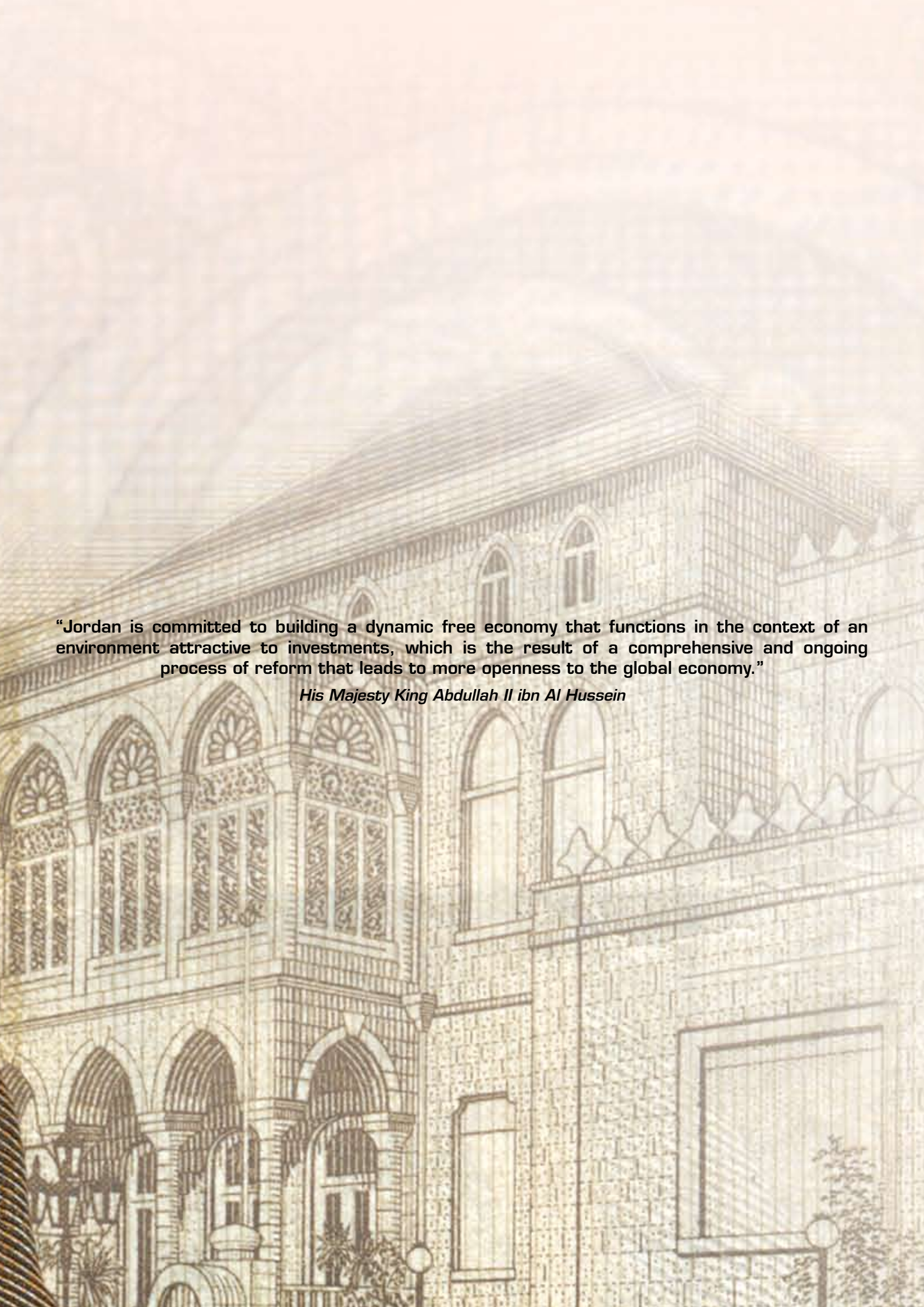


Annual Report



JORDAN
INVESTMENT BOARD





“Jordan is committed to building a dynamic free economy that functions in the context of an environment attractive to investments, which is the result of a comprehensive and ongoing process of reform that leads to more openness to the global economy.”

