pursuant to the Agency Agreement including any matters required to be published pursuant to Condition 12 (*Meetings of Noteholders; Written Resolutions*), this Condition 13 (*Aggregation Agent; Aggregation Procedures*), and Condition 8 (*Events of Default*):

 (i) through Euroclear Bank SA/NV, Clearstream Banking SA, DTC and/or any other clearing system in which the Notes are held;

 (ii) in such other places and in such other manner as may be required by applicable law or regulation; and

 (iii) in such other places and in such other manner as may be customary.

14. Further Issues

The Issuer may from time-to-time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes; provided that if such further notes are not fungible with the Notes for U.S. federal income tax purposes, such further notes will be assigned a CUSIP, ISIN and Common Code different from those assigned to the Notes.

15. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

In addition, for so long as the Notes are listed on the Official List of and/or admitted to trading on the Regulated Market of the Irish Stock Exchange, notices to the Noteholders shall be valid if made by means of electronic publication on the internet website of the Irish Stock Exchange or, if not so listed or admitted to trading, in accordance with the rules of any other stock exchange on which the Notes are for the time being listed or admitted to trading. Any such notice shall be deemed to have been given on the date of first publication.

16. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17. Governing Law and Jurisdiction

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) *Jurisdiction*: The Issuer agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings which may arise out of or in connection with the Notes ("**Proceedings**") and to settle any dispute or difference of whatever nature howsoever arising under, out of or in connection with the Notes (including dispute or difference as to the breach, existence or validity of the Notes) ("**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

(c) *Appropriate forum*: The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being chosen as the forum to hear and determine any and to settle any Disputes, and agrees not to claim that the courts of England are not a convenient or appropriate forum, whether on the grounds of venue, residence, domicile, convenience or otherwise.

(d) *Service of process*: The Issuer irrevocably appoints the Ambassador of The Hashemite Kingdom of Jordan in to the Court of St. James's, currently residing at the Embassy of The Hashemite Kingdom of Jordan at 6 Upper Phillimore Gardens, London, W8 7HA, England or, in his absence, his designate as its authorised agent for service of process in England.

(e) *Non-exclusivity*: The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(f) *Consent to enforcement etc.*: Subject to Condition 17 (g) (*Governing Law and Jurisdiction – Waiver of immunity*) and for the purposes of the State Immunities Act 1978, the Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings. The Issuer also hereby irrevocably submits to the jurisdiction of the courts in any jurisdiction other than England in which any judgment of any English court may be enforced.

(g) *Waiver of immunity*: To the extent that the Issuer may be entitled in any jurisdiction to claim for itself or its assets or revenues immunity from jurisdiction, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its property (including bank accounts), assets or revenues, the Issuer irrevocably and unconditionally agrees not to claim, and irrevocably and unconditionally waives such immunity, and irrevocably and unconditionally consents to the giving of any relief, including post-judgment enforcement sought against the Issuer, or the issue of any process to the fullest extent permitted by the laws of such jurisdiction, provided however, that immunity is not waived in respect of (i) present or future "premises of the mission" as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or "consular premises" as such term is defined in the Vienna Convention on Consular Relations signed in 1963 or (ii) military property or military assets of the Issuer related thereto or (iii) property and assets located in The Hashemite Kingdom of Jordan and dedicated to a public or governmental use (as distinct from property in use or intended for use for commercial purposes) by The Hashemite Kingdom of Jordan.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Registrar, Transfer Agent and the Paying Agents as set out at the end of this Prospectus.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificates, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning below.

Form of the Notes

The Regulation S Notes will be represented on issue by the Unrestricted Global Certificate, which will be deposited with, and registered in the name of a nominee for a common depositary for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Unrestricted Global Certificate may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. By acquisition of a beneficial interest in the Unrestricted Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it acquired such beneficial interest in accordance with Regulation S and that it will only offer, sell, pledge or otherwise transfer such beneficial interest in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Subscription and Sale*" and "*Transfer Restrictions*".

