

United States Support for the City of

AQABA

April 2004

Aqaba, Jordan's only port, is strategically located at the north end of the Gulf of Aqaba and within sight of Egypt, Israel and Saudi Arabia. Historically, it has been a vital crossroads connecting trade routes in Asia, the Middle East and Europe. Recent developments suggest that Aqaba is embarking on a path that will allow it to reclaim this historic role and once again emerge as an important center for trade, industry and cultural interchange within the region.

USAID/Jordan is playing an important role in supporting the hoped-for transformation of Aqaba into a world class center for tourism and

commerce. Part of this support is related to the Aqaba Special Economic Zone (ASEZ) officially launched in January 2001. In addition, USAID is funding a variety of activities in health, microfinance, water and other areas. Taken together, these programs represent a significant investment in Jordan's economic future.



Aqaba Special Economic Zone (ASEZ)

In August 2000 the Jordanian parliament approved the draft ASEZ law, setting the stage for the launch of a far-reaching initiative designed to promote Aqaba as a "test case" for how a streamlined, business-friendly environment can create jobs and promote economic growth. The

Zone covers an area of 650 kilometers, including Jordan's entire coast line. Tax and other incentives are designed to attract both local and foreign investment.

The initiative also introduces a long-term development vision for Aqaba. Key elements in that vision include the preservation of Aqaba's natural and cultural heritage as well as the adoption of an integrated, long-range approach to land use and infrastructure development. Over the next two decades, the ASEZ should help facilitate \$6 billion in new investments and generate up to 70,000 new jobs. This is key as the population of Aqaba is expected to grow from its current level of 81,000 to an estimated 300,000 by the year 2020.

USAID is providing approximately \$19 million in technical and training support to the Aqaba Special Economic Zone Authority (ASEZA) in its efforts to realize this dream. Initially, the Aqaba Technical Assistance Support Project (ATASP) entailed advisory assistance during 2000 to the ASEZ task force that drafted the initial law and support for "working groups" covering such important issues as labor, tax, and customs. A second phase of support, which lasted from July 2000 until April 2001, focused on implementation, with a view toward ensuring a successful ASEZ



launch in January 2001. A third phase, which ended in March

2004, provided additional technical assistance to ASEZA during the first years of implementation as it seeks to become a catalyst for investment from around the world.

An important element of the ATASP initiative was to learn and benefit from the past experiences of similar special economic zone programs elsewhere. With this in mind, the advisory team included experts with experience in Ireland, Philippines, Malaysia, South Africa, Canada, and the United States. This wealth of international experience provided by these advisors had an important impact as Jordan increasingly joins the global economy.

Other Assistance for Aqaba

USAID support through the ATASP initiative is only one part of a much broader series of activities that are expanding economic opportunity and improving social services in Aqaba and the surrounding area. Other programs include:

The AZEM Project: To continue to provide support to ASEZA in its important efforts to transform Aqaba into a southern economic growth pole, USAID launched the Aqaba Zone Economic Mobilization (AZEM) project in April 2004. A follow-on to the ATASP project, the AZEM project (which means "strength" in Arabic) addresses ASEZA's change management challenges resulting from the separation of governance and developer functions. This project includes rationalizing customs operations in Aqaba, and supporting the new Aqaba Development Corporation (ADC). The ADC is development entity tasked with developing Aqaba and managing the land assets, utilities, and ports. Institutional capacity building and training is also a central element of this project as it seeks to encourage good governance within ASEZA and the ADC. Finally, a small community grants program will complement these efforts by promoting social improvement in Aqaba.

Aqaba International Industrial Estate (AIIE): In cooperation with the Jordan Industrial Estates Cooperation (JIEC), USAID financed the infrastructure construction for the 275 hectare industrial site near the Aqaba

International Airport. Already, the site has received Qualified Industrial Zone (QIZ) status, making it especially attractive for investors interested in accessing the United States market. Construction began in late 2001 and the privately managed estate was officially open for business in January 2003. The total USAID contribution was \$17.3 million, in addition to \$3 million for electrical infrastructure. USAID has provided a grant to ASEZA for the industrial



training of local people to work in the AIIE.

Expansion of Aqaba Wastewater

Treatment Plant: USAID funded the original wastewater treatment plant in Aqaba that was built during the 1980s at a cost of \$8 million. Through an expansion program now underway, the



capacity of the original plant is being doubled to 21,000

cubic meters per day, enough to serve Aqaba and the surrounding areas until the year 2025. Construction began in 2003 and will be completed by 2005. The total USAID contribution is \$37.5 million.