His Majesty King Abdullah II ibn Al Hussein

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Board of Directors

Chairman:

Mr. Salem Alkhazaleh

Minister of Industry & Trade

Deputy Chairman:

Mr. Ghassan Nuqul

Private Sector

Members:

Dr. Maen Nsour

CEO, Jordan Investment Board

Dr. Muntaser Oklah

Ministry of Industry & Trade

Eng. Amer Majaly

CEO, Jordan Industrial Estates Corporation

Eng. Yarub Qudah

CEO, Jordan Enterprise Corporation

Mr. Naser Shraydeh

Ministry of Planning & International Cooperation

Mr. Muhammad Obeidat

Ministry of Finance

Mr. Marwan Jumaa

Private Sector

Dr. Adnan Badwan

Private Sector

Dr. Fawzi Al-Hammouri

Private Sector

Mr. Mohamad Alayyan

Private Sector

Mr. Issa Murad

Private Sector

Mr. Nashat Masri

Private Sector

Mr. Mohammad Ali Bdeir

Private Sector

Dr. Moayad Samman

Private Sector

1. Introduction by CEO

2006 was an important year for Jordan and for the Jordan Investment Board (JIB). For the first time in the Kingdom's history, the value of investments that benefited from the Investment Law climbed to nearly two billion Jordanian Dinars. Equally significantly, non-Jordanian investments grew by 205% to reach nearly half of the total investment, reflecting rising confidence on the local and regional levels in the vibrant economy of Jordan.

Jordan's remarkable and sustained growth and its success in attracting local and international investments are the result of His Majesty King Abdullah ibn Al Hussein's dedicated efforts to develop Jordan into an active participant in the global economy, through sustainable growth fuelled by private investment.

The Jordan Investment Board (JIB) is a government organization that is dedicated to supporting the private sector in establishing new investments and the expansion of existing ones in Jordan. Our officers provide expert advice and consultation free of charge, and the one-stop-shop works to facilitate all procedures and requirements for registering and licensing a new business. Beyond this, the JIB is expanding its follow-up services, in order to remain at your service after your business is established and ensure your satisfaction with Jordan.

In the course of 2006 the JIB expanded its services, introduced new procedures to help investors, signed four new agreements for protecting free trade and investment in order to expand the market for products made in Jordan, and expanded its marketing activities to the four corners of the globe.

The following pages outline the main investment activities of the Jordan Investment Board, the positive response of investors, and the effect on Jordan's economy. The figures speak for themselves... Investors are attracted by the opportunities that Jordan's investment environment offers, and their projects flourish in Jordan. So join the winning team. Take advantage.

Maen Nsour, PhD.
CEO

2. About the JIB

2.1. The Jordan Investment Board

The Jordan Investment Board is a Government organization committed to promoting confidence in Jordan's investment climate, attracting local and international investment, and monitoring investment projects to ensure that they succeed and contribute to the national economy.

2.2. Vision

The Jordan Investment Board is a world class agency entrusted with promoting Jordan as a unique destination for foreign direct investment and sustaining domestic investment to achieve economic prosperity in Jordan.

2.3. Mission

The Jordan Investment Board is a government organization committed to working with the private sector to promote Jordan for its unique and friendly business environment and diverse investment opportunities. The JIB presents state of the art services for facilitating registration and licensing procedures for projects, and offers all possible simplified procedures to investors.

2.4. Services to Investors

The JIB offers investors, potential or actual, a large number of services that focus on three principal areas:

- **Providing market information** through reports and studies, conferences, and the media, and even providing pre-feasibility studies in certain sectors.
- **Interfacing with Government** on private sector and small and medium enterprise (SME) issues, particularly in relation to incentives such as reductions or exemptions from customs duties and sales and corporate taxes.
- **Streamlining procedures** for registration, licensing and other procedures through cooperation with other Government organizations, and providing continuing post investment support.