The Rule 144A Notes will be represented on issue by the Restricted Global Certificate, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. Beneficial interests in the Restricted Global Certificate may only be held through DTC or its participants at any time. Beneficial interests in the Restricted Global Certificate may only be held by persons who are QIBs, holding their interests for their own account or for the account of one or more QIBs. By acquisition of a beneficial interest in the Restricted Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Certificate and the Agency Agreement. See "*Subscription and Sale*".

Beneficial interests in Global Certificates will be subject to certain restrictions on transfer set out therein and under "*Transfer Restrictions*", in the Agency Agreement and, in the case of the Rule 144A Notes, as set forth in Rule 144A, and such Global Certificates will bear a legend as set out under "*Transfer Restrictions*".

No beneficial interest in the Unrestricted Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in a Restricted Global Certificate unless (i) the transfer is to a person that is a QIB, (ii) such transfer is made in reliance on Rule 144A, and (iii) the transferor provides the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transferor reasonably believes that the transferee is a QIB, that the transfer is being made in a transaction meeting the requirements of Rule 144A and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. No beneficial interest in the Restricted Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in an Unrestricted Global Certificate unless the transfer is in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transfer is being made in accordance with Regulation S.

Any beneficial interest in the Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate will, upon transfer, cease to be an interest in the Unrestricted Global Certificate and become an interest in the Restricted Global Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Restricted Global Certificate for as long as it remains such an interest. Any beneficial interest in the Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate will, upon transfer, cease to be an interest in the Restricted Global Certificate and become an interest in the Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Unrestricted Global Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in the Global Certificates will not be entitled to receive physical delivery of Notes. No Notes will be issued in bearer form.

Accountholders

For so long as any of the Notes are represented by the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the Register and by the annotation of the appropriate schedule to the relevant Global Certificate.

Payments

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holders of the Global Certificates for such purpose. Distributions of amounts with respect to book-entry interests in the Regulation S Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Rule 144A Notes holding through DTC will receive, to the extent received by the Paying Agent, all distribution of amounts with respect to book-entry interests in such Notes from the Paying Agent through DTC.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate and shall be *prima facie* evidence that payment has been made.

Notices

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 15 (*Notices*). Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

Meetings

The holder of a Global Certificate will be deemed to be two persons for the purposes of any quorum requirements of a meeting of Noteholders so long as the Global Certificate represents at least the Relevant Fraction of the aggregate principal amount of the outstanding Notes (as defined in the Agency Agreement).

Registration of Title

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee after the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for any payment of principal, or interest in respect of the Notes, where "Clearing System Business Day" means a day on which each clearing system for which the Global Certificate is being held is open for business.

Exchange for Individual Note Certificates

Exchange

The Restricted Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for individual certificates issued in respect of Rule 144A Notes (the "**Restricted Individual Note Certificates**") and the Unrestricted Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for individual certificates issued in respect of Regulation S Notes (the "**Unrestricted Individual Note Certificates**" and, together with the Restricted Individual Note Certificates, the "**Individual Note Certificates**") upon the occurrence of an Exchange Event.

For these purposes an "**Exchange Event**" means that:

(i) circumstances described in Condition 8 (*Events of Default*) have occurred;

(ii) in the case of the Unrestricted Global Certificate only, if (a) Euroclear and/or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) the Issuer, at its option, elects to terminate the book entry system through Euroclear or Clearstream, Luxembourg; or

(iii) in the case of a Restricted Global Certificate only, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Global Certificate or DTC ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or is at any time no longer eligible to act as such and no qualified successor clearing system has been identified within 90 days of receipt of such notice from DTC.

In exchange for the relevant Global Certificate, as provided in the Agency Agreement, the Registrar will deliver or procure the delivery of an equal aggregate principal amount of duly executed Individual Note Certificates in, or substantially in, the form set out in the Agency Agreement.

