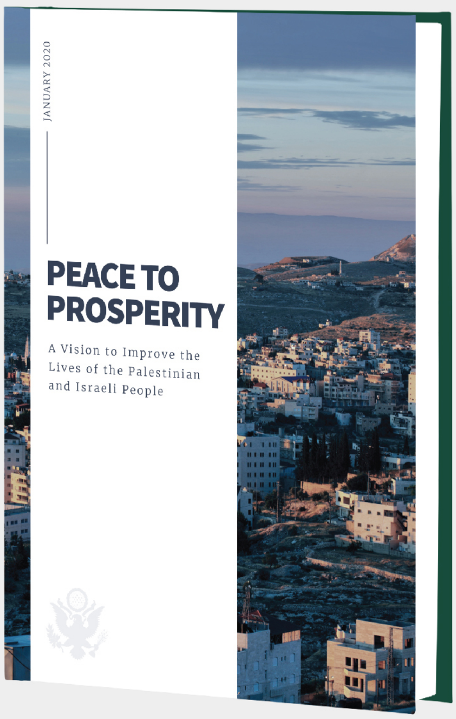
النهضة العربية للديمقراطية والتنمية
Arab Renaissance for Democracy & Development

The Question of Palestine

A Reading into the Projects Stipulated for Jordan in the

"Deal of the Century"



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The “Deal of the Century” (the “Deal”) offers Jordan 15 economic projects with a stated value of US$7365 million over a period of ten years. These projects are described in the “Deal” on pages 131-132 under the title, “Strengthening Regional Development and Integration”. The projects will be implemented upon sealing the “Deal” by the parties concerned in three phases: the first phase spans 4 years; the second, 5 to 7 years and the third, 8 to 10 years. The table below outlines the proposed projects as included in the subject document.

	Project in Jordan	Phase	Loans ($Millions)	Grants (US$ Millions)	Private Sector (US$ Millions)	Total Estimated Cost	Implementation Timeline (In years)	Project Description
1	Regional Trade and Commerce: Allenby, Amman, Zarqa Bus Rapid Transit	1	0	150	0	150	4	Implement a new bus system that would connect the cities of Amman and Zarqa with Allenby crossing.
2	Cross-border services: **The Red–Dead Conveyance** two seas canal -Stage 1	1	0	145	0	145	2	Provide support for the Red-Dead project, which will provide water to Israel and Jordan, include a desalination plant on the Red Sea to provide water to southern areas of Jordan and Israel, the sale of Israeli water to northern Jordan, an Israeli- Palestinian agreement for provision of the additional water to the West Bank and Gaza, and brine production from the Red Sea desalination plant to be combined with sea water and sent to the Dead Sea.
3	Economic Stabilization: Solar Program	1	75	0	75	150	3	Support the continued development of Jordan’s solar power generation program.
4	Economic Stabilization: Jordan SME Fund (to guarantee loans from the U.S. OPIC Program)	1	125	0	0	125	2	Expand the existing U.S. Overseas Private Investment Corporation (OPIC) program, which supports small and medium enterprises (SMEs) in the region in order to expand guarantee loan facility to SMEs in Jordan.

5	Economic Stabilization: National Broadband Network	1	0	100	0	100	3	Install a broadband, fiber-optic network in Jordan to connect public schools, hospitals and healthcare centers, businesses, and government entities in areas including, but not limited to, Irbid, Mafraq, Jerash and Ajloun.
6	Economic Stabilization: National Data Center	1		70		70	2	Create a central office, under the National Information Technology Center, with technical infrastructure and equipment to house all of the Jordanian government electronic data.
7	Regional Trade and Commerce: Develop a new airport in Southern Shouna and improve facilities at King Hussein and Marka airports	2	325	0	325	650	6	Improve facilities at King Hussein and Marka airports and develop a new airport in southern Shouna.
8	Cross Border Services: Red - Dead Conveyance Project, Stage 2	2	0	400	0	400	6	Support the continued development of the Red-Dead conveyance project.
9	Cross-Border Services: Jordan River Improvement Project	2	0	250	0	250	6	Rehabilitate the Jordan River and prevent pollution from agricultural and wastewater run-offs.
10	Economic Stabilization: National Cybersecurity Infrastructure and Capacity Building	2	0	500	0	500	5	Build a national cyber security capability and provide technical assistance to support the Jordanian government efforts to protect both public and private sectors, including banks, hospitals, and critical infrastructure, against state and non-state cyber attackers, as well as open up opportunities for more international cyber collaboration.