3. Activities

In fulfillment of its mission to “promote Jordan for its unique and friendly business environment and diverse investment opportunities,” the JIB participated in a number of regional and international seminars and conferences on investment, where it informed potential investors and counterpart government organizations of the opportunities that Jordan offers. These international events included:

- Jordan Indonesia Coordination Committee
- Jordan-Saudi Business Council
- Jordanian Businessmen Association's Delegation to India
- Conference of Arab Businessmen and Investors
- World Association of Investment Promotion Agencies Conference
- Trade & Investment Forum Among Private & Public Sectors
- Euro-Mediterranean Economic Transformation
- Organization for Economic Cooperation and Development (OECD) Conference
- Jordan Pakistan Committee for Promoting and Protecting Investment Meeting
- Jordan-Syria Higher Coordination Committee Meeting
- The Arab Business Community Forum Meeting
- Majlis Ilmu Conference and Exhibition, Brunei
- Building Development Zones in Arab Countries Seminar, China
- Jordan-India Committee Meetings
- China International Fair for Investment and Trade
- Call Center Expo Show, UK
- The Economies of Foreign Investment Attraction in the Mediterranean Countries, France
- Islamic World Economic Forum meeting, Pakistan

4. Main Achievements

The JIB's marketing activities had a far-reaching effect in attracting investment to Jordan, and in opening new markets for Jordanian products. The main achievements of 2006 were:

4.1. Growth of Investments

For the first time, the value of investments that benefited from the Investment Law shattered the JD 1 billion mark and almost reached JD 2 billion. Graph 1 traces the movement of total investments in Jordan in the period 2002 – 2006, which shows a clearly rising trend.

Graph 2 traces the rate of growth of investments during the same period, 2003 – 2006. It is most noteworthy that there is a steep rise not only in the volume of investments, but in the rate of growth, which rose to 144%, from nearly 80% in 2005.

Graph 3 compares local with non-Jordanian investment. As in previous years, the bigger portion was of local investments, which rose to almost JD 1 billion. It is noteworthy, however, that the volume of non-Jordanian investment almost matched that of local investment.

The trend is put into sharper perspective in graph 4, which compares the rates of growth of local and foreign investment in the period 2002-2006. Local investment rose by a very healthy 100% between 2005 and 2006; but this growth was outstripped by the growth of foreign investment, which rose by 205% to reach JD 845 million.

Graph 5 traces the movement of foreign investment as a percentage of local investment in the period 2002-2004. The graph shows clearly that the steep drop in the period 2002-2004, which was due to exogenous circumstances, has been replaced by an equally steep rise in the following two years.

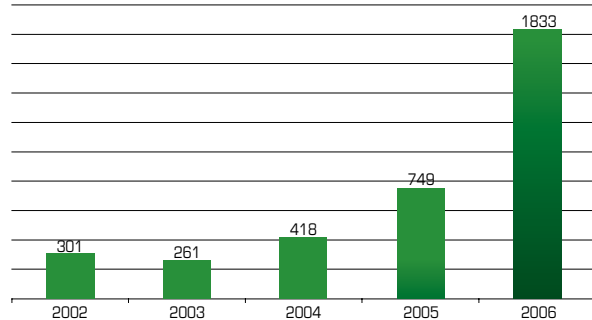
The largest proportion of foreign investments by far (91%) came from the Arab world.

Graph 6 shows the division of foreign investments by region, while

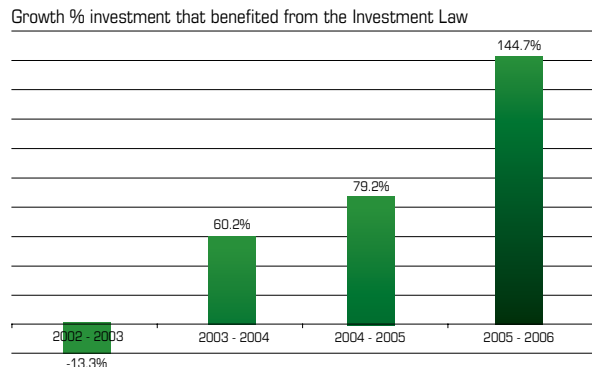
Graph 7 shows the ten largest sources of foreign investment in Jordan in 2006. It is noticeable that the four largest were Saudi Arabia (62%), Iraq (11%), Kuwait (8%), and the UAE (4%), followed by the U.S. (2%).