Delivery

In such circumstances, the relevant Global Certificate shall be exchanged in full for Individual Note Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Note Certificates to be executed and delivered to the Registrar for completion and dispatch to the relevant Noteholders. A person having an interest in a Global Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Note Certificates and (b) in the case of the Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB. Restricted Individual Note Certificates issued in exchange for a beneficial interest in the Restricted Global Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends and transfers

The holder of an Individual Note Certificate may transfer the Notes represented thereby in whole or in part in the applicable denomination by surrendering it at the specified office of any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of an Individual Note Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on an Individual Note Certificate, the Issuer will deliver only Individual Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act. Restricted Individual Note Certificates will bear the same legend as the legend for the Restricted Global Certificates set out under "*Transfer Restriction*s". The Restricted Individual Note Certificates may not at any time be held by or on behalf of U.S. persons that are not QIBs. Before any Unrestricted Individual Note Certificate may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Restricted Individual Note Certificate, the transferor and/or transferee, as applicable, will be required to provide the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transferor reasonably believes that the transfer is (i) to a person that is a QIB and (ii) such transfer is made in reliance on Rule 144A. Unrestricted Individual

Note Certificates will bear the same legend as the legend for the Unrestricted Global Certificates set out under "*Transfer Restrictions*". Before any Restricted Individual Note Certificates may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of an Unrestricted Individual Note Certificate, the transferor and/or transferee, as applicable, will be required to provide the relevant Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transfer is being made in accordance with Regulation S.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere.

Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Kingdom of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Jordanian Taxation

The following discussion summarises certain Jordanian tax considerations that may be relevant to you, as a holder of Notes. This summary does not describe all of the tax considerations that may be relevant to you, particularly if you are subject to special tax rules. You should consult your own tax adviser about the tax consequences of holding the Notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

By virtue of Decree № 4245 of the Council of Ministers dated 27 August 2017, payments of principal and interest on the Notes by the Kingdom, as well as capital gains realised from the sale of the Notes by the Noteholders, are exempt from any tax, including withholding taxes and sales tax.

Inheritance Taxes

Under Article 4 (A) (11) of the Income Tax Law No. (34) for the Year 2014 (the "**Income Tax Law**"), income generated from the distribution of inheritance in Jordan is exempt from tax. As such, no Jordanian inheritance or similar tax will be payable by the holder of any Note.

Stamp Duties

Pursuant to Article 116 of the Jordanian Securities Law № 18 for the year 2017 (the "**Securities Law**"), no stamp duties will be payable in connection with the registration and trading in securities (including the Notes).

Certain United States Federal Income Tax Consequences

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) acquiring, holding and disposing of Notes. This summary applies only to holders that purchase Notes in the initial offering at their issue price (*i.e.*, the first price at which a substantial amount of Notes is sold to investors other than bond houses, brokers or similar persons or organizations acting in the capacity as underwriters, placement agents or wholesalers) and that hold the Notes as capital assets for U.S. federal income tax purposes. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to members of a class of holders subject to special treatment under U.S. federal income tax laws, such as a dealer in securities or currencies; a trader in securities that elects to use a mark-to-market method of accounting in respect of securities holdings; a bank or financial institution; an insurance company; a tax-exempt organization; a person that owns Notes that are a hedge or that are hedged against interest rate risks; a person that owns Notes as part of a straddle or conversion transaction for tax purposes; a U.S. Holder whose functional currency for tax purposes is not the United States dollar; a "dual resident" corporation; a United States expatriate or former long-term resident of the United States; or a person liable for alternative minimum tax. In addition, this summary does not address the 3.8% Medicare tax on net investment income, any non-income tax considerations, or any U.S. state or local or non-U.S. tax consequences.

This summary is based on the U.S. Internal Revenue Code of 1986 (the "**Code**"), its legislative history, final and temporary U.S. Treasury regulations promulgated thereunder, and administrative and judicial interpretations, published rulings and court decisions, each as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect. No assurances can be given that any change in these laws or authorities will not affect the accuracy of the discussion set forth in this summary.

For purposes of this summary, a U.S. Holder is a beneficial owner of the Notes that for U.S. federal income tax purposes is (i) an individual who is a citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust that (1) validly elects to be treated as a U.S. Person (as defined below) for U.S. federal income tax purposes or (2)(a) is subject to the primary supervision of a court within the United States and (b) one or more "United States persons" as defined in the Code (each a "**U.S. Person**") have the authority to control all substantial decisions of the trust.

If a partnership (or any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor concerning the U.S. federal income tax consequences of the acquisition, ownership or disposition of Notes by the partnership.

U.S. Holders are encouraged to consult their own tax advisors concerning the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of Notes in their particular circumstances.

