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Jordan Poverty Reduction Strategy

Final Report

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U N D P

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HIS MAJESTY KING ABDULLAH II IBN AL HUSSEIN



“Our citizens are our primary asset. They are the engine of development; and their well-being is its objective. It is the government's duty, therefore, to be committed to maintaining economic and social justice and equality. The government's policies will seek to expand the middle class, and to protect and support the poor. Poverty and unemployment are two evils that we should fight by all possible means. In this regard, the government will improve the current mechanism for helping the poor, and will seek to enhance the role of civil society organisations and the private sector in providing parallel support programs.”

(II) FOREWORD

EXECUTIVE SUMMARY

The Government of Jordan adopted its first Poverty Alleviation Strategy in 2002 recognizing poverty as a key development problem requiring a comprehensive policy for improving the lives of the poor and socially excluded, increasing their human capabilities, providing them with economic opportunities and fully integrating them in the society. Considerable progress in poverty reduction has been achieved. The Government has put in place a series of social programs aimed at increasing employment opportunities, curbing unemployment, combating poverty and offering in-kind and cash assistance for the poor and marginalized groups within Jordanian society. These measures helped to reduce the incidence of absolute poverty (measured on a comparable basis).

However, significant challenges remain to the full implementation of a comprehensive policy to reduce and, ideally, eliminate poverty in Jordan. In addition, progress has been threatened by adverse changes in the world economy that have exerted critical social and economic pressures on the Arab states, including Jordan. The global economic crisis has affected Jordan by the increased fiscal deficit that restricted the fiscal space for implementing employment generation and social protection programs, led to a fall in FDI and remittances, severely limited opportunities for productive jobs, and eroded household incomes by rising food and energy prices. These effects of the global economic crisis have impacted on Jordan's progress towards poverty reduction.

The new development context shaped by the protracted global crisis and turbulent developments in the Arab world necessitates new, increased and more consistent efforts to fight poverty and advance human development in Jordan. Therefore the Government has put forward this Poverty Reduction Strategy (PRS) containing results-oriented policy measures and a sound monitoring system to address the economic crisis and ensure sustainable and improving living standards for the poor and below middle class people of Jordan.

The key strategic development directions of Jordan are defined in the National Agenda, 2006-2015. PRS is an extension of the National Agenda 2006-15 (NA). It presents a detailed roadmap to implement the poverty reduction components of the NA. It does this by taking into account newly available poverty data and the emerging socio-economic environment, and by assessing available resources and considering trade-offs, to deliver a clear set of policies and a series of tangible actions to contain and reduce poverty in Jordan.

In addition to these strategic framework documents the development planning system in Jordan comprises a number of sector based strategies that serve as planning instruments for implementation of the National Agenda, such as the National Employment Strategy (2011-2020). The present Poverty Reduction Strategy, 2013-2020 has been similarly designed for addressing poverty as a complex multi-dimensional phenomenon by a holistic approach bringing together development efforts of several government ministries, other government stakeholders, civil society organizations and the donor community. PRS is both a comprehensive and targeted strategy, which is results-oriented. It will be *comprehensive* in that the strategy will engage with the range of sectors (e.g. social protection, health, employment and infrastructure) required to address poverty reduction holistically. Yet, it will also be

targeted in that the strategy will only engage with those areas of the identified sectors directly related to poverty reduction. In addition, the strategy will be *results-oriented*. To achieve this PRS will include fully costed and financially viable policy measures and corresponding actions, and a sound monitoring system with which to track and evaluate them.

The new PRS 2013-2020 is aligned with other national strategies (such as the National Employment Strategy, education strategy, transport strategy, tourism strategy) and also with the Millennium Development Goals. It is based on a careful review of the first poverty alleviation strategy, revision of its priorities and initiatives and improved formulation of outputs and result indicators. PRS 2013-2020 takes account of lessons learned from the implementation of poverty reduction policies and addresses weakness identified in the first strategy. Combating poverty in a holistic way by promoting human development, PRS includes measures for social inclusion and gender equality, environment, accountability and voice that were overlooked in the previous strategy.

Unresolved issues of poverty, inequality and ineffectiveness of social policy highlight shortcomings and omissions that have been accumulating over the past years, the major ones being a lack of any coherent policy to reduce poverty, limited public sector capacity, corruption in state structures and lack of transparency in making decisions that are important for the country, and particularly its disadvantaged citizens, including some women, children, older people and people with disabilities. Inefficient public administration reduced the benefits of growth and development for a broad group of people and exacerbated the unfair distribution of resources penalizing especially the most vulnerable groups.

Given the multi-dimensional nature of poverty embracing both income and human poverty, as well as lack of capabilities and social exclusion as its key causes, a strategy to reduce and prevent poverty needs to be holistic and comprehensive. Apart from consumption subsidies and income support mechanisms PRS needs to focus on investment in human capital and building poor people's capability for productive employment and entrepreneurship. In view of the economic and fiscal crisis PRS also incorporates measures *preventing* poverty as a large group of Jordanian population with incomes only slightly above the poverty level are vulnerable to high poverty risks. This specific context of Jordan requires a PRS that comprises policies supporting both the poor and the below middle class and leading to sustainable improvement of people's welfare and increased economic activity based on relevant skills, available jobs and opportunities for entrepreneurship supported by necessary infrastructure and public services.

Responding to the new challenges and addressing the needs of the people of Jordan at this turning point of the country's development the Government of Jordan has formulated the following vision for poverty reduction, the Government's mission of realizing this vision and guiding principles of PRS for 2013-2020.

VISION STATEMENT

By 2020, all Jordanians achieve an improved state of well-being; enjoy quality basic services, higher living standards, and gainful employment; and experience inclusion, equality and resilience.

MISSION STATEMENT

To implement effectively, efficiently and sustainably a comprehensive range of poverty reduction measures to benefit poor, vulnerable and marginalized Jordanians.

GUIDING PRINCIPLES (CORE VALUES)

- Ensure **equality and inclusion** for all Jordanians;
- Promote the **resilience** of poor and vulnerable households;
- Uphold **human rights** for all Jordanians, especially women, children and persons with disabilities; and
- Encourage **voice and accountability** for the poor, vulnerable and marginalized.

PRS GOALS

The current socio-economic environment in Jordan could lead to an increase in poverty and less financial resources to address it. Therefore, PRS aims to both *contain* and *reduce* poverty. Such containment would require the promotion of *resilience* (i.e. mitigation of vulnerability), whilst reduction would require attempts at alleviating both *poverty* and *inequality*. It is envisioned that this two-fold aim will be achieved by targeting both the poor and those immediately above the national poverty line. The latter group are deemed vulnerable to falling into poverty should the socio-economic climate deteriorate.

The overall goal of PRS is therefore:

To contain and reduce poverty, vulnerability and inequality in the current socio-economic environment of Jordan, from 2013 to 2020, through the adoption of a holistic and results-oriented approach, which targets poor and below middle class households.

Based on the overall vision, mission and guiding principles the Government has defined the following specific goals of PRS.

1. To better harmonize all public, private and civil society poverty reduction programming;
2. To deliver expanded, increasingly aligned and better-targeted social protection measures to members of poor and vulnerable households;
3. To provide more gainful employment to Jordanians, especially youth, women and persons with disabilities;
4. To work towards the elimination of child labor;

5. To provide micro and small business incentives and more effective small and micro-finance, to male and female members of poor and vulnerable households;
6. To supply more accessible and affordable basic health services to male and female members of poor and vulnerable households, the elderly and persons with disabilities;
7. To supply more accessible basic education services, and more effective vocational training, to male and female members of poor and vulnerable households, the elderly and persons with disabilities;
8. To alleviate the impacts of climate change and environmental degradation upon the members of poor and vulnerable households; and
9. To provide improved transport, housing and utilities to members of poor and vulnerable households.

Policies and measures designed to achieve the PRS main goals have been combined into five strategic pillars, reflecting the comprehensive nature of poverty reduction policies required. Cross-cutting themes such as gender equality and environmental sustainability have been mainstreamed throughout the strategy and integrated in its strategic pillars.

STRUCTURE OF THE STRATEGY

Five strategic pillars have been selected to identify the required sectors that need be addressed to alleviate poverty holistically in Jordan. Identifying the most suitable distribution included a number of considerations: First, that the pillars address the main root causes and characteristics of poverty in Jordan (e.g. socio-economic and spatial dimensions of poverty) whilst also reflecting key policy issues (e.g. balancing welfare with employment) that must necessarily be resolved in the Jordanian context. Second, those similar or related sectors are grouped to allow for the mobilization of expertise and cross-sectoral consultation with which to develop policy measures. Third, that the grouping of pillars would most likely result in an evenly distributed set of policy measures.

Gender and environment are integrated in PRS as crosscutting issues. However, both gender and environment have also been incorporated into strategic pillars. This has been done to provide a location to include gender or environment specific policy measures. The following are the five strategic pillars for PRS:

STRATEGIC PILLAR 1: SOCIAL WELFARE & GENDER

Jordan has built a developed system of social protection comprising consumption and tax subsidies, targeted cash transfers, social insurance and social care; however under the conditions of the economic crisis the system of social support has failed to prevent an increase in abject poverty. Furthermore, the economic crisis and fiscal deficit have put severe pressures on the availability of funds needed to provide consumer subsidies and cash transfers necessitating reforms aimed at reducing subsidies and improving targeting of cash transfers to the poor. The social welfare pillar of PRS therefore contains policy measures for better targeting of cash transfers (i.e. reducing inclusion

and exclusion errors), effective social insurance and social care services providing an inclusive social protection system for the poor and below middle class households.

The key policy and technical issues related to the design of effective social assistance to the poor include creating mechanisms for integrating poor people of working age into the labor market and income generation activities through welfare-to-work measures, including vocational training, job search counseling, and support to self-employment.

The scope of the PRS also includes a realistic strategy for reducing consumption and tax subsidies in view of the unsustainable fiscal deficit, so that removal of subsidies would be implemented gradually with a minimal adverse effect on the poor and below middle class and would not lead to an expansion of the ranks of the poor.

STRATEGIC PILLAR 2: PRO-POOR EMPLOYMENT AND ENTREPRENEURSHIP

An effective poverty reduction strategy cannot be limited to income support mechanisms but requires activation policies stimulating income generation activities for the working-age poor. This approach is essential to break patterns of inter-generational poverty and for sustainability of poverty reduction outcomes. Without increased levels of economic activity and productivity by the working-age poor, social welfare policies are likely to be counterproductive as they would reinforce dependency patterns among beneficiaries by creating poverty traps which undermine incentives to take up jobs. In order to create sufficient job opportunities poverty reduction measures should be aligned with economic growth policies and include investment in education and skills. Therefore, this PRS strategic pillar includes activation policies for the working poor and unemployed, support to SMEs by counseling, tax incentives and financial mechanisms, such as microfinance.

Employment and labor market policies will need to provide temporary income support to the unemployed but such support should include activation incentives for people of working age to find jobs or set up own businesses, so that poverty reduction measures produce sustainable results by investing in human capital, economic growth and social development. A particular target group of this policy is young people requiring support for starting economic activities upon completion of education. Measures developed within PRS in the area of employment and entrepreneurship will be aligned with the National Employment Strategy (2011-2020) in order to exploit synergies and avoid overlapping and duplication.

STRATEGIC PILLAR 3: INCLUSIVE EDUCATION AND HEALTH SERVICES

According to poverty assessments low levels of education and skills are an important determinant of poverty; on the contrary, living standards normally increase with education. That is why this strategic pillar of PRS includes key policies and measures needed for investment in the human capital of the poor in order to develop their capacity and productivity and to increase their living standards. Poor health is an important correlate of poverty, therefore equitable access to health services is another important component of PRS.

The key policy and technical issues related to the design of the education and health components of PRS include:

- Assisting the poor to overcome the specific spatial and socio-economic constraints they experience when accessing education and health services, particularly in poor rural areas, and
- Enhancing the skill base of the poor and below middle class, particularly of the young people, to increase their employability and competitiveness in the labor market and to promote their career and business entrepreneurship.

The pillar specifically addresses measures for more effective vocational education and training meeting the changing demand for skills in the labor market with effective monitoring of demand for qualifications. The scope of PRS also includes actions for further improvement of child and maternal health ensuring achievement of national MDGs. Measures should also be aligned with the National strategy for Health 2008-2012 and the National Strategy for Education 2009-2013.

STRATEGIC PILLAR 4: PRO-POOR AGRICULTURE AND ENVIRONMENT

The rural population of Jordan faces a higher risk of poverty compared to urban residents due to limited employment and business opportunities and inadequate access to social services. This pillar of PRS therefore focuses on rural development, in particular by supporting productive use of land and water, as a key asset available to rural small holders, for increased agricultural and food production and improved livelihoods of the rural poor.

This pillar includes food and agricultural production as a source of livelihood and income generation for the rural poor, particularly in rural pockets of poverty, food security, rural development, preservation and sustainable use of natural resources, particularly land and water.

The key policy and technical issues related to the design of the pro-poor agriculture, environment and rural development component of PRS include creating productive employment and income generation opportunities for the rural poor, especially small holders who need support in farming their land by microfinance and extension services, development of agro-processing value chain that will create new jobs and increase local food production for consumption by rural residents and for food supplies to Jordan's urban population and for its tourism industry. This pillar also ensures mainstreaming of environmental sustainability throughout the whole strategy as a cross-cutting activity. It contains measures against land degradation and preservation of and rational use of water resources, and also considers measures aimed at preparing for pro-poor climate change adaptation. All the proposed PRS objectives have been scrutinized from the viewpoint of environmental impact and sustainable use of natural resources.

STRATEGIC PILLAR 5: TRANSPORT AND HOUSING FOR THE POOR

The fifth pillar of PRS includes development of transport and housing, with a focus on ensuring access to services for the poor. Provision of essential infrastructure and services to poor and disadvantaged communities is highly needed to improve their living conditions and contribute to human development. Access to affordable housing for the poor requires targeted measures for the rural pockets of poverty as well as for

overcrowded urban areas. Better transportation is crucially needed for the development of poor localities in order to link them to markets and thus create better economic opportunities. Measures are also aligned with the National Strategy for Transport 2012-2014.

Policy issues in each of these strategic pillars are discussed in detail in this Strategy and policy measures to improve the position of poor Jordanians and to reduce and eliminate poverty are set out in the Strategy.

IMPLEMENTATION AND ACTION PLAN

Section 4 of this Strategy sets out how it will be implemented, monitored and evaluated and the structures which will be established in order to do so.

Implementation of the Poverty Reduction Strategy will be of critical importance. Research shows that the majority of strategies are not fully implemented and, therefore, do not achieve their full objectives. There are a variety of factors which lead to sub-optimal implementation. These include lack of buy-in by policy-makers and senior public service management; lack of communication with both public sector staff and management, and with other key stakeholders and the general public; strategies not linked to budgets, and lack of reporting structures.

It is essential that these issues should be addressed if the Poverty Reduction Strategy is to deliver on its full potential. The Strategy outlines

- the implementation and reporting structures which will apply to the PRS;
- the development of a communications strategy;
- Jordan Integrated Outreach Program;
- promoting voice and accountability in civil society; and
- International co-operation.

A detailed Action Plan will be developed, following agreement of the PRS. This will set out, in detail, the specific actions to be taken and will identify the agency (or agencies) responsible for implementation of different actions, the key performance indicators against which implementation will be assessed; and will identify the costs and resources required. The Action Plan will also include a general poverty reduction indicators for the overall Strategy and broad performance indicators (based on each policy measure) and broad outcome indicators (based on the goals of PRS), and relevant MDGs.