Most of these investments went into industrial projects (520 projects) followed by agriculture (31 projects) and hotels (20 projects). These three sectors took up all foreign investments in 2006. Only local investors invested in hospitals or exhibition and conference centers.

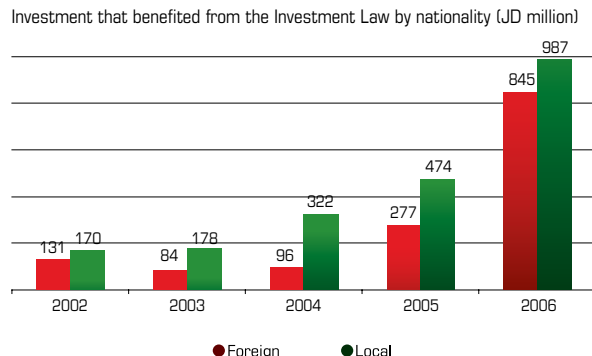
Graph 1 Investments that benefited from the Investment Law
Investment that benefited from the Investment Law 2002-2006 (JD million)



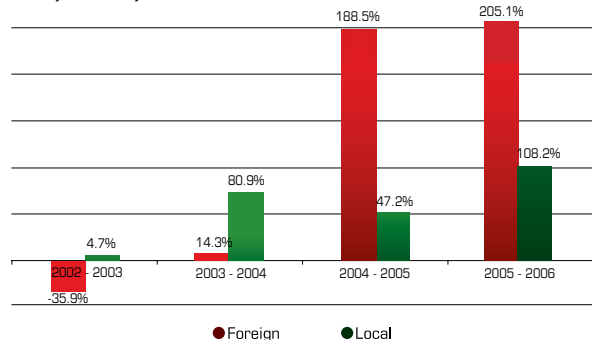
Graph 2 Percentage growth investments that benefited from the Investment Law
Growth % investment that benefited from the Investment Law



Graph 3: Local and foreign investments that benefited from the Investment Law
Investment that benefited from the Investment Law by nationality (JD million)



Graph 4: Percentage growth of local and foreign Investment
Annual percentage growth of investments that benefited from the Investment Law by nationality



4.2. New agreements

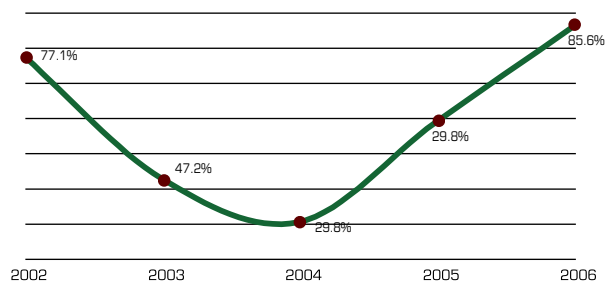
The JIB concluded four new investment protection agreements with Bosnia Herzegovina, Finland, Kazakhstan, and India. These agreements were signed between July and November 2006, but they have not come into effect at the time of writing.

4.3. New Processes

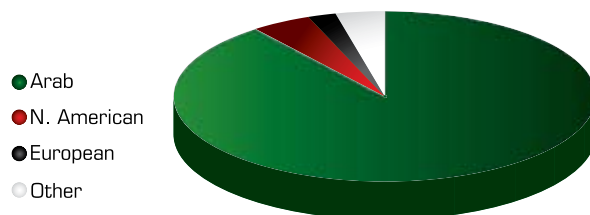
The JIB adopted a number of new processes and procedures, some of which were of an internal nature, such as upgrading the archiving system. Others are more visible to the public or their effect will soon be visible, such as upgrading the website and signing an agreement with Microsoft to computerize all procedures related to promotion, the one-stop-shop, investor services, follow-up, exemptions, incentives, and facilities.