Payments of Interest

Each U.S. Holder of Notes, generally, will be required to recognise as ordinary income any interest (including any additional amounts with respect thereto as described under "*Terms and Conditions of the Notes—7. Taxation*") paid or accrued on the Notes in accordance with such holder's regular method of accounting. The Issuer believes, and the remainder of this summary assumes, that the Notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes will constitute income from sources outside the United States for U.S. federal income tax purposes and will be classified as "passive category income" or "general category income," for purposes of computing the foreign tax credit that may be available to U.S. Holders under U.S. federal income tax laws.

Sale, exchange or other taxable disposition of Notes

A U.S. Holder will generally recognise gain or loss on the sale, exchange, retirement at maturity or other taxable disposition of a Note equal to the difference between the amount realised on the sale or other disposition and the adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note will generally be the amount paid for the Note. The amount realised will not include any amount attributable to accrued but unpaid stated interest, which will be taxed as described above in "*—Payments of Interest*". Gain or loss recognised on the sale, exchange or other taxable disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year at the time of the taxable disposition. The deductibility of capital losses is subject to limitations.

Backup withholding and information reporting

In general, payments of principal, interest on, and the proceeds of a sale, exchange or other disposition of, the Notes paid to a U.S. Holder by a U.S. paying agent or other U.S. related intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status, or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders (including, among others, corporations) are generally not subject to backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding imposed on a payment generally will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

Certain U.S. Persons that own "specified foreign financial assets," including securities issued by any foreign person, either directly or indirectly or through certain foreign financial institutions, if the aggregate value of all of those assets exceeds U.S.$50,000 on the last day of the taxable year or U.S.$75,000 at any time during the taxable year may be required to report information relating to non-U.S. accounts through which the U.S. Holders hold their securities (or information regarding the securities if the securities are not held through any financial institution). The Notes may be treated as specified foreign financial assets, and investors may be subject to this information reporting regime. Significant penalties and an extended statute of limitations may apply to an investor subject to the new reporting requirement that fails to file information reports. Each prospective investor that is a U.S. Person should consult its own tax advisor regarding this information reporting obligation.

CLEARING AND SETTLEMENT ARRANGEMENTS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor the Managers takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-US securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-US securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book entry settlement system (the "**DTC Notes**"), as described below and receives and transmits distributions of principal and interest on DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (a "**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time-to-time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, relevant agents or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Certificate, will be legended as set forth under "*Subscription and Sale*" and "*Transfer Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered DTC Notes to the relevant agent's DTC account. DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC. The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Registration and Form

Book entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be represented by an Unrestricted Global Certificate registered in the name of a nominee of, and held by, a common depositary for Euroclear and Clearstream, Luxembourg. Book entry interests in the Notes held through DTC will be represented by a Restricted Global Certificate registered in the name of Cede & Co., as nominee for DTC, and held by a custodian for DTC. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of Euroclear, Clearstream, Luxembourg and DTC to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg and DTC, respectively. Beneficial ownership of book entry interests in the Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

The aggregate holdings of book entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book entry accounts of each such institution. Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book entry interests in the Notes will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book entry interests in the Notes. The relevant Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg, a nominee for DTC and/or, if individual Certificates are issued in the limited circumstances described under "*The Global Certificates–Registration of Title*", holders of Notes represented by those individual Certificates. The Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of book entry interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be, and the Paying Agent will also be responsible for ensuring that payments received by the Paying Agent from the Issuer for holders of book entry interests in the Notes holding through DTC are credited to DTC.

The Issuer will not impose any fees in respect of holding the Notes; however, holders of book entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC.

Clearing and Settlement Procedures

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the Restricted Global Certificate and the Unrestricted Global Certificate. Interests in the Notes will be in uncertified book entry form. Purchasers electing to hold book entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Closing Date against payment (value the Closing Date). DTC participants acting on behalf of purchasers electing to hold book entry interests in the Notes through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book entry interests in the Notes following confirmation of receipt of payment to the Issuer on the Closing Date.