CONCLUSION

This Strategy recognizes the importance of a comprehensive approach to poverty and the necessity that such a strategy be developed and implemented using consultation and evidence based planning. To become a true national strategy, all sectors of Jordanian society – public bodies at national and local level, employers and workers, communities and families – must play their role in ending poverty. The Government of Jordan, for its part, undertakes to continue the focus on eliminating poverty as a priority and to mobilize the resources necessary to achieve this aim.

1. APPROACHING POVERTY REDUCTION IN JORDAN

In this chapter the context for the development of a new Poverty Reduction Strategy in Jordan is set out. This also discuss how poverty will be defined and measured under the new Strategy.

1.1 THE AIM AND SCOPE OF PRS

INTRODUCTION

The Ministry of Social Development in May 2002 prepared a comprehensive national strategy to combat poverty in the Hashemite Kingdom of Jordan, taking into account the various dimensions associated with poverty. The National Strategy provided a government-wide roadmap for poverty reduction initiatives. It is the first comprehensive national plan to address *health care, the environment, education, sustainable microfinance, economic security of low-income working families, and employment opportunities in rural areas and secondary towns in the context of alleviating poverty*, but it focused more on combating poverty than on providing a comprehensive social policy. There was no mention in the report of issues such as the role of women, domestic violence, child protection, etc., and it did not address other activities that contributed to increased economic opportunities and thus, serve to alleviate poverty gradually such as tourism, economic environment, market access, infrastructure development, etc. The strategy also addressed the longer-term policies for employment creation through strong partnerships between the public and private sectors and raising the awareness of citizens.

The National Strategy has introduced new ways of thinking about management change in government. It has automated processes and procedures formerly done by hand, enabling easier collection and manipulation of data and statistics. The use of GIS technology for poverty mapping was a first for Jordan; the results have been widely used and consulted at the highest levels of government. The National Strategy illustrated an approach for developing a social safety net system for a country moving from lower-middle income status aiming to integrate into the global economy. The strategy report contained short-, medium-, and long-term recommendations for alleviating poverty among the poorest of the poor, the poor, and the near-poor, based on the poverty line for Jordan developed by the World Bank in 1997 and updated in 1999.

The Cabinet endorsed and approved the National Strategy in June 2002, the first time social elements were included in any poverty reduction plan in Jordan. The National Strategy is compatible with the Socio-Economic Transformation Plan that also included cash assistance and health, education, cluster village development, and administrative reforms for the National Aid Fund (NAF) consistent with elements of the National Strategy.

Considerable progress in poverty reduction has been achieved. The Government has put in place a series of social programs aimed at increasing employment opportunities, curbing unemployment, combating poverty and offering in-kind and cash assistance for the poor and marginalized groups within Jordanian society. These measures helped to reduce the incidence of absolute poverty (measured on a comparable basis).

However, significant challenges remain to the full implementation of a comprehensive policy to reduce and, ideally, eliminate poverty in Jordan. In addition, progress has been threatened by adverse changes in the world economy that have exerted critical social and economic pressures on the Arab states, including Jordan. The global economic crisis has affected Jordan by the increased fiscal deficit that restricted the fiscal space for implementing employment generation and social protection programs, led to a fall in FDI and remittances, severely limited opportunities for productive jobs, and eroded household incomes by rising food and energy prices. These effects of the global economic crisis have impacted on Jordan's progress towards poverty reduction.

The new development context shaped by the protracted global crisis and turbulent developments in the Arab world necessitates new, increased and more consistent efforts to fight poverty and advance human development in Jordan. Therefore the Government has put forward this Poverty Reduction Strategy (PRS) containing results-oriented policy measures and a sound monitoring system to address the economic crisis and ensure sustainable and improving living standards for the poor and below middle class people of Jordan.

The National Agenda 2006-2015 included a theme on poverty alleviation as part of the challenges facing Jordan and proposed a number of policies and initiatives aimed at reducing poverty, but failure to translate these policies and initiatives into executive programs and action plans specifying the roles and functions of various bodies, has led to the failure to implement many of these initiatives, in addition to the continuation of the vast majority of the major challenges facing poverty reduction. The National Agenda identified the following initiatives to be implemented, to achieve poverty reduction:

- Create a National Council for Development and Poverty Alleviation
- Develop a comprehensive national social policy with a focus on social development and productivity enhancement
- Strengthen human resources capacities to implement poverty alleviation programs
- Develop a clear understanding of the poverty root causes and characteristics
- Restructure the National Aid Fund
- Provide assistance to the unemployed poor to integrate in the workforce
- Upgrade social skills of welfare workers
- Increase penetration of microfinance services in poor communities
- Expand village cluster programs and services in rural areas.

PRS is an extension of the National Agenda 2006-15 (NA) and the Executive Development Programme 2001-2013. It presents a detailed roadmap to implement the poverty reduction components of the NA. It does this by taking into account newly available poverty data and the emerging socio-economic environment, and by assessing available resources and considering trade-offs, to deliver a clear set of policies and a series of tangible actions to contain and reduce poverty in Jordan.

In addition to these strategic framework documents the development planning system in Jordan comprises a number of sector based strategies that serve as planning instruments for implementation of the National Agenda, such as the National Employment Strategy (2011-2020) and the Microfinance Strategy. The present Poverty

Reduction Strategy, 2013-2020 has been similarly designed for addressing poverty as a complex multi-dimensional phenomenon by a holistic approach bringing together development efforts of several government ministries, other government stakeholders, civil society organizations and the donor community. The PRS framework envisions a comprehensive poverty reduction strategy, which is based on evidence and a consultative process. It mainstreams gender, environment and disability. PRS is both a comprehensive and targeted strategy, which is results-oriented. It will be *comprehensive* in that the strategy will engage with the range of sectors (e.g. social protection, health, employment and infrastructure) required to address poverty reduction holistically. Yet, it will also be *targeted* in that the strategy will only engage with those areas of the identified sectors directly related to poverty reduction. In addition, the strategy will be *results-oriented*. To achieve this PRS will include fully costed and financially viable policy measures and corresponding actions, and a sound monitoring system with which to track and evaluate them.

The new PRS 2013-2020 is aligned with other national strategies (such as the National Employment Strategy, education strategy, transport strategy, tourism strategy) and also with the Millennium Development Goals. It is based on a careful review of the first poverty alleviation strategy, revision of its priorities and initiatives and improved formulation of outputs and result indicators. PRS 2013-2020 takes account of lessons learned from the implementation of poverty reduction policies and addresses weakness identified in the first strategy. Combating poverty in a holistic way by promoting human development, PRS includes measures for social inclusion and gender equality, environment, accountability and voice that were overlooked in the previous strategy.

Box 1.1: Millennium Development Goals

The 2000 Millennium Declaration adopted by 189 Member States of the United Nations was a defining moment for global cooperation at the outset of the 21st Century. The Declaration captured previously agreed goals on international development, and gave birth to a set of concrete and measurable development objectives known as the Millennium Development Goals. These goals also represent a consolidation of all agreed targets associated with the United Nations development agenda, representing the culmination of several important United Nations summits held during the previous decade, including summits on sustainable development, education, children, food, women, population and social development.

They are the world's quantified, time-bound targets for addressing extreme poverty, hunger and disease, and for promoting gender equality, education and environmental sustainability. They are also an expression of basic human rights: the rights of everyone to good health, education and shelter. The eighth Goal, to build a global partnership for development, includes commitments in the areas of development assistance, debt relief, trade and access to technologies.¹

Discussion of the MDGs for the post-2015 period is currently underway and the outcome of these discussions will be taken into account in future revisions of the Poverty Reduction Strategy.

Poverty reduction policies have not yet managed to ensure that poor people enjoy their full rights and entitlements, which impedes their way out of poverty. The new strategy will support the livelihoods of the poor through a human rights-based approach (HBRA) to development.

The previous strategy did not sufficiently promote the role of women, thus gender disparity in Jordan is still wide. PRS will include new measures promoting gender equality which will contribute to women's ability to exercise their rights and fully contribute to development and poverty reduction.

The social safety net does not yet meet the needs of all the poor and is unable to lift them out of poverty as it did not include effective policies that contribute to increased economic opportunities. In the new PRS poverty reduction efforts will be underpinned by developing favorable economic environment for small business, market access, and infrastructure development.

Unresolved issues of poverty, inequality and ineffectiveness of social policy highlight shortcomings and omissions that have been accumulating over the past years, the major ones being a lack of any coherent policy to reduce poverty, limited public sector capacity, corruption in state structures and lack of transparency in making decisions that are important for the country, and particularly its disadvantaged citizens, including some women, children, older people and people with disabilities. Inefficient public administration reduced the benefits of growth and development for a broad group of

¹ For Jordan's progress in achieving the MDGs, see MoPIC and UN (2010).

people and exacerbated the unfair distribution of resources penalizing especially the most vulnerable groups.²

Given the multi-dimensional nature of poverty embracing both income and human poverty, as well as lack of capabilities and social exclusion as its key causes, a strategy to reduce and prevent poverty needs to be holistic and comprehensive. Apart from consumption subsidies and income support mechanisms PRS needs to focus on investment in human capital and building poor people's capability for productive employment and entrepreneurship. In view of the economic and fiscal crisis PRS also incorporates measures *preventing* poverty as a large group of Jordanian population with incomes only slightly above the poverty level are vulnerable to high poverty risks (Economic and Social Council, 2010). This specific context of Jordan requires a PRS that comprises policies supporting both the poor and the below middle class and leading to sustainable improvement of people's welfare and increased economic activity based on relevant skills, available jobs and opportunities for entrepreneurship supported by necessary infrastructure and public services.

Responding to the new challenges and addressing the needs of the people of Jordan at this turning point of the country's development the Government of Jordan has formulated the following vision for poverty reduction, the Government's mission of realizing this vision and guiding principles of PRS for 2013-2020.

PRS VISION, MISSION AND VALUES

VISION STATEMENT

By 2020, all Jordanians achieve an improved state of well-being; enjoy quality basic services, higher living standards, and gainful employment; and experience inclusion, equality and resilience.

MISSION STATEMENT

To implement effectively, efficiently and sustainably a comprehensive range of poverty reduction measures to benefit poor, vulnerable and marginalized Jordanians.

GUIDING PRINCIPLES (CORE VALUES)

- Ensure **equality and inclusion** for all Jordanians;
- Promote the **resilience** of poor and vulnerable households;
- Uphold **human rights** for all Jordanians, especially women, children and persons with disabilities; and
- Encourage **voice and accountability** for the poor, vulnerable and marginalized.

² See UNDP, (2011).

PRS GOALS

The current socio-economic environment in Jordan could lead to an increase in poverty and less financial resources to address it. Therefore, PRS aims to both *contain* and *reduce* poverty. Such containment would require the promotion of *resilience* (i.e. mitigation of vulnerability), whilst reduction would require attempts at alleviating both *poverty* and *inequality*. It is envisioned that this two-fold aim will be achieved by targeting both the poor and those immediately above the national poverty line. The latter group are deemed vulnerable to falling into poverty should the socio-economic climate deteriorate.

The overall goal of PRS is therefore:

To contain and reduce poverty, vulnerability and inequality in the current socio-economic environment of Jordan, from 2013 to 2020, through the adoption of a holistic and results-oriented approach, which targets poor and below middle class households.

Based on the overall vision, mission and guiding principles the Government has defined the following specific goals of PRS.

1. To better harmonize all public, private and civil society poverty reduction programming;
2. To deliver expanded, increasingly aligned and better-targeted social protection measures to members of poor and vulnerable households;
3. To provide more gainful employment to Jordanians, especially youth, women and persons with disabilities;
4. To work towards the elimination of child labor;
5. To provide micro and small business incentives and more effective small and micro-finance, to male and female members of poor and vulnerable households;
6. To supply more accessible and affordable basic health services to male and female members of poor and vulnerable households, the elderly and persons with disabilities;
7. To supply more accessible basic education services, and more effective vocational training, to male and female members of poor and vulnerable households, the elderly and persons with disabilities;
8. To alleviate the impacts of climate change and environmental degradation upon the members of poor and vulnerable households; and
9. To provide improved transport, housing and utilities to members of poor and vulnerable households.

Policies and measures designed to achieve the PRS main goals have been combined into five strategic pillars, reflecting the comprehensive nature of poverty reduction policies required. Cross-cutting themes such as gender equality and environmental sustainability have been mainstreamed throughout the strategy and integrated in its strategic pillars.

STRUCTURE OF THE STRATEGY

STRATEGIC PILLAR 1: SOCIAL WELFARE & GENDER

Jordan has built a developed system of social protection comprising consumption and tax subsidies, targeted cash transfers, social insurance and social care; however under the conditions of the economic crisis the system of social support has failed to prevent an increase in abject poverty. Furthermore, the economic crisis and fiscal deficit have put severe pressures on the availability of funds needed to provide consumer subsidies and cash transfers necessitating reforms aimed at reducing subsidies and improving targeting of cash transfers to the poor. The social welfare pillar of PRS therefore contains policy measures for better targeting of cash transfers (i.e. reducing inclusion and exclusion errors), effective social insurance and social care services providing an inclusive social protection system for the poor and below middle class households.

The key policy and technical issues related to the design of effective social assistance to the poor include creating mechanisms for integrating poor people of working age into the labor market and income generation activities through welfare-to-work measures, including vocational training, job search counseling, and support to self-employment.

The scope of the PRS also includes a realistic strategy for reducing consumption and tax subsidies in view of the unsustainable fiscal deficit, so that removal of subsidies would be implemented gradually with a minimal adverse effect on the poor and below middle class and would not lead to an expansion of the ranks of the poor.

STRATEGIC PILLAR 2: PRO-POOR EMPLOYMENT AND ENTREPRENEURSHIP

An effective poverty reduction strategy cannot be limited to income support mechanisms but requires activation policies stimulating income generation activities for the working-age poor. This approach is essential to break patterns of inter-generational poverty and for sustainability of poverty reduction outcomes. Without increased levels of economic activity and productivity by the working-age poor, social welfare policies are likely to be counterproductive as they would reinforce dependency patterns among beneficiaries by creating poverty traps which undermine incentives to take up jobs. In order to create sufficient job opportunities poverty reduction measures should be aligned with economic growth policies and include investment in education and skills. Therefore, this PRS strategic pillar includes activation policies for the working poor and unemployed, support to SMEs by counseling, tax incentives and financial mechanisms, such as microfinance.

Employment and labor market policies will need to provide temporary income support to the unemployed but such support should include activation incentives for people of working age to find jobs or set up own businesses, so that poverty reduction measures produce sustainable results by investing in human capital, economic growth and social development. A particular target group of this policy is young people requiring support for starting economic activities upon completion of education. Measures developed within PRS in the area of employment and entrepreneurship will be aligned with the National Employment Strategy (2011-2020) in order to exploit synergies and avoid overlapping and duplication.

STRATEGIC PILLAR 3: INCLUSIVE EDUCATION AND HEALTH SERVICES

According to poverty assessments low levels of education and skills are an important determinant of poverty; on the contrary, living standards normally increase with education. That is why this strategic pillar of PRS includes key policies and measures needed for investment in the human capital of the poor in order to develop their capacity and productivity and to increase their living standards. Poor health is an important correlate of poverty, therefore equitable access to health services is another important component of PRS.

The key policy and technical issues related to the design of the education and health components of PRS include:

- Assisting the poor to overcome the specific spatial and socio-economic constraints they experience when accessing education and health services, particularly in poor rural areas, and
- Enhancing the skill base of the poor and below middle class, particularly of the young people, to increase their employability and competitiveness in the labor market and to promote their career and business entrepreneurship.