One of the most important improvements may have been the creation of the Follow-up Department to provide assistance to investors after the establishment of their projects. Its services include drawing strategies and devising solutions to overcome any challenges that face investors in the field, enforcing the incentives, exemptions, and other legal stipulations that come into effect after the establishment of the project, implementing the JIB's backward linkages program to increase the efficiency of investments, as well as data collection.

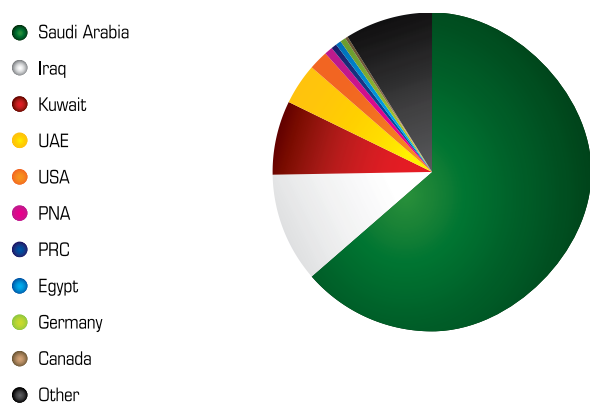
Graph 5: Foreign investment as a percentage of local investment
Foreign Investments as a percentage of local Investments



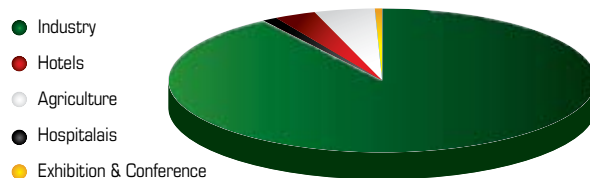
Graph 6: Division of foreign investment in Jordan by region of origin



Graph 7: Foreign investment by country of origin



Graph 8: Distribution of investment by sector



5. Future Outlook

- Doubling the volume of investments that benefit from the Investment Law.
- Top focus on strategic target markets that include Saudi Arabia, Kuwait, UAE, Turkey, UK, China, Taiwan, India, S. Korea, Russia, France, Italy, Spain, and the Benelux countries.
- Opening JIB representational offices in Kuwait, Qatar, the UAE, and Saudi Arabia.
- Creating a new brand for the JIB, and expanding its cooperation with the media in marketing Jordan as an attractive destination for investments.
- Building an investment map for Jordan to identify the competitive advantages of different provinces and encourage income and employment-generating investments to spread in different parts of the Kingdom, to ensure that all parts of Jordanian society benefit from investment activity.
- Building a national investment strategy to facilitate coordination between different departments and agencies whose work affects the process of attracting investments.
- Studying the needs of countries with high outbound investments, to develop strategies that match investors' needs with what Jordan offers.
- To streamline licensing and registration processes by amending legislations that regulate these processes and automating them.
- Preparing studies on high value added investment projects that generate income and employment and making them available to potential investors.
- Consolidating the partnership with the private sector in all activities.

6. Jordan's Rating in International Investment Indexes

6.1. World Bank Group Doing Business Report 2006

This report is one of the most highly respected indicators of the effect of government laws, regulations, and procedures on business activity. Produced by the World Bank Group, it ranks 175 countries based on a number of indicators, namely:

- Ease of starting a business
- Dealing with licenses
- Employing workers
- Registering property
- Getting credit
- Protecting investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Closing a business

In 2006 Jordan ranked 5th among Arab countries, after Saudi Arabia, Kuwait, Oman, and the United Arab Emirates.

http://publications.worldbank.org/ecommerce/catalog/product?item_id=5363808

6.2. The World Economic Forum (WEF) Global Competitiveness Report 2006

The WEF Global Competitiveness Report 2006 ranked Jordan 52nd out of 125 countries. The 2006 Growth Competitiveness Index (GCI), provides a holistic overview of factors that are critical to driving productivity and competitiveness, and groups them into nine pillars: Institutions, Infrastructure, Macroeconomy, Innovation, Health and Primary Education, Higher Education and Training, Market Efficiency, Technological Readiness and Business Sophistication.