Secondary Market Trading

Secondary market trades in the Notes will be settled by transfer of title to book entry interests in the Clearing Systems. Title to such book entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, in accordance with their respective procedures. Book entry interests in the Notes may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg. Book entry interests in the Notes may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book entry interests in the Notes between Euroclear or Clearstream, Luxembourg and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream, Luxembourg and DTC.

Transfers Within and Among Book Entry Systems

Transfers between DTC's direct participants will occur in accordance with DTC's rules. Transfers between Clearstream, Luxembourg customers and Euroclear participants will occur in accordance with their applicable rules and operating procedures.

DTC will effect cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg participants, on the other hand, in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg by its depositary. However, cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg by the counterparty in that system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg will, if the transaction meets its settlement requirements, instruct its depositary to effect final settlement on its behalf by delivering or receiving securities in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries. Because of time-zone differences, credits of securities received in Euroclear or Clearstream, Luxembourg resulting from a transaction with a DTC direct participant will be made during the subsequent securities settlement processing, dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream, Luxembourg participant on that business day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of securities by or through a Clearstream, Luxembourg or a Euroclear participant to a DTC direct participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC.

Issuance of Individual Note Certificates; Other Exchanges and Transfers

If an Event of Default occurs with respect to a Note, any person that is a holder of a beneficial interest in such Note may, upon request, exchange its interest for an Individual Note Certificate. Upon receipt by the Fiscal Agent of written or electronic instructions from DTC or its nominee on behalf of any holder of a beneficial interest in a Note and upon receipt by the Fiscal Agent of a written order of such person containing registration information for the requesting holder and upon payment by the requesting holder of the Fiscal Agent's applicable charges, the Fiscal Agent will cause, in accordance with the standing instructions and procedures existing between DTC and the Fiscal Agent, the aggregate principal amount of the applicable Global Certificate to be reduced and, following such reduction, the Fiscal Agent will authenticate and issue on behalf of the Issuer and deliver to such person, one or more Individual Note Certificates.

Upon issuance as described above: (i) Individual Note Certificates may be exchanged, upon presentation and surrender at the offices of the Fiscal Agent, for Individual Note Certificates in other authorised denominations and in the same aggregate principal amount; and (ii) any Individual Note Certificate may be transferred by the registered holder thereof, or by its attorney-in-fact duly authorised in writing, at the office of the Fiscal Agent specified above upon presentation and surrender of such Individual Note Certificate for cancellation, and upon any such transfer a new Individual Note Certificate or Individual Note Certificates, of like series in other authorised denominations and in the same aggregate principal amount will be issued to the transferee. In addition, upon notice to the Fiscal Agent, Individual Note Certificates will be eligible to be held as Global Certificates through DTC, and the Fiscal Agent will arrange for any Individual Note Certificates, which is the subject of such an exchange to be represented by a related Global Certificates.

The Fiscal Agent is required to make all payments of interest due to the registered holders of Individual Note Certificates as of the applicable record date by check mailed by the Fiscal Agent to such registered holders. The principal of the Guaranteed Notes is payable to holders of Individual Note Certificates at the office of the Fiscal Agent, upon presentation and surrender of such Individual Note Certificates.

General

None of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Issuer or any of their agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited and J.P. Morgan Securities plc. (the "**Managers**") have, in a subscription agreement dated 4 October 2017 (the "**Subscription Agreement**") and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, severally and not jointly agreed to subscribe for the Notes at their issue price of 98.516% of their principal amount, less a combined management, underwriting and selling commission. The Issuer has also agreed to reimburse J.P. Morgan Securities plc (on behalf of the Managers) for certain of its expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

No registration under the Securities Act

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered only: (a) outside the United States in offshore transactions in reliance on Regulation S and (b) in the United States only to QIBs in connection with resales by the Managers, in reliance on, and in compliance with, Rule 144A.