11	Market Integration: Ma'an Dry Port	2	0	50	0	50	5	Establish a dry port in Ma'an to serve the industrial park in Ma'an governorate (close to the proposed route of the national railway project), and connect it to several national and international roads with neighboring countries and key trade infrastructure.
12	Regional Trade and Commerce: Jordan's Regional Rail Network	3	913	0	913	1826	10	Support Jordan's proposed national railway project to develop a regional rail network connecting population centers. Key features are envisioned to include a railway line connecting Amman to Aqaba, which would decrease the cost of shipping and trade from Jordan's major population centers, and work as a potential additional rail extension to the Arabian Gulf.
13	Regional Trade and Commerce: Jordan Transport Corridors to increase trade with the West Bank and Gaza through four primary corridors.	3	750	0	750	1500	10	Improve Jordan's road infrastructure including the four primary corridors, two of which are primarily for regional trade and can support increased trade with the West Bank and Gaza. These improvements will help enhance road safety and reduce the cost of transportation and trade.
14	Cross-Border Services: Jordan-West Bank Transmission Line. Upgrade the Jordan-West Bank interconnection	3	13	38	0	51	10	Upgrade the Jordan-West Bank interconnection by building a 400 kV line.

15	Regional Tourism: Aqaba's Corniche District/ High Lakes Resort	3	700	0	700	1400	10	Support the creation of a resort built on land north of Aqaba's coast and adjacent to the Marsa Zayed project, as well as the development of Aqaba's Corniche District including water parks, an ecological park, beaches and hotels. These developments are to bolster regional tourism packages.
	Phase 1 Subtotal		200	465	75	**740**		
	Phase 2 Subtotal		325	1200	325	**1850**		
	Phase 3 Subtotal		2375	38	2363	**4775**		
	Total (All Phases)		2900	1703	2763	**7365**		

Observations on the projects mentioned above

1. **The majority of the projects are loan funded**: 39% of the total cost of the projects featured in the "Deal" will be funded by loans, while private sector investment will provide 37%, and grants will not exceed 23%. The majority of the projects will depend on loans for financing, which will increase the debt burden relative to the GDP if these investments do not lead to high economic growth rates. Therefore, the projects should be completely in line with Jordan's development trends and aspirations, and be capable of increasing its economic productivity. However, 42% (US$3146 million) of the total cost of the projects are allocated to cross-border projects that adapt to the stipulations of the "Deal". Loans directed to transportation, electricity, airports and crossings/corridors constitute 38% of the all loans. The loans should have been grants instead, because they directly serve the "Deal" and not necessarily the Jordanian economy.

2. **The majority of grants are allocated to cross-border projects and the security of Israel**: Remarkably, 87% of grants are directed towards developing 'safety' through crossings and corridors, safe roads and cross-border areas with Israel in a way that serves the security aspect of the "Deal", which directly benefits Israel. For example, there is a US$250 million grant to improve the Jordan River, from which Israel will benefit in the first year of the "deal" by selling US$50 million of water to the State of Palestine. Also, the "Deal" proposes a US$150 million grant to fund the Bus Rapid Transit project connecting Allenby crossing (the only remaining crossing point for Palestinians that is stipulated in the "Deal") with the two cities of Amman and Zarqa. Jordan has been planning to implement a part of this project, mainly connecting the two cities of Amman and Zarqa, but undwer the "Deal" the project becomes a rapid bus transit project from Alkarama/Allenby crossing to Zarqa and Amman. Note that Israel under the "Deal" will close the other two existing crossing points.

3. **They will not impact growth in the short and medium terms**: These projects will not lead to a dramatic increase in rates of economic growth. The total of what is offered in the first four years, following the end of the negotiation period, will be US$740 million; i.e. an average of US$185 million annually. Furthermore, in the fifth and sixth years, the funds for the projects which will be implemented over the fifth and sixth year will be approximately $1850 million, while the future value of the projects to be implemented in the third phase (seventh to tenth year) are US$4775 million, the majority of which are loans (US$2375 million).