In its analysis of the competitiveness landscape in the Middle East and North African, the report argues that the region has generally seen an improvement since the 2005 assessment. The move to a more comprehensive Index in 2006, the Report adds, has caused some adjustments in country rankings. The new Index considers a number of important factors, including the last five pillars listed above, which were not accounted for previously and provides a more balanced picture of the issues that have an impact on competitiveness

<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>

6.3. The IMD World Competitiveness Yearbook 2006

Produced by the IMD Business School in Lausanne, Switzerland, the World Competitiveness Yearbook (WCY) analyzes and ranks the ability of nations to create and maintain an environment which sustains the competitiveness of enterprises. The methodology of the WCY divides the national environment into four main factors:

WEF Global Competitiveness Index 2006	
Country/Economy	Rank
United States	6
Japan	7
Spain	28
Tunisia	30
United Arab Emirates	32
Italy	42
Jordan	52
China	54
Mexico	58
Turkey	59
Egypt	63
Romania	68
Morocco	70

- Economic Performance
- Government Efficiency
- Business Efficiency
- Infrastructure

Jordan ranked 46th out of 61 nations.

http://www.imd.ch/research/centers/wcc/world_competitiveness_yearbook.cfm?bhcp=1

6.4. The UNCTAD World Investment Report 2006

The United Nations Conference on Trade and Development (UNCTAD) World Investment Report presents foreign direct investment (FDI) data and traces the global and regional trends of FDI and international production by transnational corporations TNCs based on a number of indicators, namely:

- GDP per capita
- GDP growth
- Exports as a percentage of GDP
- Number of telephone lines per 1000 people
- Energy consumption for business per capita
- R&D per capita as a proportion of GDP
- Proportion of university students to total population
- National risk
- Exports of natural resources as a proportion of world exports
- Imports of electronic and car components and parts as a proportion of world imports
- Exports of services as a proportion of world exports
- Inflows FDI as a percentage of world FDI flows

The report ranked Jordan as 19th of the 20 front-runner countries, out of a total of 141 countries studied.

<http://www.unctad.org/Templates/Page.asp?intltemID=3970&lang=1>

6.5. Transparency International Global Corruption Report

The Transparency International Global Corruption report provides detailed assessments of the state of corruption. The report's Corruption Perceptions Index (CPI), Transparency International's best known tool, is a composite of independent surveys that rank countries based on their score out of a clean score of ten.

www.transparency.org/policy_research/surveys_indices/cpi/

In 2006 Jordan ranked 40th out of 163 countries, with a CPI rating of 5.7.

<http://www.transparency.org/publications/gcr>

6.6. The Heritage Foundation 2006 Economic Freedom Report

The Heritage Foundation/ Wall Street Journal Index of Economic Freedom was created to develop a systematic, empirical measurement of economic freedom in countries throughout the world. The index identifies the variables that

Transparency International Corruption Perceptions Index 2005	
Country/Economy	Rank 2005
United States	17
Japan	21
Spain	23
Tunisia	30
United Arab Emirates	37
Italy	40
Jordan	43
China	65
Mexico	65
Turkey	78
Egypt	78
Romania	70
Morocco	85

comprise economic freedom, analyzes the interaction of freedom with wealth, and grades various countries according to their level of economic freedom, which is measured across 10 specific factors that are:

- Business Freedom
- Trade Freedom
- Fiscal Freedom
- Freedom from Government
- Monetary Freedom
- Investment Freedom
- Financial Freedom
- Property Rights
- Freedom from Corruption
- Labor Freedom

Jordan ranked 57th out of 157 countries worldwide and 3rd Arab country after Bahrain and Kuwait.

<http://www.heritage.org/research/features/index/>

6.7. The Fraser Institute's Economic Freedom of the World Report

The Economic Freedom of the World measures the degree to which the policies and institutions of countries are supportive of economic freedom. The report measures the degree of economic freedom in five areas:

- Size of government
- Legal structure and security of property rights
- Access to sound money
- Freedom to trade internationally
- Regulation of credit, labor and business

Jordan ranked 48th out of 130 countries, with an overall rating of 6.8 out of 10

<http://www.freetheworld.com>

6.8. The Economist Intelligence Unit Report 2006

The Economist Intelligence Unit (EIU) Report analyzes the development of the business environment in different countries, showing the effect of government policies, regulations, and economic activity on FDI.