United Kingdom

Each Manager has further represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Kingdom

By virtue of the Jordan Securities Commission ("**JSC**") letter № 17/02094/1/2 dated 20 September 2017, the Managers were deemed licensed for the purposes of the Securities Law and the JSC resolved to pre-register the Notes in accordance with Article 42(d) of the Securities Law. The JSC also permitted the trading of the Notes outside the Kingdom and confirmed the status of the intended sale of the Notes as not comprising a "*public offering*" for the purposes of the Securities Law, which would otherwise trigger prospectus requirements in the Kingdom. The JSC further exempted the Issuer from listing the Notes on the Amman Stock Exchange. By implication, the JSC's licensing of the Managers would exempt the Managers from the restrictions prescribed in the Law Regulating Transactions in Foreign Exchanges № 1 of 2017 for marketing securities listed on a foreign exchange.

The Amman Stock Exchange confirmed that based on the exemptions granted to the Managers by the JSC, the Notes shall be deemed exempt from the requirement to list the Notes on the Amman Stock Exchange. Each Manager has represented, warranted and agreed that is has not offered or sold, and will not offer or sell the Notes in Jordan to more than 30 potential investors in accordance with the said exemptions in full compliance with the Securities Law.

Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of the Notes is a private placement under Article 10 or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**CMA Regulations**") for the purposes of Article 9 of the CMA Regulations, through a person authorised by the Capital Market Authority (the "**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the CMA Regulations. The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the CMA Regulations or by way of a limited offer under Article 11 of the CMA Regulations. Each Manager has represented and agreed that any offer of Notes to a Saudi Investor will comply with the CMA Regulations.

Investors are informed that Article 17 of the CMA Regulations places restrictions on secondary market activity with respect to the Notes, which are summarised as follows:

(a) any transfer must be made through an entity licensed by the CMA;

(b) a person (the "transferor") who has acquired Notes may not offer or sell such Notes or part thereof to any person (referred to as a "transferee") unless (i) the price to be paid by the transferee for such Notes equals or exceeds Saudi Riyals 1,000,000; or (ii) the transferee is a sophisticated investor (as defined under the CMA Regulations);

(c) if the provisions of paragraph (b) cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original limited offer, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original offer was equal to or exceeded Saudi Riyals 1,000,000;

(d) if the provisions of (b) and (c) cannot be fulfilled, the transferor may offer or sell the Notes if he/she sells his entire holding of the Notes to one transferee; and

(e) the provisions of paragraphs (b), (c) and (d) shall apply to all subsequent transferees of the Notes.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

This Prospectus has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong.

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Manager has represented, warranted and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities. Further, this Prospectus does not constitute a public offer of securities in the United Arab Emirates and is not intended to be a public offer. This Prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates or the Securities and Commodities Authority.

Dubai International Financial Centre

This document relates to an Exempt Offer as defined in, and in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority ("**DFSA**"). This document is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for this document. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorised financial advisor.

In relation to its use in the Dubai International Financial Centre (the "**DIFC**"), this document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

Kuwait

This Prospectus is not for general circulation to the public in Kuwait. The Notes have not been licensed for offering, marketing or sale in Kuwait by the Kuwait Capital Markets Authority or the Central Bank of Kuwait or any other relevant Kuwaiti government agency. The offering, marketing or sale of the Notes in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law № 31/1990 and the implementing regulations thereto (as amended) and Law № 7/2010 and the bylaws thereto (as amended). No private or public offering of the Notes is being made in Kuwait, and no agreement relating to the sale of the Notes will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in Kuwait. Interested investors from Kuwait who approach the Kingdom or the Managers are deemed to acknowledge that they understand this restriction and that the Notes and any related materials thereto are subject to applicable foreign laws and rules; therefore, such investors must not copy or distribute such material to any other person.

General

Each Manager has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

TRANSFER RESTRICTIONS

Due to the following significant transfer restrictions applicable to the Notes, investors are advised to consult legal counsel prior to making any reoffer, resale, pledge, transfer or disposal of the Notes.

