



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

The Attractiveness of Jordan to International Investors: What can be done?

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#Policy_Brief



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1. Background:

The flow of Foreign Direct Investment (FDI) has long been recognized as an engine of growth and development. Indeed, attracting FDI inflows involves several advantages. FDI stimulates economic growth, increases exports and employment opportunities, results in the development of human resources, contributes to corporate tax revenues, creates competitive markets, and allows the transfer of technology.

According to the UNCTAD's 2021 World Investment Report, FDI flows, which fell by 35% in 2020, are expected to recover and increase by 10% to 15% in 2021. "This would still leave FDI some 25% below the 2019 level. Current forecasts show a further increase in 2022 which, at the upper bound of projections, bring FDI back to the 2019 level".

Within the context of the benefits of FDI, and the impact of COVID-19 on the flow of FDI, it is interesting to note that the "Global Opportunity Index", published by the Milken Institute, was launched in February 2021. This Index assesses the attractiveness of 145 economies to international investors using five categories (and 96 variables):

1. **Business Perception** measures the constraints faced by businesses and the ease with which businesses can resolve disputes.
2. **Economic Basics** measures a country's macroeconomic outlook, workforce talent, and potential for future innovation and development.
3. **Financial Services** measure the depth and breadth of a country's access to financial services.
4. **The Institutional Framework** assesses the extent to which a country's institutions assist or hinder business activity.
5. **Standards and International Politics** assesses how integrated a country is into the international community and the likelihood that they will comply with international standards.

This Policy Brief, issued by the Jordan Strategy Forum (JSF), outlines where Jordan stands on the Global Opportunity Index, and recommends some policy measures whose objective is to increase the attractiveness of the economy to foreign investors.

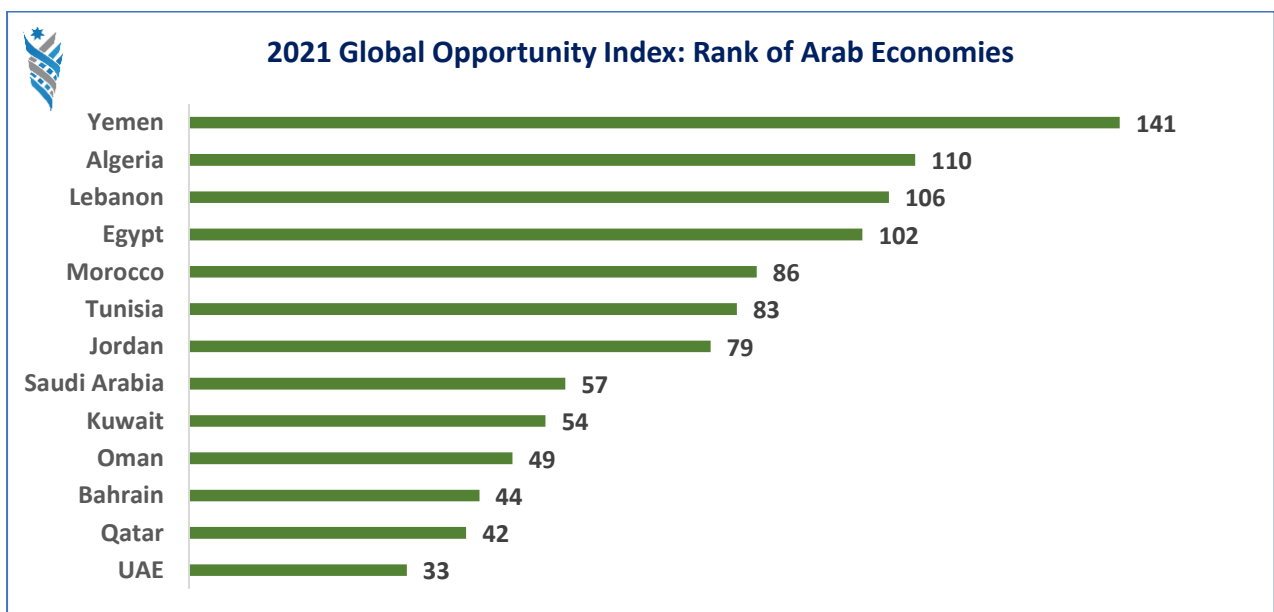
2. The Global Opportunity Index: Where Does Jordan Stand?

Based on the 2021 Global Opportunity Index, we outline below a number of observations.

- A. Sweden tops the world on the global opportunity index. Among Arab economies, Yemen is last.