The pillar specifically addresses measures for more effective vocational education and training meeting the changing demand for skills in the labor market with effective monitoring of demand for qualifications. The scope of PRS also includes actions for further improvement of child and maternal health ensuring achievement of national MDGs. Measures should also be aligned with the National strategy for Health 2008-2012 and the National Strategy for Education 2009-2013.

STRATEGIC PILLAR 4: PRO-POOR AGRICULTURE AND ENVIRONMENT

The rural population of Jordan faces a higher risk of poverty compared to urban residents³ due to limited employment and business opportunities and inadequate access to social services. This pillar of PRS therefore focuses on rural development, in particular by supporting productive use of land and water, as a key asset available to rural small holders, for increased agricultural and food production and improved livelihoods of the rural poor.

This pillar includes food and agricultural production as a source of livelihood and income generation for the rural poor, particular in rural pockets of poverty, food security, rural development, preservation and sustainable use of natural resources, particularly land and water.

The key policy and technical issues related to the design of the pro-poor agriculture, environment and rural development component of PRS include creating productive employment and income generation opportunities for the rural poor, especially small holders who need support in farming their land by microfinance and extension services, development of agro-processing value chain that will create new jobs and increase local food production for consumption by rural residents and for food supplies to Jordan's urban population and for its tourism industry. This pillar also ensures mainstreaming of environmental sustainability throughout the whole strategy as a cross-cutting activity.

³ Although the majority of poor Jordanians live in urban areas due to the distribution of the population.

It contains measures against land degradation and preservation of and rational use of water resources, and also considers measures aimed at preparing for pro-poor climate change adaption. All the proposed PRS objectives have been scrutinized from the viewpoint of environmental impact and sustainable use of natural resources.

STRATEGIC PILLAR 5: TRANSPORT AND HOUSING FOR THE POOR

The fifth pillar of PRS includes development of transport and housing, with a focus on ensuring access to services for the poor. Provision of essential infrastructure and services to poor and disadvantaged communities is highly needed to improve their living conditions and contribute to human development. Access to affordable housing for the poor requires targeted measures for the rural pockets of poverty as well as for overcrowded urban areas. Better transportation is crucially needed for the development of poor localities in order to link them to markets and thus create better economic opportunities. Measures are also aligned with the National Strategy for Transport 2012-2014.

IMPLEMENTATION AND ACTION PLAN

Section 4 of this Strategy sets out how it will be implemented, monitored and evaluated and the structures which will be established in order to do so. This will set out, in detail, the specific actions to be taken and will identify the agency (or agencies) responsible for implementation of different actions, the key performance indicators against which implementation will be assessed; and will identify the costs and resources required.

THE METHODOLOGY AND PROCESS OF DESIGNING PRS

The Ministry of Planning and International Cooperation and the Ministry of Social Development embarked on a joint initiative to formulate a New Poverty Alleviation Strategy based on the previous strategy, the National Agenda, and the National Executive program. To this end a committee was formed chaired by HE the Minister of Social Development, and HE Minister of Planning, as vice-chairman, with the membership of: the Ministry of Industry and Trade, Ministry of Health, Ministry of Education, Ministry of Agriculture, Ministry of Labor, General Corporation for Social Security, the National Aid Fund, the Zakat Fund, and the Department of Statistics. The committee was entrusted with the mission of drafting a new strategy that will go hand in hand with the Executive Program for the years 2011-2013.

The PRS was developed by the Government of Jordan in a participatory and consultative way incorporating the recommendations of the United Nations Development Program (UNDP), other UN agencies, the World Bank, Columbia University Middle East Research Centre (CUMERC), and other international organizations. Government ministries and agencies, and civil society were actively involved in the formulation and discussion of PRS. Such public discussion has been used to mobilize creative potential for finding solutions to pressing problems, make difficult choices while prioritizing interventions and allocating financial resources.

In 2011, the GoJ requested technical assistance to support the two main governmental stakeholders in the PRS formulation process: the Ministry of Social Development (MoSD) and the Ministry of Planning and International Development (MoPIC). UNDP was tasked with offering support to policy analysis and the preparation of the PRS

document, whilst the World Bank (WB) undertook the preparation of a series of background papers for the PRS. In addition, Columbia University's Earth Institute (EI) carried out preliminary poverty-related data analysis and, due to their expertise in the area, the development of key aspects of social care delivery. Following a review of Jordan's previous Poverty Alleviation Strategy (2002) and as a result of consultations with MoSD, MoPIC, WB and EI the following was agreed: (i) a framework for the PRS; (ii) a strategic planning process; and (iii) a provisional PRS structure. National and international experts were engaged in drafting 23 Policy Options Papers (PoPs) considering key policy areas that the new PRS would address. PoPs had been proposed as a tool for formulating evidence-based policy choices regarding poverty reduction and human development, stimulating stakeholder discussion of proposed options and making informed decisions on selecting particular options through a consultative process.

To guide the development of the poverty reduction strategy (PRS) and to establish a consultative participatory process in formulating the strategy, a PRS Task Force and five Technical Committees were formed by the MoSD, to discuss the POPs and the results coming out of the questionnaire which was distributed to all government entities, and a number of NGOs, involved in implementing poverty related projects and initiatives. At the sub-national level, the Earth Institute, Columbia University was engaged in in-depth, targeted discussions with over 200 members from the lowest economic category across 7 governorates to gain qualitative insight into the profile of poverty in the country.

In March 2012, the Minister of MoSD, formed a Peer Review Committee (PRC) to assess the POPs. The PRC comprised of the Director General of NAF, Secretary General of MoSD, and Secretary General of MoPIC. Policy Options Papers (PoPs) were submitted by UNDP to the PRC for review. UNDP developed criteria for the evaluation of the PoPs, and designed a questionnaire to map existing poverty reduction policies, programs, projects and initiatives, funds available, and existing gaps in terms of capacities and funding.

PoPs were offered for a broad review and served as a basis for a series of discussions and consultations on PRS with government officials, representatives of civil society, and businesses, international organizations, public and private press and other stakeholders. The POPs were completed in early July 2012 and the GoJ, in a two-day workshop held in Amman, selected preferred policies.. The workshop served as platform for reaching agreements on the choice of policy options laid out by each PoP, so that the agreed options have formed the core set of policy actions in the PRS. Participants included senior officials from participating governmental institutions, peer reviewers, members of civil society, and some of those experts who prepared the PoPs.

Upon completion of the analytical and consultation phase the work on PRS entered a planning phase that included drafting the strategy outline, planning actions, resources, costs, and the development of a monitoring and evaluation system. Result-orientation, prioritization of objectives and a time-bound action plan with performance indicators is an important new feature of PRS compared to previous strategies. The draft PRS was further submitted for Government review and public discussion with feedback, comments and amendments incorporated in the final version.

The evidence base for policies formulated in the PRS has been built upon the latest data from ministries and agencies, including the Household Income and Expenditure Survey

(2010) and Labor Market Surveys regularly run by the Department of Statistics (DoS), as well as the assessments of independent research institutions. The findings of these assessments, which included questionnaire-based surveys and focus group discussions, helped to incorporate the opinions of various stakeholders including the most vulnerable groups of the population in the development of the PRS.

The Strategy also incorporates the recommendations and assessments of the staff and experts of the United Nations Development Program (UNDP), World Bank, CUMERC, UNICEF, USAID and other international organizations providing assistance to Jordan in addressing its most pressing development issues. Inter alia, UNDP and UNICEF studies dedicated to the review of living standards and the social protection program in Jordan made a significant contribution to the PRS.

The broad participatory process of designing the PRS has made a major contribution to building planning and policy making capacity in the Government of Jordan. At the same time it highlighted the need for new knowledge and skills in the Government in order to develop and implement economic and social policies. In this regard, the Government intends to continue cooperation with UNDP and other international organizations to strengthen national capacity for the formulation and implementation of a comprehensive development strategy, including wide public dialogue.

1.2 MEASURING POVERTY

Turning from the general aims and scope of the PRS, we examine how we measure and define poverty for the purposes of the Strategy. The UN has adopted the following definition:

Poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow one's food or a job to earn one's living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living on marginal or fragile environments, without access to clean water or sanitation.⁴

Poverty is a multi-dimensional phenomenon and as such can be measured in different ways. Money metric measures of poverty, while easily comparable, only capture one (albeit important) dimension of poverty. Multi-dimensional measures, although more complex, better reflect the multi-faceted nature of poverty. Therefore, the selection of a particular measure of poverty—and the instrument(s) used to collect poverty data—determines the resulting understanding of poverty. This in turn determines how detailed one's understanding of poverty may be, the ways one can target the poor, and potentially how successful the resulting poverty reductions policies are.

The choice of which measure of poverty to adopt rests largely on how one *defines* poverty; if one views poverty differently; one measures it differently. Furthermore, the way poverty is measured determines the way one can target the poor with different poverty reduction interventions. Debates over definitions of poverty are longstanding. They range from more simple definitions of poverty (with poverty defined in *absolute*

⁴ UN Statement, June 1998.

terms) to more complex multi-dimensional notions of poverty (with poverty defined in *relational* terms).

The former of these definitions—often promoted by the World Bank and other financial institutions—sees poverty as the inability to attain a minimal standard of living. Poverty is therefore measured in *material* terms (e.g. in terms of expenditure or income) and is often seen as an individual or household having insufficient food or money to achieve well-being. However, multi-dimensional notions of poverty—often promoted by UNDP and other institutions concerned with human development—conceptualize poverty as having economic and social dimensions. Poverty is therefore measured in *non-material* terms (in addition to material terms). An important aspect of defining poverty in this relational manner is that poverty is experienced relative to other individuals, households or social groups. This means that patterns of exclusion and structural inequality are linked to poverty (e.g. gender, age and social affiliation⁵ contribute to exclusion, inequality and poverty). These patterns of exclusion also translate to constraints in life opportunities (i.e. access to employment and essential services) further reinforcing inequality and states of poverty. Thus, the need to comprehend patterns of socio-political and economic exclusion and inequality becomes important to understand poverty.

In addition to debates regarding whether poverty is absolute and/or relational, learning from international contexts suggests that poverty is not a static condition. Therefore, understanding *vulnerability* (i.e. the impacts of shocks, trends seasonality upon poverty) in the Jordanian context is paramount. The need to understand the pathways of change from states of poverty to well-being, and vice versa, is therefore also important when selecting a poverty measure and instruments to collect poverty data.

A HISTORY OF POVERTY MEASUREMENT IN JORDAN

The seminal large-scale poverty assessment in Jordan dates back to 1973, when Al Assaf conducted a survey of over 15,000 households in Jordan entitled, *Income Distribution in Jordan*⁶. However, it was Al Sqoor *et al's* (1989) formative study that—following the prevailing international practices of the time—introduced a household targeted and money metric measure of poverty to Jordan. This measure, using expenditure as an indicator, identified poor and non-poor households by calculating absolute⁷ and abject⁸ poverty lines for the Kingdom. In 2004, with the support of the World Bank, national poverty lines were officially declared⁹. These poverty lines were again updated, most recently in 2010. As such, this measure stands at the principal measure of poverty in Jordan.

⁵ For example, class, ethnic, religious/sectarian, or tribal affiliation.

⁶ CCSS (2009).

⁷ The degree of poverty below which the minimal requirements for survival (i.e. minimum calorific requirement plus essential non-food items) are not met.

⁸ The degree of poverty below which the minimal requirement to feed oneself (i.e. minimum calorific requirement) is not met.

⁹ Based on data from the 2002 HEIS.

The Household Expenditure and Income Survey (HEIS), as the name suggests, is a survey—carried out by the Department of Statistics (DoS)—that assesses the income and expenditure and main characteristics of a national sample of households in Jordan. It is currently carried out in four rounds, one in each quarter of the year¹⁰. Moreover, since 2006 it has been undertaken every two years. It typically takes two years from the completion of the survey fieldwork to calculate the poverty line, compile data tables, and publish an analytical report. Furthermore, in 2002, with technical support from the World Bank, the HEIS was carried out with an expanded sample size. This allowed for the structured sampling of sub-districts, which in turn allowed for the identification of ‘poverty pockets’¹¹ in Jordan¹². In 2009 the GoJ in partnership with UNDP began to develop a multi-dimensional measure of poverty: the Quality of Life Index (QLI)¹³. Utilizing the HEIS 2010 (and HEIS 2002) as an instrument, household data relating to health, education, housing, neighborhood services and economic fields was utilized to produce a composite index reflecting deficiencies in standards of living.

TOWARDS A NEW UNDERSTANDING OF POVERTY

Following discussion the following policy approaches have been agreed as to how the GoJ will measure poverty. When selecting a measure of poverty and instruments to collect poverty data a multi-method approach is adopted. In this way triangulation will be achieved through comparison of various measures, instruments and targeting mechanism. This will, in turn, allow for the best understanding and targeting of poverty, and policies to alleviate it. As such, the approaches are complimentary. One common policy that is required in the context of Jordan is the need for a mutually agreed definition of poverty to be applied across government. This will be a first step in harmonizing poverty reduction efforts in Jordan.

MAINTAIN AND IMPROVE THE CURRENT MONEY-METRIC MEASURE OF POVERTY

This approach maintains the current money-metric measure of poverty (based on the HEIS data which has been used in calculating poverty lines to date). This will permit a comparison over time, since Jordan is a signatory of the agreement to realize the Millennium Developmental Goals by 2015. It also proposes evolving the HEIS into an Integrated Household Survey (IHS). The use of ‘poverty pockets’ for the geographical targeting of the poor could be continued, if desired (see Box 1.2) as a larger sample size will be included in the IHS or it could be developed to a system of ‘poverty mapping’ (see below).

¹⁰ It is important to note that in 2006 the HEIS was only carried out in two rounds due to financial constraints. As such the Ministry of Planning and International Cooperation (MoPIC) do not officially accept the 2006 data, as it is methodologically incomparable to preceding and subsequent versions of the HEIS (that were carried out over four rounds).

¹¹ A poverty pocket represents a district or sub-district in which more than 25% of the population is below the poverty line.

¹² In the 2002 HEIS 20 poverty pockets were identified. With 22 and 32 poverty pockets identified in 2006 and 2008, respectively. In 2010 27 poverty pockets were identified.

¹³ The QLI supplements—amongst other measures—the internationally recognized Multidimensional Poverty Index (MPI), Human Development Index (HDI), and Human Poverty Index (HPI) calculated for Jordan by UNDP.

Key policy measures/actions include:

- Adopt a mutually-agreed definition of poverty across all of government, by start-2013;
- Maintain the money-metric measure of poverty, and review by end-2020;
- Improve the methodology of the measure of poverty;
- Develop methodology for the IHS and build DoS capacity, by end-2014;
- Conduct the IHS throughout 2015; and
- Present poverty indicators and calculate the national poverty line regularly.

At the core of this approach is the evolution of the HEIS instrument into an IHS. This is suggested for two main reasons. First, the IHS will be based on an increased sample size resulting in a more accurate estimation of the poverty line and other sectoral indicators. Moreover, this vastly increased sample size – in addition to cross-referencing with the forthcoming National Census - would allow for a more reliable poverty mapping across the Kingdom.