Jordan ranked 54th out of 82 countries, with an overall rating of 5.65 and the report foresaw that by 2010, FDI flow to Jordan would be nearly 45% of GDP.

<http://www.eiu.com/>

Annexes

I - Key Officers

Dr. Maen Nsour
Chief Executive Officer

Issa Gammoh
Assistant Chief Executive Officer

Fawwaz Al Nahar
Advisor to the CEO

Elias Farraj
Advisor to the CEO

Eng. Hussein Al Sabe
Director of Facilitation Department

Ali Al Bayadi
Director of Administration & Finance

Dr. Ahmad Al Jaghbeer
Director of the Legal Department

Mohammad Al Rawabdeh
Director of the Advocacy & Aftercare Department

Hani Al Nsour
Director of the One-Stop-Shop

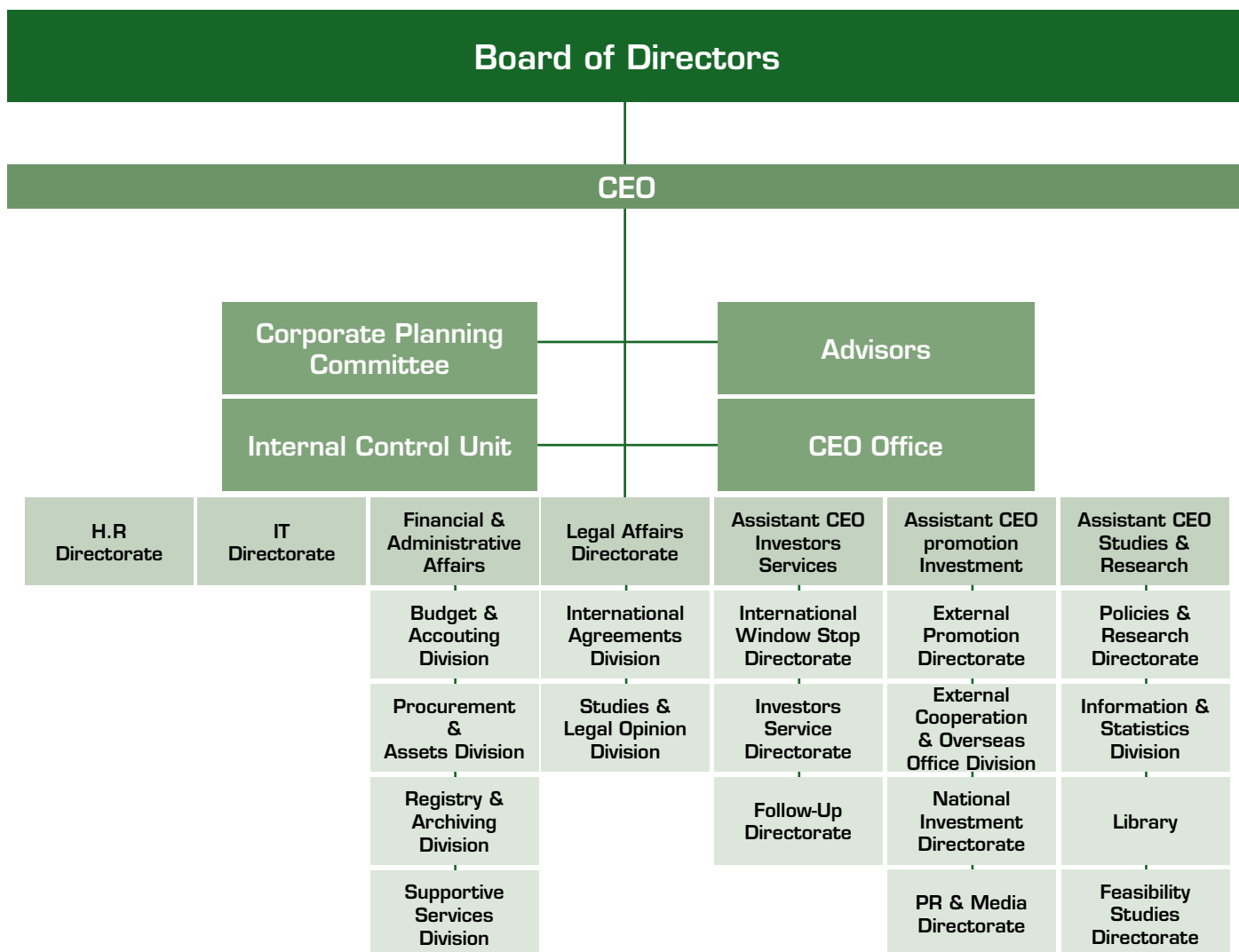
Kamal Dabbas
Director of Internal Control Department