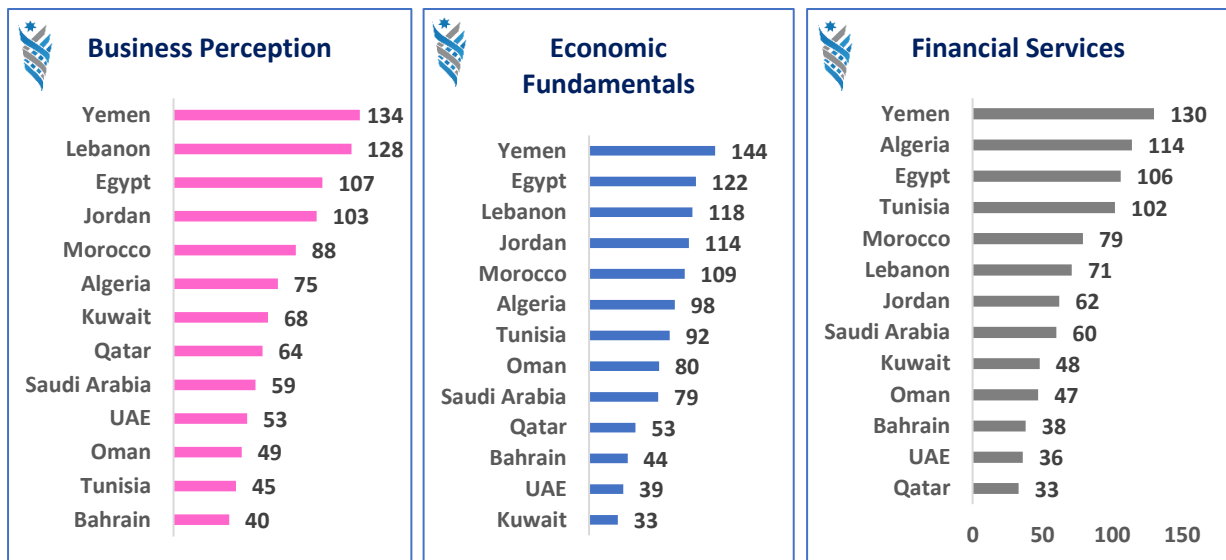
B. The United Arab Emirates (UAE) tops the Arab economies. Jordan ranks 79th out of 145 economies, and 7th among Arab economies.



C. In “Business Perception”, Jordan comes in at 103 out of 145 economies. Among Arab countries, Bahrain is 1st and Jordan 10th.

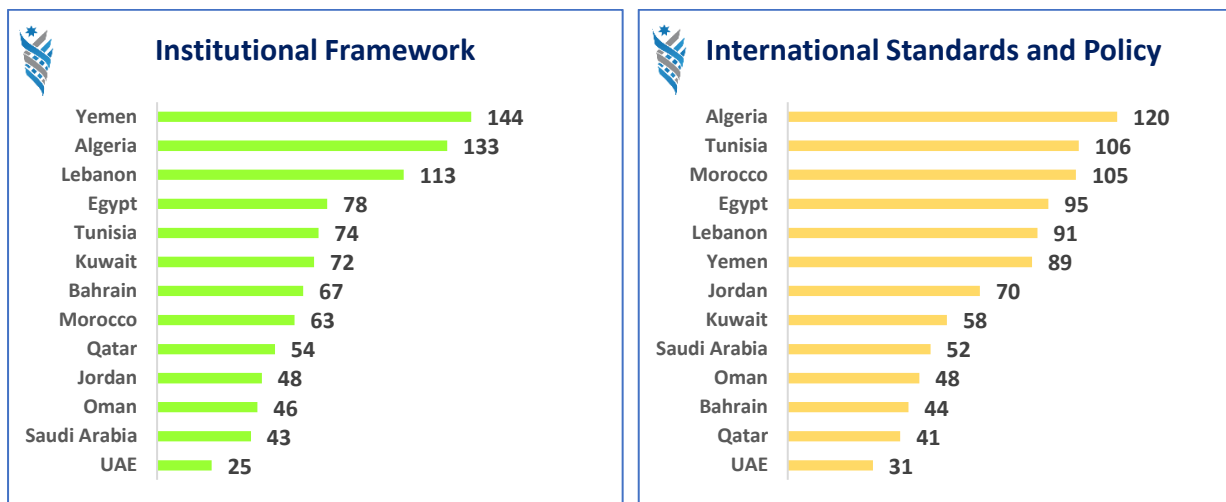
D. In “Economic Fundamentals” Jordan comes in at 114 out of 145 economies. Among Arab countries, Kuwait is 1st and Jordan 10th.