Box 1.2: Percent Incidence of Poverty vs. Actual Number of Poor Households

Since 2002 'poverty pockets' have been used to geographically target poverty reduction interventions. 'Poverty pockets' represent sub-districts where more than 25% of the population are classified as poor (using percent incidence of poverty). This has resulted in large amounts of poverty reduction programming being targeted at predominantly rural 'poverty pockets'. However, if one looks at the locations of the largest numbers of poor households (using incidence of poverty) one would find that there are many more poor households in the urban areas of Amman, Zarqa and Irbid. These areas are not classified as 'poverty pockets'. As such, an overdependence on the use of 'poverty pockets' has led to the mis-targeting of a number of poverty reduction initiatives. As such they no longer stand as the only, 'targeting' policy of the PRS. This mis-targeting also further highlights the importance of the adoption of multiple measures of poverty, and the corollary of the mixed targeting of the poor to ensure poverty in all its forms are addressed.

Secondly, the integrated nature of the IHS means that the survey will collect more than simply income, expenditure and basic characteristics of households. The IHS will also collect detailed data relating to the usage of government services, demographics and employment, for example. Thus the IHS acts as the main instrument for the production of demographic, health, education and employment indicators, amongst others. Moreover, it minimizes the need for multiple surveys—such as the Demographic and Health Survey (DHS) or Employment and Unemployment Survey (EUS) also carried out by DoS—to calculate the associated national indicators. The IHS would likely only be carried out once every five years (meaning the national poverty line and other indicators could only be calculated every five years). However, every 1-2 years trends in poverty could be estimated from the collected data.

Improving the measure would require an improved/modified measure (based partly on suggestions made by the World Bank and an updated food basket). Furthermore, the 'poverty pockets' calculations should not be used until a revised methodology is employed (based on a more detailed sampling ideally through a linkage with the upcoming census).

ADOPT MULTI-DIMENSIONAL MEASURES OF POVERTY

In order to compliment the first approach, the GoJ will adopt—and officially recognize—one or more multi-dimensional measures of poverty. Potential measures¹⁴ include, amongst others, the adoption of the: Quality of Life Index (QLI), Multidimensional Poverty Index (MPI), Human Development Index (HDI), and the Human Poverty Index (HPI). The HEIS—or the IHS when developed—would function as the instrument for data collection. While the national poverty line could continue to be used to target the poor (i.e. a one dimensional welfare targeting mechanism), the adoption of one or more of the suggested indices could result in an additional or replacement multi-dimensional form of welfare targeting in the PRS.

Key policy measures/actions include:

- Adopt a mutually-agreed definition of poverty across all of government, by start-2013;
- Adopt one or more multi-dimensional measures of poverty in 2013, and review by end-2020;
- Develop an easy-to-use multi-dimensional targeting mechanism, by end-2013; and
- Develop DoS capacity to calculate the adopted measure(s), by end-2013.

UNDP, on a regular basis, calculates the Human Development Index (HDI)¹⁵ and Human Poverty Index (HPI)¹⁶ for Jordan, in addition to other multi-dimensional measures. Moreover, the Ministry of Planning and International Cooperation (MoPIC) and DoS are presently developing—with UNDP and ESCWA technical assistance—a detailed report on Living Standards in Jordan (which includes the QLI). Furthermore, in 2010 UNDP developed the Multi-Dimensional Poverty Index (MPI)¹⁷.

A poverty measure of this type allows for a more nuanced understanding of poverty that in turn allows for better targeted and more appropriate poverty reduction policies and interventions.

EMPLOY A NATIONAL POVERTY CENSUS INSTRUMENT

This approach involves a large-scale national poverty census (NPC) instrument to identify and target poor households. This would allow for household targeting of the poor (i.e. the application of welfare targeting of the poor down to the household level).

Key policy measures/actions include:

- Develop methodology for NPC, by end-2013;

¹⁴ All suggested measures have presently been calculated, by DoS/UNDP, using data from the HEIS 2010. Furthermore, a detailed report analyzing Quality of Life in Jordan is currently being finalized by DOS and MoPIC with technical support from UNDP and ESCWA.

¹⁵ The HDI is a composite measure that using four indicators—linked to education, health and standard of living—captures attainments in the level of human development.

¹⁶ The HPI is a composite poverty measure that using four indicators—linked to education, health and standard of living—captures deficiencies in the level of human development.

¹⁷ The MPI is a newly developed composite poverty measure that using ten indicators—linked to education, health and standard of living—captures the *interlocking* deprivations that the poor experience.

- Develop MoSD/MoPIC capacity to undertake NPC, by end- 2013;
- Develop database and DoS capacity to construct and manage database, by end-2013;
- Undertake NPC from start-2014 to end-2014; and
- Launch database, by end-2014, and potentially employ household targeting for poverty reduction interventions in 2015.

This approach proposes the utilization of a new instrument to collect poverty-related data. The National Poverty Census (NPC) suggested here is a large-scale effort that would require considerable resources to carry out. However, the resulting data would allow for an extremely detailed database allowing for the targeting of interventions at, and the tracking of poverty trajectories of, individual households in Jordan. Moreover, it would provide the ability to assess and track the linkages of social protection mechanisms (including National Aid Fund and National Zakat Fund cash transfers) to these same households. As such, in addition to an instrument for identifying poor households, it could also function as a mechanism to track compensation measures resulting from a reduction in subsidies. A number of options—relating to scale and methodology—require consideration before the NPC could be undertaken.¹⁸

EMPLOY A POVERTY MAPPING INSTRUMENT¹⁹

This approach involves the utilization of a new poverty mapping instrument. This includes the utilization of the Small Area Estimation Method on data collected in the HEIS 2010 and the next HEIS/IHS alongside data from the forthcoming 2014 National Census²⁰. The resulting mapping of poverty would allow for geographical targeting of the poor.

Key policy measures/actions include:

- Adopt a mutually-agreed definition of poverty across all of government, by start-2013;
- Undertake preliminary calculations based upon data from HEIS 2010 and HEIS 2013 (IHS 2015), by end-2013 (2015²¹);
- Obtain data from National Census, by end-2014; and
- Complete calculations for the Small Area Estimation Method using HEIS/IHS and National Census data to identify ‘poverty pockets’, by mid-2015, and potentially employ geographical targeting for poverty reduction interventions from mid-2015.

¹⁸ See World Bank 2012a for further discussion of these considerations.

¹⁹ This option is based upon recommendations made by the World Bank (2012a).

²⁰ Regardless of whether this policy option is adopted, the 2014 National Census presents a prime opportunity to collect poverty-related data. As such, the modules of the National Census should be developed to take advantage of this opportunity.

²¹ If the IHS were endorsed then new household data would not be available until end-2015.

This approach involves a new instrument to collect poverty-related data, which given concerns with the current methodology of calculating ‘poverty pockets’ is pertinent to understanding poverty in the Kingdom. The Small Area Estimation Method was developed by Elbers, Lanjouw and Lanjouw (2003). The method, identifying a model of consumption using data from two consecutive household surveys, uses the large data sample of a national census to calculate estimations of consumption, and therefore poverty, across the entire country.²² This instrument, which requires little in additional resources, would deliver a robust estimation of ‘poverty pockets’ in the Kingdom, and would allow for geographical targeting of the poor.

EMPLOY A PARTICIPATORY POVERTY AND VULNERABILITY INSTRUMENT

This approach involves a participatory poverty and vulnerability (PPV) instrument to collect qualitative poverty data. This option would allow for categorical targeting of the poor. Moreover, it would deliver an understanding of the causes of poverty and patterns of social exclusion, inequality and vulnerability.

Key policies measures/actions include:

- Develop methodology for a PPV assessment, by mid-2013;
- Develop DoS, MoSD and MoPIC capacity to conduct a PPV assessment, by end-2013; and
- Undertake PPV assessment throughout 2014, and potentially employ categorical targeting for poverty reduction interventions in 2015.

The utilization of a PPV assessment would make a very useful addition to existing measures of poverty. By employing a qualitative approach to data collection a PPV assessment has the ability of interpreting patterns of social exclusion, inequality and vulnerability. Unlike, other instruments discussed above it can deliver an understanding of the causes of poverty. Utilized alongside quantitative data, such as the HEIS or IHS, this instrument can: provide new insights into developing poverty reduction policy; priorities poverty reduction interventions; and can present approaches to engaging with and addressing relational aspects of poverty (e.g. social exclusion).

1.3 JORDAN INTEGRATED OUTREACH WORKER PROGRAM

One of the critical issues in the Poverty Reduction Strategy will be how to enhance intervention effectiveness for poverty related-measures. The Integrated Outreach Worker Program was the one in a series of recommendations made by the Earth Institute in 2012, the result of a comprehensive analysis of the conditions and risk factors for poverty to inform Jordan’s National Poverty Reduction Strategy. The mandate of the Program is to address the “last mile” implementation challenges of government programs and policies by providing household-level, tailored support through trained outreach workers, thus filling a critical gap in the existing provision of services to the most vulnerable and impoverished members of society. At the request of MoPIC and MoSD, Columbia University and the Jordan Hashemite Fund for Human Development (JOHUD) are working together to create the Integrated Outreach Worker

²² See World Bank (2012a) for further details.

Program for the Government of Jordan. This program is described in more detail in Part 4 on the implementation of the PRS.

2. THE CONTEXT

2.1 JORDAN'S CHANGING SOCIAL AND ECONOMIC ENVIRONMENT

Jordan is an upper middle income country with a population of 6.25 million (2011) and a per-capita GDP of US\$ 4,626 (2011). Jordan's economy is dominated by services, which account for over 70 percent of GDP and more than 75 percent of jobs. The country's main natural resources are potash and phosphate. Agricultural land is limited and water is scarce. Almost 80 per-cent of the population lives in urban areas. The population is also one of the youngest among upper-middle income countries, with 37.3 percent under the age of 15. Conversely there is a very small older population with only 3.2 per cent of the population over 65. According to the official poverty line,²³ 14.4 per cent of Jordanians were living below the poverty line in 2010.

In terms of the UNDP's human development index, Jordan falls into the medium human development group.

TABLE 2.1: INDICATORS FOR JORDAN, 2011

Indicator	Jordan ranking
Human Development Index	95/187
Global Competitiveness Report	65/139
Transparency International Corruption Perceptions Index	56/182
Life expectancy at birth	73.4
Gini coefficient	0.377
Freedom House Index (Internet)	Partly free
Freedom House Index (Press)	Not free
Global Gender Gap Report	117/135

Table 2.1 sets out a range of international indicators for Jordan. Generally Jordan performs in line with or better than other countries in the region. For example, Jordan's ranking of 0.698 on the human development index (giving a ranking of 95th) is above the average for Arab States of 0.641.

²³See below (section 2.2) for a more detailed discussion.

CHALLENGES AND OPPORTUNITIES

ECONOMIC GROWTH BUT A LOW EMPLOYMENT RATE

The Jordanian economy experienced high economic growth during the period 2000 to 2009, when the Gross Domestic Product (GDP) increased at an average growth rate of 5.4 per cent. However, economic growth fell to about 2.5% in 2010 and 2011. In any case, economic growth has not led to significant job growth amongst Jordanians and the employment rate (i.e. percentage of the population over 15 in employment) in the most recent labor force data (2011) is only 34.2 per cent. In other words only one-in-three Jordanians over 15 are actually working in the paid labor force. Non-employment is especially high amongst young Jordanians. The most recent unemployment data show that the highest rate of unemployment was recorded in the age groups 15-19 and 20-24 years (34.3 and 27.2 per cent respectively). There has, however, been a significant growth in non-Jordanians employed in Jordan with most recent figures estimating a number of about 300,000 foreign workers.

The most recent unemployment data cite an unemployment rate of 12.5 per cent (2012). However, the unemployment data are not very meaningful. On the one hand, as indicated by the low employment rate, many people of working age are not in the labor force at all. On the other hand, surveys indicate that there is a mismatch between those Jordanians counted as unemployed and available work. World Bank analysis (2008) suggested three reasons for this: first, many of the available jobs are in a different geographical location to the unemployed people. Second, employers prefer non-Jordanian labor due to employability issues (better work behavior and productivity). Finally, there is a mismatch between the expectations of the unemployed and available jobs. A large-scale survey found that over half those categorized as unemployed (54 per cent) were not prepared to accept available employment at prevailing wages (World Bank, 2008). Conversely, significant numbers of well educated Jordanians work abroad, especially in the Gulf States. It is estimated that up to 1 million Jordanians work abroad and remittances from expatriates make up an enormous 12 per-cent of GDP.

VERY LOW FEMALE EMPLOYMENT

Employment amongst women is extremely low and the most recent data show that only 14.9 per cent of women over 15 were categorized as being in the paid labor force. Better educated women are much more likely to work and over half of women in employment (55.8 per cent.) are professionals. This very low level of employment has the consequence that relatively few women (particularly poorer women) are covered for social insurance and pensions.

DOMINANCE OF SMALL BUSINESS AND LARGE INFORMAL SECTOR

The Jordanian economy is dominated by small business. It is estimated that 89 per cent of businesses employ 1-5 persons and a further 9 per cent employ 20 persons or less. The large informal (or semi-informal) sector makes it difficult to provide social protection by way of social insurance as it is very difficult to ensure full coverage of workers in these sectors. Although coverage under the Jordanian social insurance scheme has now been extended to workers employed in businesses of less than 5 workers (but not to the owners) this is creating significant difficulties for the Social Security Corporation in implementation as it is very difficult to control such small

enterprises and requires new business models for the SSC. The micro and small and medium enterprises are the main employer of Jordanians with 70 per cent of the entire workforce being employed in such businesses. However, these enterprises contribute a much lower proportion of economic output.

REFUGEES

Jordan has been to the forefront in accepting refugees from other states in the region dating back to the 1940s when many Palestinian refugees first came to Jordan. Palestinian refugees, some of whom still live in 'camps', but many of whom are dispersed amongst the general population, constitute a large proportion of the overall Jordanian population and most have Jordanian citizenship. Services are provided to Palestinian refugees, especially those in camps, by UNRWA but many also avail of services provided by the Jordanian social protection agencies including health care. The costs to the Jordanian government of providing such services are generally not disaggregated. More recently Jordan has seen an influx of Iraqi refugees (supported by UNHCR and other agencies) although there is a lack of agreement about the numbers involved. Currently Syrian refugees are entering the country in significant numbers and it is, as yet, too early to predict the full challenges which may arise from this latest regional conflict.

CURRENT GOVERNMENT EXPENDITURE DEFICIT

The possibilities for the government to invest in any area are somewhat constrained by the level of government deficit. In 2011, the central government recorded a budget deficit (after foreign aid) of 6.2 per cent of GDP. Although this is lower than the deficit in 2009 (8.5 per cent) it shows a rise on 2010 (5.4%) and obviously indicates a rising level of government debt and consequent constraints on public expenditure. Overall public debt is estimated at about 70 per cent of GDP.

ARAB SPRING AND POLITICAL INSTABILITY

Although Jordan remains a relatively stable society in comparison to other countries in the region, the political and economic instability arising from the Arab Spring pose obvious challenges to the Kingdom. This regional political instability can lead to difficulties in creating a clear policy direction and the overall instability can have an economic impact though a significant fall in tourism (one of Jordan's key industries) and disruption to energy supplies.

OPPORTUNITIES

However, despite the potential for instability, Jordan remains a relatively stable country with a growing economy, and a functioning government and administration. In addition, Jordan has among the best education indicators in the region (although some have questioned the quality of the education provided). The country also attracts significant support from international donors. Finally there has been extensive analysis and recommendations by both international and national bodies of the necessary reforms in the areas of poverty policy. Thus the basis exists for deciding on and implementing key reforms leading to poverty reduction.