4. **The projects' present value**[1]: Since all of the payments are in the future, their present value is less than their value several years from the present. To clarify, if we used a discount rate of 4% (currently the lowest available interest rate in Jordan) on these funds, the present value of the US$4775 million that Jordan receives after ten years is around US$3226 million. This means there is a loss of around $1500 million of the funds' present value; thus, the total amounts of the projects of the "Deal" will decrease to $5371 million.

5. **Projects are not in line with the development priorities in Jordan:** An important question to consider is how appropriate these projects are for Jordan's development priorities. I.e. are the projects in line with the "Jordan 2025" vision and the subsequent national economic documentation and strategy? It is obvious that the projects are tied to the phases imposed by the "Deal" on the State of Palestine along with all the projects, stipulations and conditions thereof. Maximizing the welfare of Jordan requires implementing the majority of projects in the first few years, especially since their implementation is not mutually exclusive, and Jordan needs large investment inflows now. Furthermore, private sector investments in border facilities and crossing points constitute 60% of the private sector investment across all projects. With the exception of the Solar Energy Program and Aqaba High Lakes Project, most of the private sector investment will be allocated to facilitating the crossing to/ from Palestine from/ or through Jordan, to the Arab Gulf states as per the "Deal".

6. **Hindering previously proposed projects**: Since some of these projects were previously proposed by Jordan to investors, does this mean that if Jordan endorses the "Deal" (although its approval is very unlikely as per official statements. In other words, will Jordan, in case of approval (to repeat, the official position in Jordan is against this "Deal"), have to refrain from proposing these projects and forget about them until the parties to the "Deal" reach an agreement? For example (and for greater emphasis), as per the "Deal", investment in the Aqaba High Lakes Project constitutes 25% of the private sector investment in all projects, but it proposes investing in the project after ten years, despite that all of the blueprints and investment documents have been ready for approximately four years, and Jordan has already presented this opportunity to potential investors at several events, such as the London Investment Forum in 2019.

1 The present value is the current value of a future sum of money or stream of cash flow given a specific rate of return (here 4%). Future cash flows are discounted at the discount rate (4% here), and the higher the discount factor, the lower the present value of those future cash flows. The lowest interest rate is used here.

7. **Uncertain investment**: Are the expected investment in the "Deal" projects certain and already committed? It is impossible for these investments to be certain and confirmed unless they came from governments that expressed their readiness to fund the projects. Therefore, they should not be considered as private sector investments. Moreover, if the projects were private sector investments, domestic or foreign, they would be uncertain. Normally, when the private sector wishes to enter into an investment, it negotiates with the authorities the contracting terms, return on investment, investment term, investor qualifications, location, area, and environmental and local impacts in addition to other matters, all of which would make the investment values and occurrences tentative, Hence, the so-called private sector investments should not be tallied as part of what the "Deal" offers. Consequently, the value of these projects should be reduced by US$2763 million to become US$4602 million. Otherwise, the "Deal" document should be amended to make up for the investments by loans or grants. The other solution is to announce that the investments in these projects will be sourced from public, not private, sector funds.

8. **Increasing Jordan's indebtedness**: Jordan will incur new debts amounting to US$200 million in phase one, US$325 million in phase two, and US$2375 in phase three; meaning that the total debt incurred from the projects of the "Deal" is US$2900 million as mentioned before. What will happen to Jordan's liabilities (debt, interest on loans, and investor rights) if the implementation of these projects was delayed after their launch due to another party's non- commitment or in case Israel refused (which is expected as per its historic record) to approve the measures taken by the State of Palestine? Indebtedness will inevitably increase.

Summary

Irrespective of the national and political considerations, it is obvious that these projects are not well thought-out as some of them are ambiguous and uncertain in respect to sources of funding, and they are not among Jordan's developmental priorities, but rather are among Israeli security priorities. These projects support the scenario refused by the leadership and people of Jordan, and their present value is significantly less than what is promised in the "Deal." Thus, these projects that are purported to be of help to Jordan, would in actuality increase Jordan's debt burden without adding any developmental value.

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