Wastewater Re-Use Implementation Program:

Realizing the importance of reclaimed water for maximizing the scarce water resources of Jordan, USAID is cooperating with the Government of Jordan to demonstrate the reliability, viability and sustainability of water reuse. The \$3.4 million pilot project worked at three sites, one of which was Aqaba. The project selected the most suitable crops to be irrigated by reclaimed water, and advised farmers on growing and marketing those crops and other economic uses for the irrigated land. The project also worked on identifying ways of changing the negative public perception about wastewater reuse. In cooperation with ASEZA, the pilot project used reclaimed water to irrigate community landscaping in Aqaba and provide cooling water for industry (e.g. the phosphate plant) and tourism (e.g. golf courses). It also evaluated the use of the pond water for a variety of crops. Around \$600,000 was used for the Aqaba Pilot portion of the project.

Port Master Plan and Integrated Transportation Study for Aqaba:

With \$1 million in USAID support, a comprehensive port and transportation plan for the entire Aqaba area was completed, providing a critical "road map" for the hoped-for emergence of Aqaba as a world class transport and logistic hub for the region. The master plan also included a long-term development strategy for land use ensuring the protection of the historical and cultural image of Aqaba. The study was



completed in March 2001, providing a basic framework for further infrastructure development in Aqaba for years to come.

ASYCUDA System for ASEZ Customs:

An efficient customs system is essential to attract foreign investment and encourage Aqaba's emergence as a center for commerce and transportation. Under the USAID-funded AMIR project, approximately \$250,000 was provided to introduce a world class ASYCUDA customs system to Aqaba. The program included not only technical assistance and training, but also entailed the purchase of 50 computers and related support equipment to the Customs authority for use in Aqaba.

Management Information System for ASEZA:

Along with support for Customs, the AMIR project provided an additional \$400,000 to strengthen the information technology capacity at ASEZA. As part of this initiative, ASEZA received a basic networked computer system as well as a management and information system, both of which were vital to the success of the special economic zone.



Comprehensive Post Partum (CPP) Center at Aqaba:

USAID renovated and equipped the CPP center at the Princess Haya Bint Al-Hussein hospital (a Royal Medical Services hospital and the only one providing medical services to



the public) located in downtown Aqaba. Part of a network of 21 CPP centers across the country, the program has dramatically improved the level and quality of medical services offered to women and children who visit the center.

Primary Health Care Initiatives (PHCI) and Renovation of Centers (ROC) Projects:

Other health facilities in the Aqaba region are also benefiting as a result of USAID's \$40 million PHCI Project (launched in 1999) and the \$7 million ROC Project (launched in 2002).

They aim to improve basic health services throughout the country. Eight of the ten public health centers in Aqaba have been



renovated and furnished. The remaining two will be completed in 2004. In addition, the PHCI project trained all health service providers in Aqaba in best practices in clinical care. Quality assurance teams and quality coordinators were also trained to establish systems for improved quality.

Middle East Micro Credit Company (MEMCO):

Launched in December 1997 as the Jordan Access to Credit Project and implemented by the U.S.-based Cooperative Housing Foundation (CHF), the program offered small and micro loans to businesses located in the southern region of Jordan. Total USAID contribution to this initiative was \$11.2 million. The project was later spun-off as an independent institution, giving birth to MEMCO, which now offers loans to borrowers throughout the Kingdom. Activities funded range from retail shops to tourist boats, animal



husbandry to beauty salons. To date, the program has disbursed more than 17,300 loans in the Aqaba region and southern Jordan for a total of more than \$5.8 million.

Water Education and Public Information for Action (WEPIA)

Project: The USAID-funded WEPIA project is supporting ASEZA in multiple programs, including: retrofitting of all government and private sector large water consumers in cooperation with the Jordan Royal Ecological Diving Society; introducing water conserving policies into the codes and standards for construction; and providing expert technical assistance to public areas, such as the Princess Salma Park in the heart of Aqaba city, in landscaping using water conserving techniques. Through a small grant to the Red Crescent/Aqaba Branch, WEPIA is supporting the improvement of water supply infrastructure and maintenance of the residents' water networks in the old city

of Aqaba, an area of low-income housing for approximately 300 families. This effort is helping to integrate the area into some of the touristic designs being planned for Aqaba as a whole.

Other Assistance: Other programs have extended support to the Aqaba region in a number of important ways. For example, a USAID grant to the American Center for Oriental Research (ACOR) played a critical role in the excavation of old Islamic Aqaba dating back to the Umayyad times. In addition to providing important information about Aqaba's past, the activity preserves and presents an important aspect of Jordan's cultural heritage for future generations. Another USAID grant is helping researchers to monitor and protect the off-shore coral reefs as part of a regional Red Sea Marine Peace Park initiative. In past decades, USAID programs also financed tugboats used to guide ships into Aqaba, and development of the Aqaba port.



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