2.2 POVERTY, INEQUALITY AND VULNERABILITY IN JORDAN

The poverty profile presented here characterizes the nature of poverty in Jordan²⁴. It does this in a number of ways. Firstly, it presents income poverty, income inequality, and vulnerability, breaks down the distribution of the poor by region and residence, and outlines trends since 2002. Moreover, these trends are compared to trends in the economy of Jordan. It then discusses poverty as deprivations in living standards. In addition, a presentation of 'poverty pockets' in the Kingdom is also discussed. Lastly, the characteristics of poor households are presented. These characteristics include the income and expenditure, demographics, educational attainment, employment status, and nationality of poor households.

POVERTY, INEQUALITY AND VULNERABILITY IN JORDAN

In 2010, the 'general' or absolute poverty rate²⁵ in the Kingdom was 14.4%²⁶. This figure represents the percentage of the Jordanian population under the absolute poverty line²⁷. The absolute poverty line is equal to an expenditure of 814 JD per individual per year (or 67.8 JD per individual per month). At the household level this equates to 4395.6 JD per household per year (or 366.3 JD per household per month). An absolute poverty rate of 14.4% amounts to a total of 118,995 households (or 876,590 individuals) experiencing income poverty across the Kingdom, in 2010.

Furthermore, in 2010 the 'food' or abject poverty rate in the Kingdom was 0.32%. This figure represents the percentage of the Jordanian population under the abject poverty line²⁸. The abject poverty line is equal to an expenditure of 336 JD per individual per year (or 28 JD per individual per month). At the household level this equates to 1814.4 JD per household per year (or 151.2 JD per household per month). An abject poverty rate of 0.32% amounts to a total of 2,206 households (or 19,540 individuals) experiencing abject income poverty across the Kingdom, in 2010.

Clear trends have been seen since 2002 in the absolute and abject poverty rates. The absolute poverty rate standing at 14.2% (96,398 poor households) in 2002 dropped to 13% (103,500 poor households) in 2006. The poverty rate then rose to 13.3% (99,121 poor households) in 2008. It should be noted that the current 2010 poverty rate of 14.4% should not be compared to the previous rates as a new calculation methodology has been adopted to produce this figure²⁹. The abject poverty rate in 2002 was 0.21%

²⁴ The data in this poverty profile is based, in part, on the Household Expenditure and Income Surveys (HEIS) conducted in 2002, 2006, 2008, and 2010, carried out by the Department of Statistics (DOS).

²⁵ Headcount ratio.

²⁶ Data in this section are calculated using current prices.

²⁷ Calculated as the level beneath which the minimal requirements for survival (i.e. minimum calorific requirement plus essential non-food items) are unmet.

²⁸ Calculated as the level beneath which the minimal requirement to feed oneself (i.e. minimum calorific requirement) is unmet.

²⁹ The previous poverty line calculations in Jordan (i.e. 2002, 2006, 2008) took the bottom 20% of the population as a reference group. However, to better reflect consumption patterns the bottom 30% of the population has been used as a reference group in the 2010 poverty line calculation. This is in line with methodologies used by other middle-income countries in the region (e.g. Egypt, Iraq and Turkey).

(1,233 households). It rose in 2006 to 0.25% (1,788 households) and then again marginally to 0.26% (2,028 households) in 2008.

These findings indicate that, from 2002 to 2010, the absolute poverty rate has dropped in the Kingdom. It also demonstrates that the rate of the reduction increased from 2008 to 2010. However, at the same time—due to population increases—the total number of households falling under the absolute poverty line has steadily increased. Yet, while the absolute poverty rate has been dropping, the abject poverty rate has been steadily climbing from 2002 to 2010. Moreover, the total number of poor households falling under the abject poverty line has increased.

In 2010 the poverty rate varied considerably, by governorate, from a low of 6.8% in Jerash³⁰ to a high of 26.6% in Ma'an. See Table 2.2 for the absolute and abject poverty rates by governorate in 2010.

³⁰ Poverty statistics for Jerash Governorate are based on HEIS 2008 data due to sampling constraints faced in the governorate during data collection for HEIS 2010.

Table 2.2: Absolute and Abject Poverty Rates by Governorate, 2010

Governorate	Absolute Poverty Rate	Abject Poverty Rate
Ma'an	26.6%	2.68%
Ajloun	25.6%	0.26%
Balqa	20.9%	0.00%
Aqaba	19.2%	0.60%
Mafraq	19.2%	1.27%
Tafileh	17.2%	0.33%
Madaba	15.1%	0.00%
Irbid	15.0%	0.10%
Zarqa	14.1%	0.34%
Karak	13.4%	0.59%
Amman	11.4%	0.25%
Jerash ³¹	20.3%	0.00%
Kingdom	14.4%	0.32%

Source: HEIS 2010; DOS

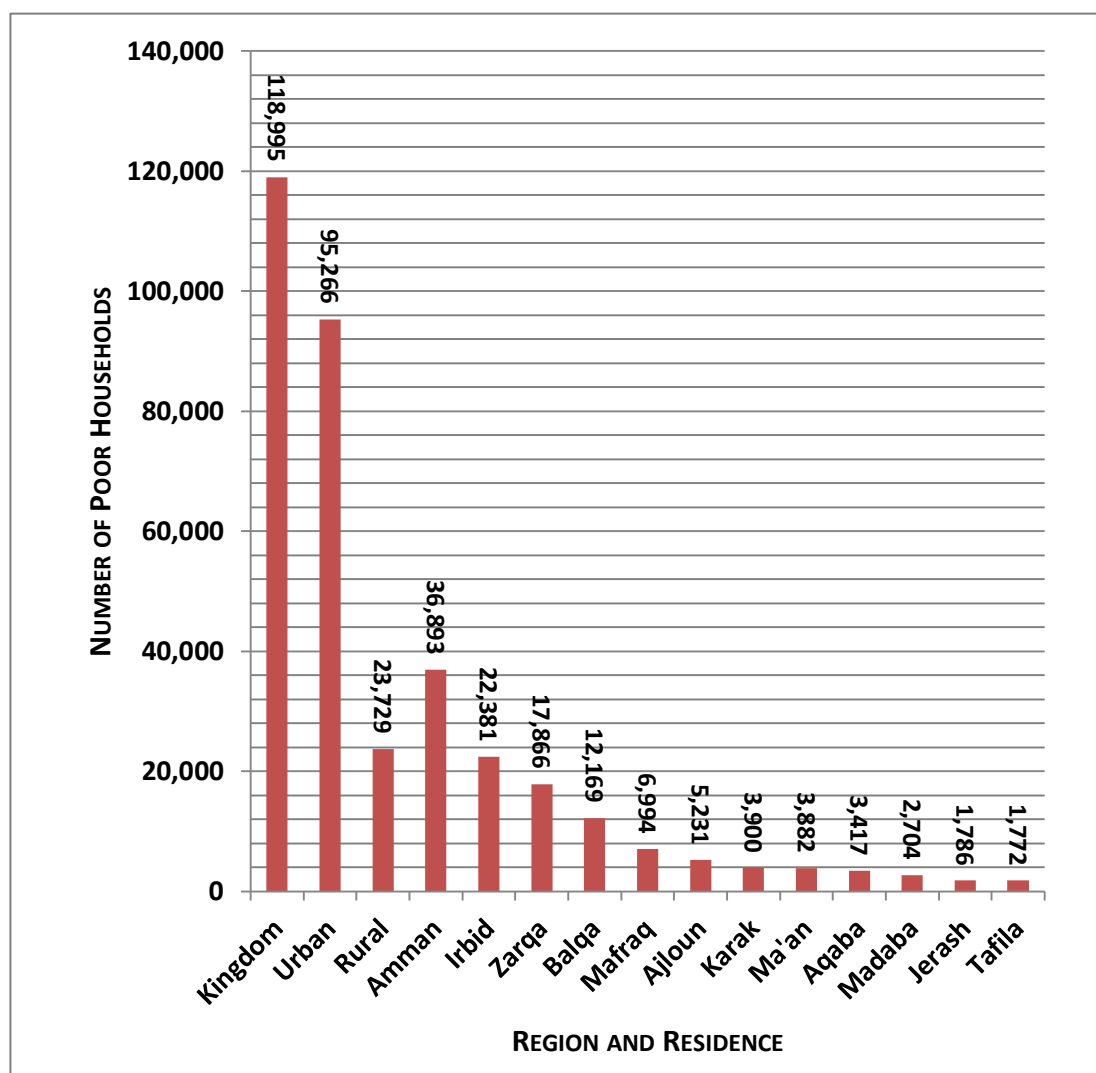
Although the highest poverty rate was seen in the governorate of Ma'an the highest total numbers of the poor were seen in the governorates of Amman (36,892 households or 268,545 individuals), Irbid (22,381 households or 163,933 individuals), and Zarqa (17,866 households or 128,055 individuals). The lowest total numbers of the poor were observed in the governorates of Tafileh (1,772 households or 14,244 individuals), Jerash³² (1,786 households or 11,998 households) and Madaba (2,704 households or 23,347 individuals).

This data indicates that while there is a higher incidence of poverty in rural areas (16.8%) compared to urban areas (13.9%), there are in fact vastly greater numbers of the poor in urban areas (95,266 households or 698,132 individuals) compared to rural areas (23,279 households or 178,458 individuals). This means 80.35% of poor households in Jordan are located in urban areas and 19.65% in rural areas. The urban poor are found mostly in the highly populated governorates of Amman, Irbid and Zarqa, and is a result of the higher populations in the Kingdom's major cities. See Figure 2.1 for a breakdown of the total number of poor households by region and residence in 2010.

³¹ See footnote 30 above.

³² See footnote 30 above.

Figure 2.1: Total Number of Poor Households by Region and Residence, 2010



Source: HEIS 2010; DOS (Poverty statistics for Jerash Governorate are based on HEIS 2008 data due to sampling constraints faced in the governorate during data collection for HEIS 2010.)

These findings, showing the distribution of poverty at the governorate level, should also be considered alongside the identification of *rural* 'poverty pockets'³³ at the sub-governorate level. In 2010, 27 rural 'poverty pockets' were identified. These were found in the governorates of Ma'an (6), Mafraq (6), Ajloun (3), Aqaba (3), Karak (3), Balqa (2), Irbid (2), Tafileh (1) and Zarqa (1).

³³ A 'poverty pocket' represents a *rural* district or sub-district in which more than 25% of the population are below the absolute poverty line. They identify areas with a high incidence of poverty as opposed to an area with high total numbers of the poor. Moreover, while the methodology previously used to identify 'poverty pockets' requires further development (to improve accuracy) they still have the potential to serve as an important benchmark for targeting poverty reduction interventions.

Trends in the number and location of rural ‘poverty pockets’ from 2002 to 2010 have been highly varied. In part this variation can be attributed to a small assessment sample, which in turn results in reduced accuracy. In 2002 there were 20 ‘poverty pockets’ distributed throughout the Kingdom. Moreover, there were 22 in 2006 and 32 in 2008. However, it is not possible to claim there has been a general increase in the incidence of ‘poverty pockets’ from 2002 to 2008, due to the variation caused by the limited sample size. Likewise it cannot be accurately claimed that there has been a relative decrease from 2008 to 2010.

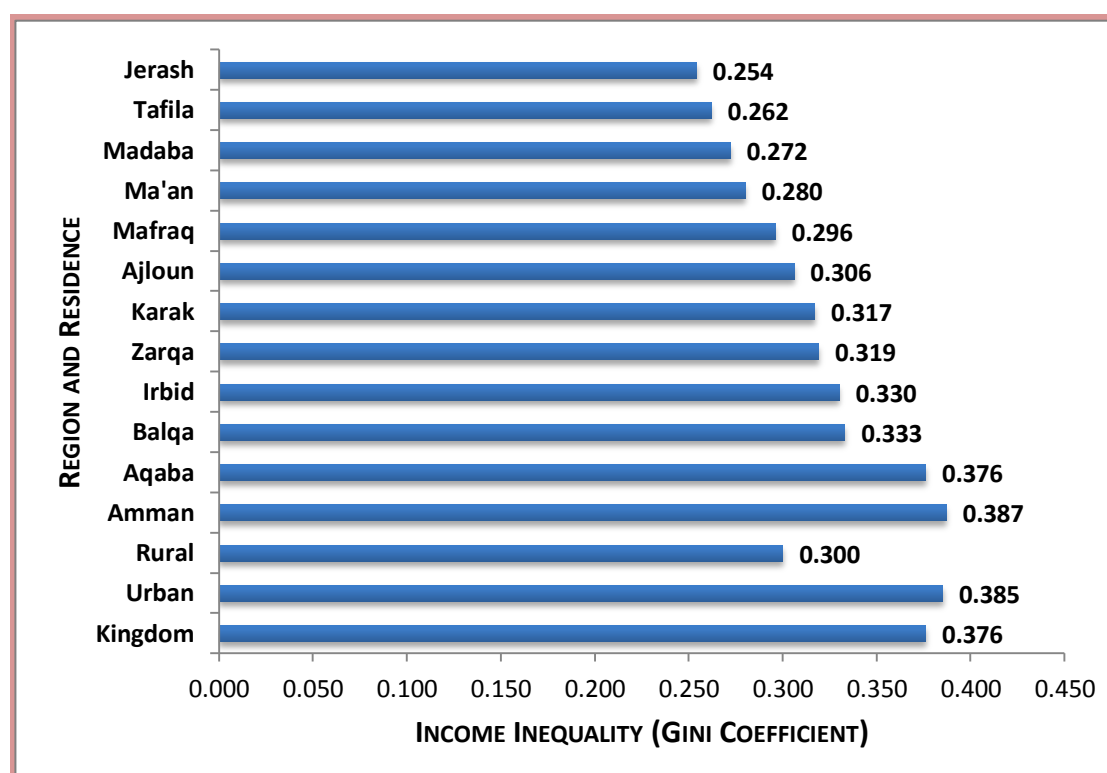
The poverty gap index³⁴—a measure of poverty that captures how far on average households are from the absolute poverty line—was 3.6 in 2010. The poverty gap is also more significant in rural areas, which means that on average poor households in rural areas are poorer than poor households in urban areas. In addition, the poverty severity index—a measure that like the poverty gap takes into account the average distance of households from the absolute poverty line, but also emphasizes inequality amongst the poor—was 1.21 in 2010. As stand-alone figures these indices are challenging to interpret, but analysis of trends in these indices is more informative. The Poverty Gap Index was 3.3 in 2002. It stood at 2.8 in 2006 and 2.6 in 2008. Likewise, poverty severity stood at 1.1 in 2002. It was 0.93 in 2006 and 0.79 in 2008. Both of these indices indicate that whilst absolute poverty rates have been declining from 2002 to 2010, the ‘depth’ of poverty—or how far on average a household falls beneath the poverty line—has been increasing. In other words, while poverty rates may be dropping those households that find themselves in income poverty in 2010 are poorer than those that found themselves in income poverty in 2002. This would suggest that income inequality may be growing in the Kingdom.

INEQUALITY IN THE KINGDOM

The Gini Coefficient measures inequality in the distribution of income throughout the population³⁵. The Gini Coefficient for the Kingdom was calculated, in 2010, as 0.376. See Figure 2.2 for a breakdown of income inequality (Gini Coefficient) by region and residence.

³⁴ Calculating the average shortfall of the total population from the absolute poverty line (where the non-poor are counted as having zero shortfall).

³⁵ It ranges from 0 (perfect equality) to 1 (perfect inequality). Across the globe the Gini Coefficient is commonly found in the range of 0.3 to 0.5 for per capita expenditures. It has, however, been suggested that the Gini coefficient may understate income inequality in Jordan due to a failure to fully capture the wealthiest households in surveys: UNDP (2011, 26-27).