The Notes have not been registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes are being offered and sold (i) in the United States only to persons reasonably believed to be QIBs in reliance on, and in compliance with, Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and (ii) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Prospectus and the Rule 144A Notes, will be deemed to have represented, agreed and acknowledged that:

(i) the purchaser (a) is a QIB, (b) is acquiring the 144A Notes for its own account or for the account of one or more QIBs, (c) has not been formed for the purpose of investing in the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;

(ii) the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) to the Issuer or an affiliate thereof, or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States and it will, and each subsequent holder of the Rule 144A Notes is required to, notify any purchaser of the Rule 144A Notes from it of the resale restrictions on the Rule 144A Notes;

(iii) the purchaser understands that the Rule 144A Notes (to the extent they are in certificated form) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

> **THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER ("RULE 144"), IF AVAILABLE, (D) TO THE ISSUER OR AN AFFILIATE THEREOF, OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES. BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST THEREIN).**

(v) it understands that the Issuer, the Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer and the Managers;

(vi) if it is acquiring any Notes for the account of one or more QIBs, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(vii) it understands that the Rule 144A Notes will be evidenced by the Restricted Global Certificates. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate, it will be required to provide the Registrar or the relevant Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes, by accepting delivery of this Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

(i) it is, or at the time the Regulation S Notes are purchased will be, the beneficial owner of such Notes and it is located outside the United States (within the meaning of Regulation S); and it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;

(ii) the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and that it will not offer, sell, pledge or otherwise transfer Regulation S Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;

(iii) it understands that the Issuer, the Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Regulation S Notes is no longer accurate, it shall promptly notify the Issuer and the Managers. If it is acquiring any Notes as fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(iv) it understands that the Regulation S Notes will be evidenced by an Unrestricted Global Certificate. Before any interest in an Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the corresponding Global Certificate, it will be required to provide the Registrar or the relevant Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

GENERAL INFORMATION

Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Notes. The issue was authorised pursuant to Decree № 4245 dated 27 August 2017 of the Council of Ministers (authorising, among others, the entering into of certain contractual arrangements), pursuant to Article 9(a) of the Public Debt Management Law, and providing that payments of principal and interest on the Notes by the Kingdom, as well as capital gains realised from the sale of the Notes by the Noteholders, are exempt from any tax, including withholding taxes and sales tax.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position of the Issuer.

Significant Change

There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources, and income and expenditure figures of the Kingdom since 31 December 2016.

Documents on Display

Copies of the following documents (together with English translations thereof) may be inspected in electronic form during normal business hours at the offices of the Fiscal Agent so long as the Notes are outstanding:

(a) the Agency Agreement dated 10 October 2017 between the Issuer, the Registrar, the Fiscal Agent, the Transfer Agent and the Paying Agent;

(b) the Deed of Covenant dated 10 October 2017 entered into by the Issuer;

(c) a copy of this Prospectus;

(d) Decree № 4245 dated 27 August 2017 of the Council of Ministers (authorising, among others, the issuance of the Notes in accordance with Article 9(a) of the Public Debt Management Law and the entering into of certain contractual arrangements);

(e) the Resolution of the Council of Ministers dated 27 August 2017 (providing that payments of principal and interest on the Notes by the Kingdom, as well as capital gains realised from the sale of the Notes by the Noteholders, are exempt from any tax, including withholding taxes and sales tax); and

(f) the budget of the Issuer for the current fiscal year.

Yield

On the basis of the issue price of the Notes of 98.516% of their principal amount, the initial yield of the Notes is 7.5% on an annual basis. The initial yield is calculated on the Closing Date on the basis of the issue price. It is not an indication of future yield.

ISINs, Common Code and CUSIP

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The ISIN for the Unrestricted Global Certificate is XS1577950311, and the Common Code for the Unrestricted Global Certificate is 157795031. The ISIN for the Restricted Global Certificate is US418097AJ07, and the CUSIP for the Restricted Global Certificate is 418097AJ0.

Third Party Information

The Issuer confirms that where information included in the Prospectus has been sourced from a third party the source is identified, and that information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Interested Persons

No person involved in the offering has any interest in the offering, which is material to the offering.

Managers transacting with the Issuer

Certain of the Managers and their affiliates have engaged, and may in the future engage in investment banking or commercial banking transactions with, and may perform services to, the Issuer in the ordinary course of business.

Listing

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Market

The expenses in connection with the admission of the Notes to the Official List and to trading on the Market are expected to amount to approximately €4,540.

Walkers Listing Services Limited is acting solely in its capacity as listing agent for Jordan in relation to the Notes and is not itself seeking admission to the Official List or trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

Foreign Language

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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