E. In “Financial Services” Jordan comes in at 62 out of 145 economies. Among Arab countries, Qatar is 1st and Jordan 7th.

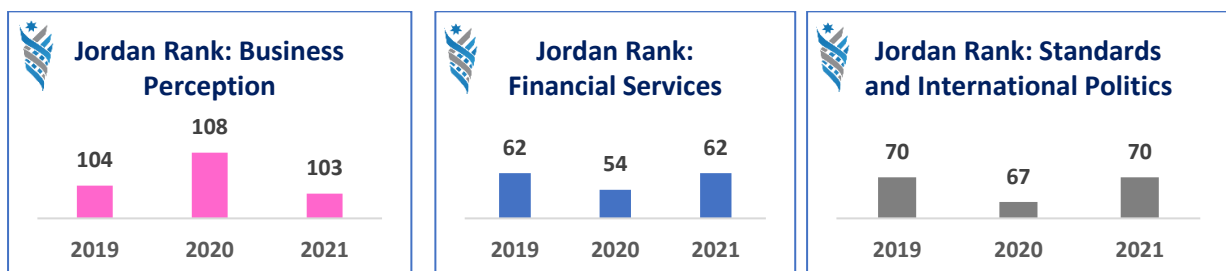


F. In “Institutional Framework”, Jordan comes in at 48th out of 145 economies. Among Arab countries, UAE is 1st and Jordan 4th.

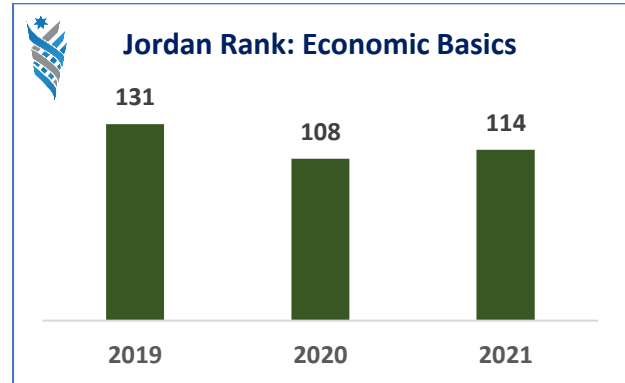
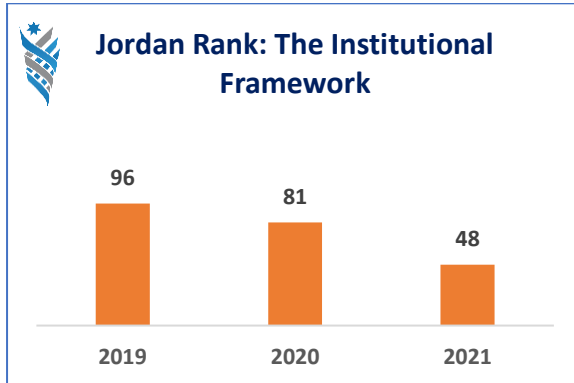
G. In “International Standards and Policy” Jordan comes in at 70th out of 145 economies. Among Arab countries, UAE is 1st and Jordan 7th.



H. In the above-mentioned five categories of the Global Opportunity Index, it is clear that Jordan’s ranking in “business perception”, “financial services”, and “standards and international politics” have remained much the same. However, among these three categories, Jordan’s rank in “business perception” leaves a lot to be desired.



- I. In the above-mentioned five categories of the Global Opportunity Index, it is clear that Jordan's ranking in "institutional framework" has greatly improved. In "economic basics", while Jordan's ranking has improved, this category leaves a lot to be desired.



3. In a Nutshell

To improve the overall standing of Jordan's rank on the Global Opportunity Index, relevant Jordanian stakeholders should take care of the "variables" that enter into the calculation of business perception, and economic basics.

Business Perception Variables:

Some of the variables that need special attention are the cost to start a business, percentage of firms identifying labor regulations as a major constraint, percentage of firms identifying tax rates as a major constraint, time required to start a business (days), enforcing contracts, resolving insolvency cost (% of estate), resolving insolvency recovery rate (cents on the dollar), insolvency regulatory framework, time required to enforce a contract (days), and time to resolve insolvency (years).

Economic Basics Variables:

Some of the variables that need special attention are Micro, Small & Medium Enterprises / MSME density, central government debt, total (% of GDP), total factor productivity, unemployment rate, and female participation rate.

If relevant Jordanian stakeholders succeed in improving the business perception and economic basics' variables, Jordan's ranking on the Global Opportunity Index should improve, and in turn, this should enable the national economy to attract more FDI inflows.



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