Figure 2.2: Income Inequality (Gini Coefficient) by Region and Residence, 2010

Source: HEIS 2010; DOS (Poverty statistics for Jerash Governorate are based on HEIS 2008 data due to sampling constraints faced in the governorate during data collection for HEIS 2010.)

In 2002 the Gini Coefficient Value, at 0.376, was the same as in 2010. It increased from 2002 to 0.399 in 2006, before reducing to 0.393 in 2008 and reducing again to 2010. Analysis of this trend in the Gini Coefficient indicates an initial period of increased income inequality *across the entire population* from 2002 to 2006 before income inequality decreased back to match 2002 levels in 2010.

While the Gini Coefficient demonstrates the distribution of inequality in income across the entire population it is not easily divided to show the relative inequality of the various subgroups, which make it up. As such it is also valuable, when analyzing income inequality, to assess the share of the poorest decile in national consumption. In 2010 this value was 3.5% (and the share of the poorest quintile in national consumption was 8.1% in 2010). This means that in 2010 the poorest ten percent of the population were responsible for only 3.5% of national consumption.

The share of the poorest decile in national consumption was 4% in 2002, 3.1% in 2006, and 3.4% in 2008. Observing trends in the share of the poorest decile in national consumption indicates that the income inequality experienced by the poorest decile increased from 2002 to 2006. From 2006 to 2010 income inequality has slowly been decreasing, yet members of the poorest decile are still experiencing a state of increased income inequality across the Kingdom compared to 2002.

VULNERABILITY IN THE KINGDOM

In addition to the levels of income poverty and income inequality in Jordan it is important to understand the level of vulnerability (to income poverty) throughout the Kingdom³⁶. Twenty two and a half percent of households (255,231 households) in the Kingdom sit immediately above the absolute poverty line and, as such, are vulnerable to fall into poverty. Table 2.3 below shows the distribution of vulnerable households by governorate.

This percentage can be further disaggregated to show that 28.8% of households in rural areas (52,271 households) and 21.3% of households in urban areas (202,960 households) are vulnerable to fall into poverty, sitting just above the absolute poverty line.

Table 2.3: Distribution of Vulnerable Households by Governorate, 2010

Governorate	Percentage of Vulnerable Households	Number of Vulnerable Households
Amman	19.0%	88,051
Balqa	26.8%	20,457
Zarqa	21.9%	37,167
Madaba	22.8%	6,330
Irbid	26.7%	52,148
Mafraq	30.9%	14,755
Jerash ³⁷	19.1%	5,757
Ajloun	27.1%	6,617
Karak	20.8%	8,673
Tafleh	26.4%	4,124
Ma'an	28.4%	5,688
Aqaba	22.7%	5,464
Kingdom	22.5%	255,231

Source: DOS

³⁶ Vulnerability is calculated as being between 1 and 1.5 times the absolute poverty line in 2010.

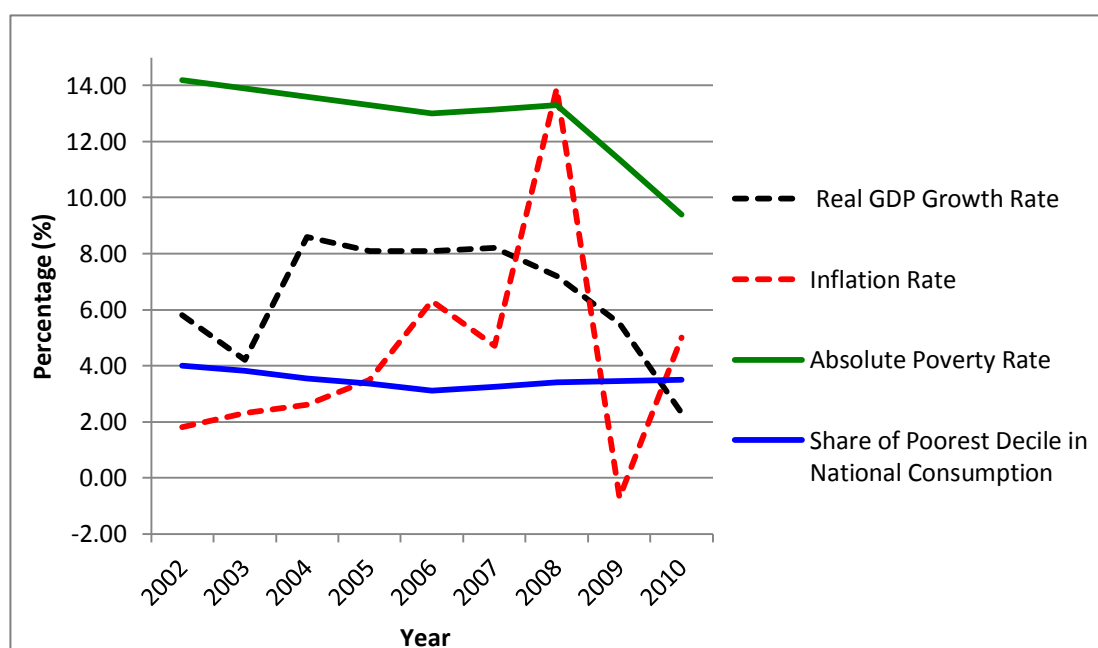
³⁷ Poverty statistics for Jerash Governorate are based on HEIS 2008 data due to sampling constraints faced in the governorate during data collection for HEIS 2010.

POVERTY, INEQUALITY AND THE JORDANIAN ECONOMY

Understanding the relationship of trends in the economy and patterns of employment upon income poverty and income inequality is very important for poverty reduction efforts. An understanding of this relationship, and the potential negative impacts upon the welfare of the Jordanian population, can help inform the development of policies to reduce poverty and inequality.

Gross Domestic Product (GDP) at market prices steadily rose from 2002 to 2010, increasing from 6,794 million JD (1,332.7 JD per capita) in 2002 to 18,762 million JD (3,069.2 JD per capita) in 2010. The real GDP growth rate at market prices fluctuated from 5.8% in 2002—peaking at 8.6% in 2004—to 2.3 % in 2010. The decline of this growth from 2008 onwards is linked to the global economic crises. In parallel inflation rates³⁸ for the same period steadily rose from 1.8% in 2002, to a high of 13.9% in 2008, before dropping to -0.7% in 2009 and settling at 5.0% in 2010. It appears that the recent drop in inflation rates may have had an impact on the simultaneous reduction in income poverty. See Figure 2.3 for a comparison of the real GDP growth rate and inflation rates alongside national absolute poverty rates and the share of the poorest decile in national consumption (as an indicator of income inequality) for the period 2002 to 2010.

Figure 2.3: Economic Indicators Compared to Poverty and Inequality, 2002-2010.



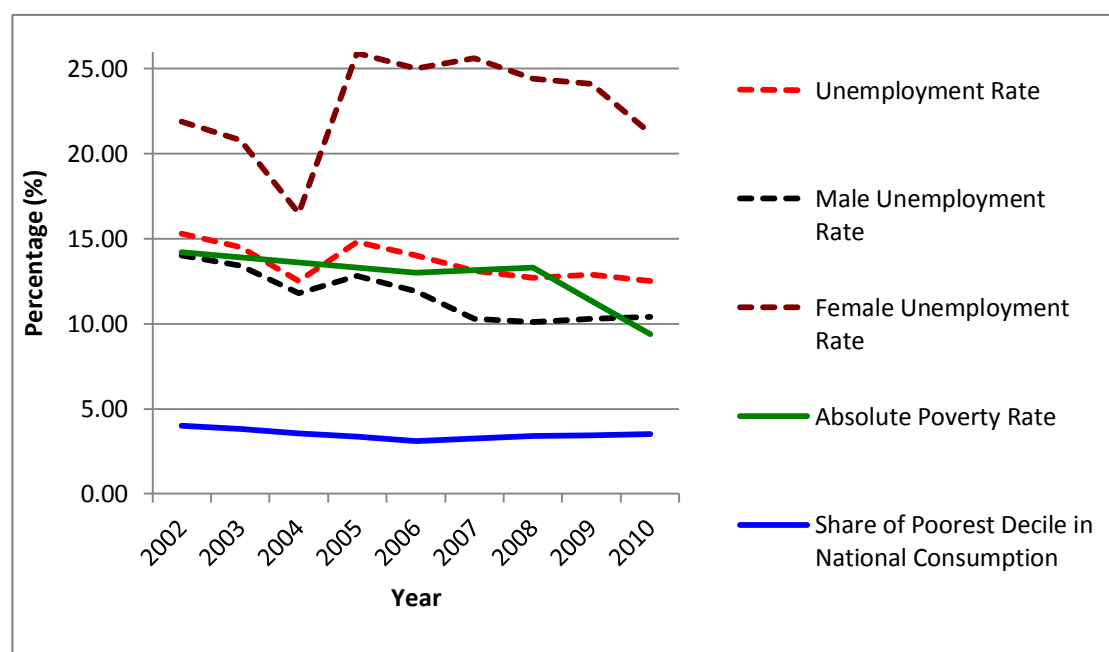
Source: DOS

Moreover, from 2002 to 2010 employment and unemployment rates for men and women have varied with apparently little impact upon changes in income poverty and income inequality. See Figure 2.4 for sex disaggregated national unemployment rates

³⁸ Percentage change in the Consumer Price Index.

compared to national absolute poverty rates and the share of the poorest decile in national consumption (as an indicator of income inequality) for the period 2002 to 2010.

Figure 2.4: Unemployment Rates Compared to Poverty and Inequality, 2002-2010.

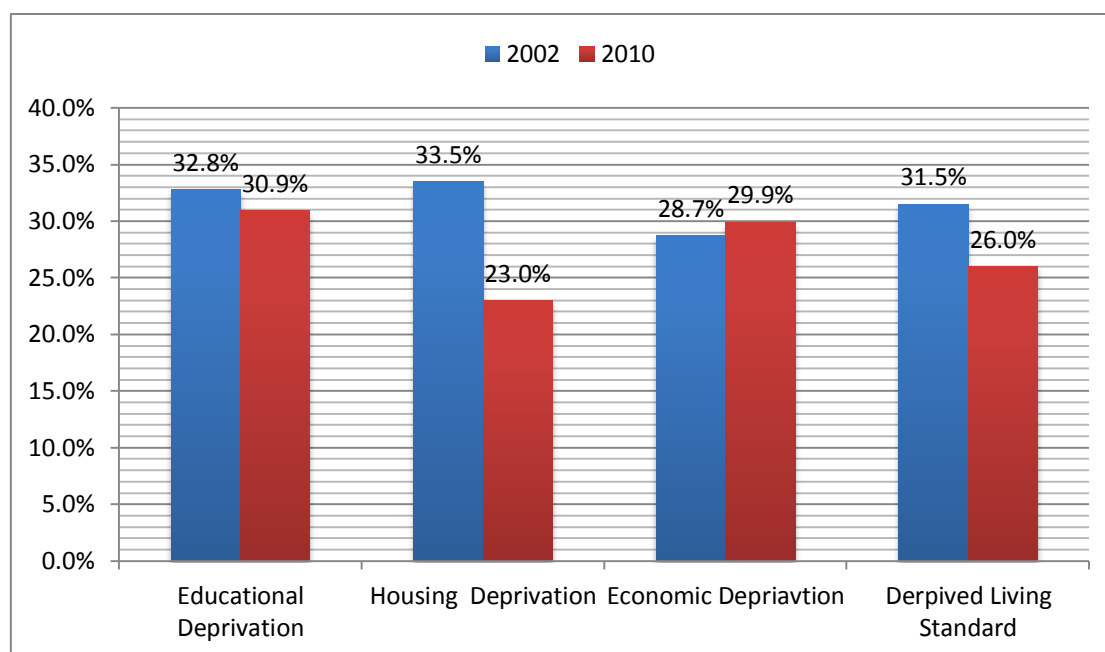


Source: DOS

DEPRIVATIONS IN LIVING STANDARDS ACROSS THE KINGDOM

An alternative measure of poverty—in addition to the money-metric measures of poverty presented above—is the Quality of Life Index (QLI). Instead of measuring only income poverty, the QLI is multidimensional. It assesses the living standards using a number of indicators in economic, educational and housing fields.

The QLI indicates that, in 2010, 26% of Jordanian households experienced deprivation in their standard of living. This proportion of deprived households in the Kingdom dropped from 31.5% in 2002. Correspondingly, the proportion of households in the Kingdom experiencing deprivation in the field of education, in 2010, was 30.9%. This decreased from 32.8% of households in 2002. Likewise, the ratio of households experiencing deprivation in the field of housing stood at 33.5% in 2002 and fell to 23.0% in 2010. Finally, the proportion of households experiencing economic deprivation increased from 28.7% in 2002 to 29.9% in 2010. Figure 2.5 shows the proportion of deprived Jordanian households by field for 2002 and 2010. These changes in the three constituent fields of the QLI depict that the 5.5% improvement in living standards across the Kingdom, from 2002 to 2010, was driven primarily by changes in the housing and educational fields. While a 10.5% improvement was seen in the housing field and a 1.9% improvement in the field of education from 2002 to 2010, a decline of 1.2% was witnessed in the economic field in the same period.

Figure 2.5: Proportion of Households in the Kingdom by Field, 2002 and 2010

Source: HEIS 2010, DOS

On average the difference in the proportion of households, in urban and rural locations, experiencing deprivation in living standards was 6.0%. This difference between rural and urban deprivation remained approximately the same from 2002 to 2010.

In 2010, the proportion of deprived households varied across governorates, from Ajloun at 39.9% to Amman at 18.9%. In all governorates an improvement was seen in rates of deprivation from 2002 to 2010. However, the reduction in rates of deprivation was largely uneven. Those governorates that were highly deprived in 2002 mostly experienced the largest improvements. For example, a reduction of 19.9% was witnessed in Ma'an and a decrease of only 3.9% was observed in Amman Governorate..

Table 2.4: Proportion of Deprived Households in the Kingdom by Governorate, 2002 and 2010

Governorate	Proportion of Deprived Households 2002	Proportion of Deprived Households 2010
Ajloun	41.4%	39.9%
Ma'raq	44.5%	37.8%
Tafileh	43.9%	35.0%
Balqa	40.0%	34.6%
Aqaba	45.6%	32.2%
Zarqa	38.7%	32.0%
Madaba	33.3%	28.6%
Jerash ³⁹	43.6%	28.4%
Irbid	31.3%	26.9%
Ma'an	46.8%	26.9%
Karak	32.1%	25.6%
Amman	22.8%	18.9%
Kingdom	31.5%	26.0%

Source: HEIS 2010, DOS

CHARACTERISTICS OF POOR HOUSEHOLDS

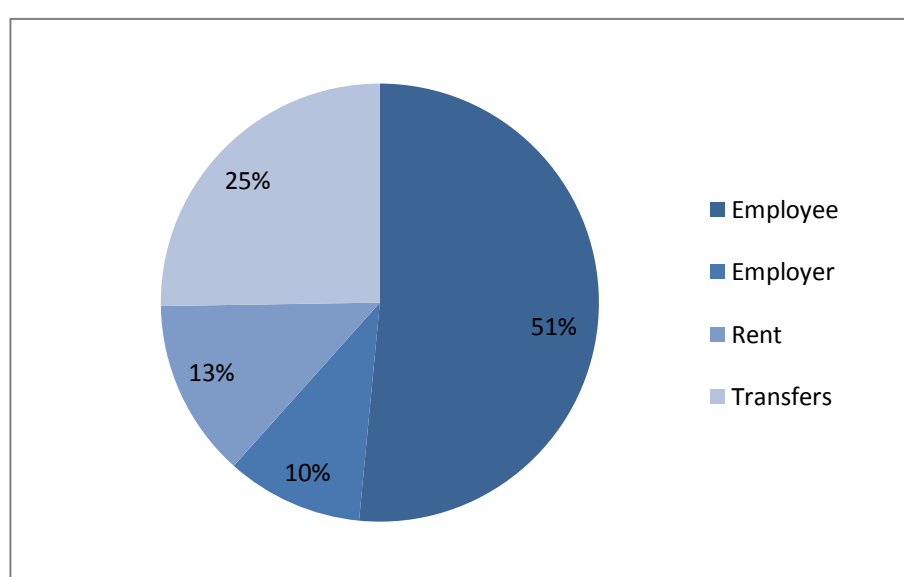
To better understand the nature of poor households a basic set of characteristics are presented here. These include income and expenditure, demographics, educational attainment, employment status, and nationality. Where necessary comparative information—for example, on non-poor households—is also included.