Dr. Tarek Arikat
Chief Information Officer

Kifaya Suqer
Director of the Accounting Department

Adnan Alawneh
Assistant Director of Facilitation Department

Bilal Al Hammouri
Director of National Investment



III – Incentives Offered to Investors

- The following components of qualifying projects shall be exempt from fees and taxes:
Imported fixed assets.
- Imported spare parts, provided that their value does not exceed 15% of that of the fixed assets.
Fixed assets that are needed for expansion, provided that this results in an increase in production of at least 25%.
- Qualifying projects shall be exempt from income and social services taxes (from 25% up to 75%, depending on the investment area) for a period of 10 years. The exemption period is extended upon expansion of more than 25%.
- Projects in the Hotel and Hospital sectors shall be granted additional exemptions from fees and taxes once every seven years for purchases of furniture and supplies for renewal purposes.
- Fixed assets of any project may be mortgaged as security for extended credit facilities.
- Transfer of a project from one investment area to another entails exemptions in accordance with the classification of the new area of location for the remainder of the exemption period.
- The investor has the right to manage the project in the manner he deems appropriate.
- If the ownership of a project is transferred during the exemption period, the project shall continue to enjoy the exemptions, provided that the new owner continues in the same vein as before.
- Non-Jordanian investors may invest through ownership, partnership, or shareholding.
- Non-Jordanian investors may own any project wholly or partially.
- Except for the limitations of the previous article, a non-Jordanian investor shall be treated in the same manner as a Jordanian investor.
- Non-Jordanian investors shall be entitled to remit abroad the foreign capital transferred to Jordan for investment, together with any returns and profits. Non-Jordanian employees also have the right to transfer their salaries abroad without hindrance.
- No project is allowed to be expropriated, unless this is done by way of compulsory purchase for public interest, and in return for a just compensation to be paid to the investor.
- Disputes between a non-Jordanian investor and the Jordanian government shall be first attempted to be settled amicably. Failing that, either party may resort to litigation or may refer the matter to the International Centre for the Settlement of Investment Disputes (ICSID).

IV. Qualifying Sectors


The Investment Law states that projects falling within the following sectors and sub-sectors enjoy the exemptions and facilities provided by the Law:

- Agriculture
- Call Centers
- Conventions and Exhibition Centers
- Hospitals
- Hotels
- Leisure and Recreational Compounds
- Industry
- Maritime Transport
- Railways
- Pipeline transportation and distribution services for water, gas and petroleum derivatives as well as its exploitation

Jordan Investment Board www.jordaninvestment.com

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The image features a detailed architectural drawing of a building facade, rendered in a light, sketch-like style. The drawing shows a corner of a structure with multiple levels of arched windows and doorways. The upper level has smaller, pointed arches, while the lower level features larger, more ornate arches with intricate geometric tracery. The entire drawing is overlaid on a background of a complex, repeating geometric pattern in shades of green and yellow, characteristic of Islamic art. The pattern consists of interlocking lines forming various shapes, creating a textured, almost crystalline appearance.

P.O. Box 893 Amman 11821 Jordan www.jordaninvestment.com