Income and Expenditure of Poor Households: The average income and expenditure of poor households has risen since 2002. The average income of poor households was

³⁹ Poverty statistics for Jerash Governorate are based on HEIS 2008 data due to sampling constraints faced in the governorate during data collection for HEIS 2010.

3,339 JD per annum in 2002, 2,740 JD per annum and 4,423 JD per annum in 2006 and 2008 respectively. The average income of poor households was 4,956 JD per annum in 2010. The sources of income for poor households are shown in Figure 2.6. The sources of income for poor households range from: being an employee (51% of poor households); to receipt of income from transfers (25%); to obtaining income from rent (13%); and being an employer (10%).

Figure 2.6: Sources of Income of Poor Households, 2010.



Source: HEIS 2010, DOS

The average expenditure of poor households was 2,527 JD per annum in 2002. In 2006 and 2008 it was 3,304 JD per annum and 4,332 JD per annum, respectively. It reached 4,801 JD per annum in 2010. The distribution of assets owned by the poor in Jordan is presented in Table 2.5. The most common assets owned by poor households across the Kingdom include: a building for family use (70.4% of poor households); land holdings (10.3%); ownership of poultry (8.0%); and ownership of sheep (5.0%).

Table 2.5: Distribution of Assets of Poor Households across the Kingdom, 2010

Type of Asset	Distribution (%)
Housing Building for Family Use	70.4
Land	10.3
Livestock - Poultry	8.0
Livestock - Sheep	5.0
Housing Building for Rental	2.3
Non-Housing Building for Family Use	0.8
Non-Housing Building for Rental	0.8
Tools for Production Purposes	0.8
Livestock - Cows	0.4
Bank Deposits (e.g. Savings)	0.3

Source: HEIS 2010, DOS

Goods and services in the consumption basket of the poor include food and non-food items. Tables 2.6 and 2.7 show the average household expenditure of poor households on food and non-food items, respectively, in 2010⁴⁰.

Table 2.6: Ave. Exp. on Food Items for First Quintile Households, 2010

Type of Food Item	Average Expenditure for Household in the First Quintile (JD)	Kingdom Average (JD)
Meats (inc. Chicken)	397.2	810.0
Tobacco (inc. Cigarettes)	348.2	424.2
Dairy, Dairy Products and Eggs	268.4	421.4
Cereals (and their products)	365.0	413.0
Vegetables	258.3	339.5
Other Foods	232.0	316.7
Sugar (and its products)	165.2	263.4
Fruits	105.5	216.8
Oils and Fats	93.2	191.0
Drinks	87.3	159.2
Tea, Coffee and Cocoa	75.0	136.4
Spices and Food Additives	41.9	77.9
Fish and Sea Food	38.7	79.8
Dried and Canned Legumes	30.6	41.7
Nuts	15.3	59.4
Alcoholic Drinks	0.3	2.4
Average Household Expenditure on Food:	2522.1	3952.8

Source: HEIS 2010, DOS

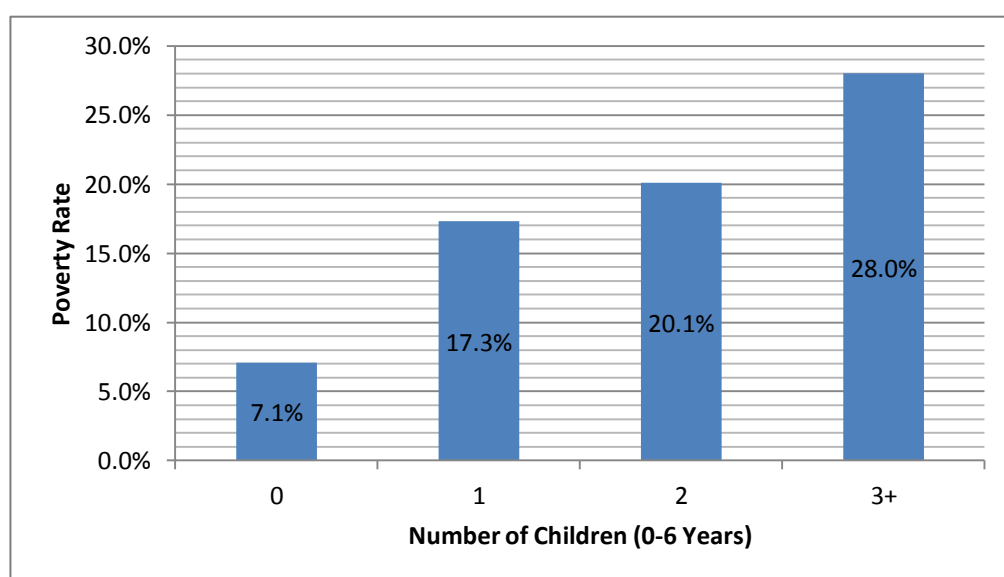
⁴⁰ Please note these Tables include data for households in the first quintile of Jordanian society, not that of poor households (i.e. the data is for the poorest 20% of households as opposed to the poorest 14.4% of households in the Kingdom). Data is not available for poor households only.

Table 2.7: Ave. Exp. on Non-Food Items/Services for First Quintile Households, 2010

Type of Non-Food Item or Service	Average Expenditure for Household in the First Quintile (JD)	Kingdom Average (JD)
Housing	953.3	1645.0
Transport	361.1	986.3
Fuel and Lighting	126.2	554.4
Personal Hygiene	352.9	468.7
Communications	139.9	335.3
Education	204.0	302.8
Children's Clothing	89.0	144.2
Furniture, Carpets and Mattresses	73.9	76.5
Home Cleaning Materials	60.6	203.3
Medical Care	48.7	113.6
Culture and Entertainment	43.0	74.6
Men's Clothing	31.7	85.8
Home Utensils and Tools	23.1	47.1
Shoes	22.6	104.9
Other Expenses	17.1	31.8
Women's Clothing	10.3	109.4
Fabrics and Tailoring Expenses	1.0	3.3
Average Household Expenditure on Non-Food Items and Services:	2558.4	5287.0

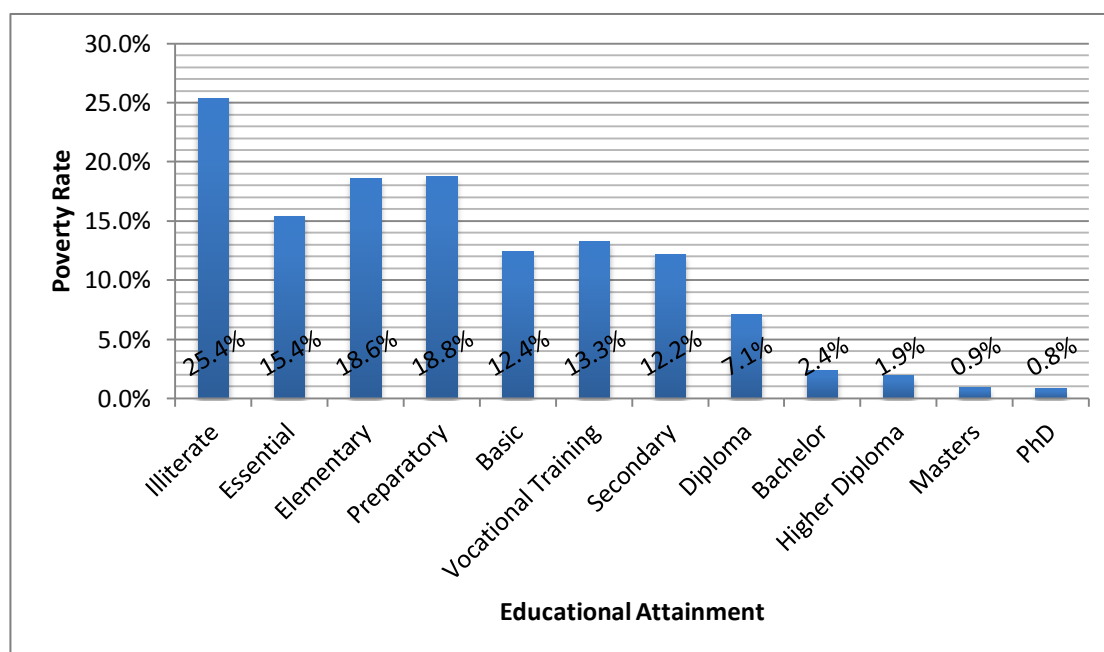
Source: HEIS 2010, DOS

Demographics of Poor Households: In general, families with three or more children are more likely to be poor than smaller families. The poverty rate in families with no children is 7.1%, compared with 28.0% for families with three or more children. See Figure 2.7 for further details. Poverty rates are also slightly higher for families whose household head is a male. Poor households are larger and have more children. The average poor household in the Kingdom has 7.4 members, with an average number of 4.1 children per household. This is compared to an average households size of 5.4 and an average number of 2.9 children per household.

Figure 2.7: Poverty Rate Compared to Number of Children (0-6 years), 2010

Source: UN ESCWA based on HEIS 2010, DOS

Education Attainment of Poor Households: In general, poverty rates are highest for households whose head is illiterate. Poverty rates decrease in all households as the education level of their head increases. See Figure 2.8 for more information.

Figure 2.8: Poverty Rate by Household Head's Education Level, 2010

Source: UN ESCWA based on HEIS 2010, DOS

According to the HEIS 2010, 6.7% of heads of poor households in the Kingdom have completed primary levels of education. A further 11.5% have attained secondary level education, and an additional 6.3% have completed tertiary level education (as opposed to 8.7%, 13.7% and 24.4% for heads of non-poor households, respectively). The remaining heads of households did not complete a full course of education.

Employment Status of Poor Households: According the HEIS 2010, a smaller share of the members of poor households are employed compared to members of non-poor households: 55.2% of the poor have a household head that is employed, while 57.6% of the non-poor do so. Moreover, employment status is an important determinant of poverty. Poverty is lower among the employed, while it is highest for the unemployed. The HEIS 2010 indicates that when a head of household is unemployed the poverty rate equals 11.1%. Yet, it is 21.0% for households where the head is unemployed.

The 'working poor'⁴¹ represent 55.2% of the working-age poor population. The share of working poor is higher in urban areas (57.7 per cent), than in rural areas (44.9 per cent). In terms of geographical distribution, 30.5% of the working poor are located in Amman, compared with 40.5% of working non-poor. The working poor are more heavily concentrated than the working non-poor in the governorates of Balqa, Zarqa, Irbid, Ma'raq, Ajloun and Ma'an. Again, if we compare the distribution of the working poor and the distribution of the entire poor population, it is very similar.

An analysis of the job category of household heads indicates that poverty rates are higher for unskilled workers, skilled farmers, artisans and manufacturers. Moreover an analysis of the distribution of the poor and the non-poor according to household heads' job category shows that the poor are also more concentrated in unskilled jobs, manufacturing, handicrafts and skilled agriculture, while a larger portion of the working non-poor are specialists or in technical jobs.

⁴¹ The 'working poor' are defined as: 'employed persons'—15 years or older—who fall beneath the current absolute poverty line in Jordan. Where an 'employed person' is defined as: "Persons who during a specified brief period such as one week or one day, (a) performed some work for wage or salary in cash or in kind, (b) had a formal attachment to their job but were temporarily not at work during the reference period, (c) performed some work for profit or family gain in cash or in kind, (d) were with an enterprise such as a business, farm or service but who were temporarily not at work during the reference period for any specific reason (Current International Recommendations on Labour Statistics, 1988 Edition, ILO, Geneva, page 47)". <http://stats.oecd.org/glossary/detail.asp?ID=778> (accessed on October 25th 2012).

Table 2.8: Poverty Rate by Job**Category of Household Head, 2010**

Job Category	Poverty Rate
Agriculture	21.0%
Mining	9.1%
Manufacturing	11.7%
Electricity and Gas	3.7%
Water and Sanitation	6.2%
Construction	13.9%
Trade	10.2%
Transport	17.4%
Hotels and Restaurants	11.3%
Communication	10.9%
Financial	0.0%
Real Estate	0.0%
Research	5.7%
Administrative Services	12.2%
Public Administration	9.9%
Education	8.3%
Health	7.1%
Arts and Entertainment	11.8%
Other Services	23.3%
Household Activities	8.6%
Nonregional Activities	11.1%

Source: ESCWA based on HEIS 2010, DOS

Table 2.9: Distribution of Poor and Non-Poor**by Job Category of Household Head, 2010**

Job Category	Poor	Non Poor
Agriculture	6.0%	2.9%
Mining	0.8%	1.0%
Manufacturing	11.7%	11.4%
Electricity and Gas	0.4%	1.2%
Water and Sanitation	0.1%	0.2%
Construction	8.9%	7.0%
Trade	17.2%	20.7%
Transport	18.3%	11.0%
Hotels and Restaurants	1.8%	1.7%
Communication	0.6%	0.8%
Financial	0.0%	1.8%
Real Estate	0.0%	1.5%
Research	1.2%	2.4%
Administrative Services	2.0%	1.8%
Public Administration	16.6%	19.5%
Education	6.0%	8.5%
Health	2.2%	3.5%
Arts and Entertainment	0.3%	0.3%
Other services	5.3%	2.2%
Household Activities	0.2%	0.2%
Nonregional Activities	0.4%	0.4%

Source: ESCWA based on HEIS 2010, DOS

Nationality of Poor Households: Finally, the nationality of poor households in the Kingdom, and in rural and urban areas, in 2010 is presented in Table 2.10.

Table 2.10: Nationality of Poor Households in Jordan, 2010

Nationality	Urban Poor (%)	Rural Poor (%)	Kingdom (%)
Jordanian	92.0%	99.9%	93.6%
Non-Jordanian	8.0%	0.1%	6.4%

Source: HEIS 2010, DOS

IMPACT OF GOVERNMENT INTERVENTIONS⁴²

Government intervention contributed significantly to maintaining the poverty rates in Jordan within a certain limit. Interventions included:

- Increase in the expenditure of the NAF on its different programs, by 43.2% in 2010 compared to 2008. This accounted for a total increase of JDs 82.0 million, as a result of the increase in the number of households benefiting from the NAF and due to increasing the ceiling of the aid provided to each beneficiary household (with 5 members or more) from 156 to 180 JDs/month.
- Increase in the salaries of the retired employees both civilians and military as of January 2009 by 20 JDs/month. The increase started before the 2010 HEIS survey but its effects were clear during the survey.
- Continuing to subsidize bread price by 160 fils/kilo.

Based on Department of Statistics calculations, excluding NAF support would increase the poverty rate to 15.8% compared to 14.4%. Department of Statistics also estimated that if all types of government subsidies and support including NAF are eliminated from household income and consequently expenditure, this would cause the household expenditure to decrease below the poverty line, which will result in increasing the poverty rate to 17.0%.

Table 2.11: Impact of Government interventions on poverty rate, 2010

Scenarios	Intervention	Value of intervention (million JDs)	Poverty rate without the intervention	Poverty rate after the intervention
First Scenario	NAF	79.2	15.8	14.4
Second scenario	NAF cash transfers + other government entities transfers+ other Government interventions	219.1	17.0	

Monitoring government interventions in 2010 and their effects on the poor showed that the poverty gap was decreased for all government interventions from 4.3% to 3.6%, bringing the poverty gap from 214 million JDs to 176.8 JDs (a total of 37 million JDs between 2008-2010), indicating the significant impact of government interventions on poverty reduction.

⁴² DOS, Poverty Status Report, based on the HEIS 2010 data.

3. STRATEGIC PILLARS

Five strategic pillars have been selected to identify the required sectors that need be addressed to alleviate poverty holistically in Jordan. Identifying the most suitable distribution included a number of considerations: First, that the pillars address the main root causes and characteristics of poverty in Jordan (e.g. socio-economic and spatial dimensions of poverty) whilst also reflecting key policy issues (e.g. balancing welfare with employment) that must necessarily be resolved in the Jordanian context. Second, those similar or related sectors are grouped to allow for the mobilization of expertise and cross-sectoral consultation with which to develop policy measures. Third, that the grouping of pillars would most likely result in an evenly distributed set of policy measures.

Gender and environment are integrated in PRS as crosscutting issues. However, both gender and environment have also been incorporated into strategic pillars. This has been done to provide a location to include gender or environment specific policy measures.

Following are the five strategic pillars for PRS:

Pillar 1: Social Welfare and Gender

Pillar 2: Pro-Poor Employment and Entrepreneurship

Pillar 3: Inclusive Health and Education Services

Pillar 4: Pro-Poor Agriculture, Environment and Rural Development

Pillar 5: Infrastructure and Housing for the Poor

3.1 SOCIAL WELFARE AND GENDER

Jordan has built a developed system of social protection comprising consumption and tax subsidies, targeted cash transfers, social insurance and social care; however questions remain as to the effectiveness of this social protection system. Furthermore, the current socio-economic environment and growing fiscal deficit have resulted in severe pressures on the availability of funds needed to provide consumer subsidies and cash transfers necessitating reforms aimed at reducing subsidies and improving targeting of cash transfers to the poor.

The key policy and technical issues related to the design of the social welfare component of the social welfare and gender pillar of PRS include creating mechanisms for policy measures for better targeting of cash transfers, effective social insurance and social care services providing an inclusive social protection system for the men, women and children of the poor and below middle class. The scope of the PRS also includes a realistic strategy for reducing consumption and tax subsidies, so that removal of subsidies would be implemented gradually with a minimal adverse effect on the poor and below middle class.

In addition to the numerous women-focused components of the social protection system, a broad range of women and gender specific issues are found in Jordan. These gendered cultural practices and behaviors—such as limited female mobility and entrenched gender roles—contribute to lower female education outcomes compared to men, high fertility, low female participation in the workforce, and gender-based violence.

The key policy and technical issues related to the design of the gender components of the social welfare and gender pillar of PRS include assisting women and men to overcome the cultural norms and practices promoting poverty, and constraining access to services and gainful employment. A particular target group of this policy is women and girls. This pillar will also ensure mainstreaming of gender throughout the whole strategy as a cross-cutting activity. All the proposed PRS objectives, measures and actions will be scrutinized through a gender lens.

REFORMING THE NATIONAL AID FUND (NAF)

The National Aid Fund (NAF), established in 1986, is the core of Jordan's social protection system. It successfully disbursed cash transfers to almost 90,000 households (7.5% of the Jordanian population) in 2010. Yet there are still concerns regarding its targeting, coverage and internal functions. In response to these concerns the NAF recently revised its instructions and simultaneously rejected the adoption of Proxy Means Testing (PMT) as a targeting methodology. It has done so to improve the eligibility of the NAF to better meet poverty reduction outcomes.

NAF SCOPE, ORGANIZATIONAL STRUCTURE AND EXPENDITURES

The NAF, established in 1986 under Law No. 36, administers a recurring cash assistance program, in addition to other minor programs for the poor, disabled and elderly. The NAF is a semi-autonomous arm of the Ministry of Social Development (MoSD). It is overseen by a Board of Directors. The Board functions in an advisory capacity to the Director of the Board, the Minister of Social Development. The Deputy Director of the board is the Director General of the NAF, who is responsible for the day-to-day running of the Fund. The NAF is managed from its head office in Amman, and functions from 40 main offices and 76 referral sub-offices across the Kingdom. However, a large proportion of NAF operations are carried out with logistical support from MoSD; many of the staff, vehicles and offices belong to (and are paid for) by MoSD.

From 2001 to 2007 total NAF spending steadily rose from 34.4 million JD to 57.2 million JD (see USAID, 2012). In 2008, expenditure jumped to 79 million JD and then climbed, again steadily, to an estimated 87 million JD in 2012. The NAF spend approximately 97% of its total budget on programs and 3% on administrative costs. However, this 3% is deceptively low due to the NAF utilizing many resources from the MoSD, as mentioned above.

In total the NAF handles six major programs. Prior to the new eligibility instructions implemented from 1st July 2012 these programs were as follows:

1. ***Recurring Cash Assistance:*** Individuals or families with income beneath the poverty line and with limited assets, or widows, divorcees, orphans, families with disabled members, families of prisoners (a total of 16 categories), are eligible for recurring monthly payments from JD 40 to JD 180. In 2010, this program served 74,300 families and cost JD 74, 400,000, or 92% of total NAF expenditures. Generally, only those households whose head are unemployed and have no income or major assets qualify for this cash assistance;
2. ***Urgent Assistance Cash Payment:*** A one-off cash payment of JD 100 to JD 1,200 can be offered to families who face a major shock, such as a fire in their dwelling, imprisonment of the head of the household or acute disease afflicting a family member. Urgent assistance is awarded on a case-by-case basis and can only be awarded to a family with an income less than JD 250. In 2010, approximately 1,750 families received this type of assistance at a total cost of JD 880,000, or 1% of total NAF annual expenditure;
3. ***Handicapped Care Cash Assistance:*** A regular payment may be made to families that consistently care for a disabled family member suffering from a chronic mental illness. The income of the recipient family cannot exceed JD 450 per month, and the assistance ranges from JD 20 to JD 80 per month dependent upon family income. In 2010, approximately 7,100 families were receiving this type of assistance at a cost of JD 3.3 million, or approximately 4% of total NAF annual expenditure;
4. ***Physical Rehabilitation Cash Payment:*** A one-off cash payment of up to JD 600 is made to poor families whose head or child members are disabled. The payment is for the purchase of physical rehabilitation equipment, such as a wheelchair, artificial limbs or a hearing aid. Eligibility is based upon families having an income of less than 250 JD per month and receiving no other type of assistance. The Ministry of Health (MoH) conducts the evaluation of need, and they recommend a suitable rehabilitation device. In 2010, approximately 500

families received this type of assistance at a total cost of JD 140,000, or less than 0.2% of total NAF annual expenditure;

5. **Health Insurance Cards:** The NAF supports beneficiaries of its other assistance programs to obtain Health Insurance Cards through the MoH. This provision costs JD 2 million (or 2.5% of the total NAF annual expenditure), which is made as a direct cash transfer to the MoH; and
6. **Vocational Training Program:** From 2000 to 2006 the NAF operated a program that offered vocational training (through the Vocational Training Corporation, VTC) to youth in beneficiary families. This program was suspended in 2007 due to the very low rates of employment gained by program participants. On average annual costs for the program ranged from JD 10,000 to JD 13,000, or less than 0.1% of total NAF annual expenditure.

As indicated above the targeting methodology of the NAF is a combination of means testing and categorical targeting. It relies on categorical targeting in terms of indentifying a range of 16 vulnerable groups (e.g. widows) and validates the selection of beneficiaries by means testing to establish whether they fall below the poverty line. The latter is carried out by home visits (which are irregular) and information obtained from associated institutions to assess ownership of land, assets, receipt of other assistance (i.e. Social Security Corporation [SSC], Zakat Fund [ZF], and the Department of Land Registration [DLR]). Moreover, the NAF maintains relationships with the MoH to obtain mental and physical health assessments required for eligibility to receive assistance, and to process Health Insurance Cards.

NAF TARGETING, COVERAGE AND IMPACTS

The NAF currently serves approximately 89,000 households. A recent report⁴³ based on data from the Household Expenditure and Income Survey (HEIS) 2010 and 2009-2010 pilot data on household application to the NAF found that 7.45 percent of the Jordanian population received assistance from the NAF. The coverage rates for NAF drop sharply from 31 percent in the poorest decile to 10 percent in the second decile, 3-6 percent in the third to eighth deciles, and finally, to less than 2 percent for the richest two deciles.

Targeting analysis, which measures how program resources are distributed between different segments of the population, shows that NAF is relatively well targeted to the poor. About two-thirds of NAF's resources go to those in the bottom 20 percent of the population, with more than half going to the poorest decile. However, there is still significant leakage of program resources to the non-poor. Indeed, more than a third of NAF resources go to beneficiaries, who, before receiving NAF assistance, are above the poverty line.

Compared to similar programs in other countries, Jordan's NAF is better targeted to the poor. Jordan's NAF is the regional leader in targeting accuracy. Most other social assistance programs in the Middle East and North Africa region do not distribute even 30 percent of benefits to the poorest 20 percent of their countries' population. Jordan's NAF targeting compares well even when measured against the performance of social assistance programs in some countries in Eastern Europe (such as Poland or Hungary) or Latin America (such as Chile or Mexico).

⁴³ World Bank, (2012c).

Based on the 2010 HEIS⁴⁴, the NAF has reduced the poverty headcount by 1.2 percentage points, the poverty gap by 0.8 percentage points, and poverty severity by 0.5 percentage points. In addition, the impact of the NAF on poverty increased from 2008 to 2010. In 2002, when the poverty headcount in Jordan was 31.5 percent, the absence of NAF would have increased that indicator by 0.6 percentage points. The magnitude of NAF impact on poverty grew slightly to 0.7 to 0.8 percentage points in 2006 and 2008. By 2010, NAF was even more successful, with 1.2 percentage point impact on the poverty rate at present.

CHALLENGES FACING THE NAF

Although a large and relatively well-targeted fund, the NAF faces a number of challenges. Firstly, one major concern is that long-term participation in NAF's Recurring Cash Assistance Program leads to dependency and states of chronic unemployment. This is the case as only households whose heads are unemployed (and receive no income and have limited assets) are eligible for the program. As such, the receipt of the NAF is a disincentive to seek employment. The benefits of employment are limited due to low salaries resulting from a full day's work

Secondly, as discussed above the targeting of the NAF is relatively good given the record of other countries in the region. Moreover, the targeting mechanisms itself appears suitable for the Jordanian context. However, International experience has clearly demonstrated that the choice of targeting method is not as important as good implementation of whichever method is selected. In fact, 80% of the variation in targeting effectiveness due to differences within methods with only 20% due to the choice of method.⁴⁵ As such, a key challenge facing the NAF is to improve the *quality* of the current mixed categorical-means testing targeting methodology.

In this regard, the NAF currently faces limited capacity related to carrying out effective means testing and categorical targeting. This is linked to a number of factors: (i) having field staff without suitable skills and knowledge to assess whether a household falls beneath the poverty line; (ii) working with a poor information technology system; (iii) having poor linkages with associated institutions (i.e. making it harder to verify asset ownership). All three factors result in the NAF having limited information with which to carry out effective targeting.

⁴⁴ These results are taken from analysis conducted in World Bank, (2012c). The analysis depends, at least in part, on assumptions made in the simulations. For simplicity, it is assumed that recipient households spend 100 percent of the NAF transfer they receive and that labor supply and other behaviors are unchanged in response to transfers. This assumption allows us to simulate expenditures without NAF transfers by subtracting NAF transfers from actual observed expenditures.

⁴⁵ Coady, Grosh, and Hoddinott, (2003).

Box 2.1: NAF, Poverty Reduction and the Working Poor.

Evidence shows that a majority of the poor in Jordan are working poor (ESCWA, 2012). These households remain poor due to low productivity, reflected in low wages, and compounded by large families and high dependency ratios. By virtue of the NAF excluding the working poor from receiving assistance this sub-group of the poor are largely left unsupported in Jordan. This is highly problematic for two reasons: (i) It is difficult for this sub-group to rise out of poverty with assistance resulting in states of chronic poverty; and (ii) the correlated levels of low health and education experienced by the children in poor households results in the intergenerational transfer of poverty, furthering ensuring states of chronic poverty for these households.

Thirdly, the establishment of the NAF as an arm of the MoSD—as stated by the NAF law—significantly affects its ability to operate autonomously, which is essential to carry out its mandate effectively. Moreover, although the NAF benefits from utilizing MoSD infrastructure, staff and vehicles the autonomy of the Fund is further constrained.

LAW AND LINKAGES

It is important to realize that the purpose of the NAF, as per the NAF Law, is not specifically to reduce poverty *per se*, but to support needy populations reducing vulnerability. As such, the mission of the NAF is: “To provide timely financial assistance and other benefits to eligible needy individuals and households for improving their living conditions to become more productive and self-dependent”⁴⁶.

Furthermore, a commitment is made in the National Agenda 2006-2015, in its Social Welfare Theme, under the Poverty Alleviation section, to “restructure the National Aid Fund”⁴⁷. No further details are provided, and no targets are mentioned. This commitment is elaborated somewhat in the Executive Development Program (2011-13), in the section entitled ‘Key Sectors in the Executive Development Program (2011-2013) in terms of Capital Expenditure’. In this section, the NAF is identified as the major project under the ‘Poverty and Social Development Sector’ and the key priority is stated as, “Effective targeting of most vulnerable groups and providing them with national aids and empowering tools”⁴⁸.

Moreover, under the National Agenda’s Financial Services and Fiscal Reform Theme, under the Fiscal Reform section, a commitment is made to “phase out subsidies completely by 2007”⁴⁹. This subsidies-related commitment is paired with the following commitment, “Channel aid to the neediest families to mitigate the impact of subsidies elimination”⁵⁰.

⁴⁶ NAF, (2012).

⁴⁷ GoJ, (2006: 28).

⁴⁸ MoPIC, (2011: 6).

⁴⁹ GoJ, (2006: 23).

⁵⁰ Ibid.

EXISTING POLICY – NEW ELIGIBILITY INSTRUCTIONS

In April 2012 the NAF senior management launched new eligibility instructions for the NAF. They simultaneously also rejected the suggestion to adopt Proxy Means Testing (PMT) as a targeting methodology for the NAF⁵¹. The new eligibility instructions were enacted on 1st July of the same year. The new instructions include the following:

- When calculating the level of income for eligibility for Recurring Cash Assistance Program participation, wages of less than JD 150 of each working sons or daughters are now allowed⁵²;
- The Recurring Cash Assistance Program now also includes temporary assistance. This assistance, allocated on a case-by-case basis, usually lasts for one year but is eligible for review and extension. A number of categories have been identified for eligibility including, amongst others, divorcees and persons with minor disabilities;
- Assessments for Urgent Assistance Cash Payments will be tightened. A new board has been established to manage these more stringent assessments;
- Conditionalities (some existed previously but were hard to monitor) have been (re)instated. These include mandatory: (i) involvement in government immunization campaigns (30% reduction in assistance for non-compliance), (ii) school education for children (exempted if the child has severe health problems, 25% reduction in assistance for non-compliance), (iii) agreement to avoid perpetrating domestic violence/violence against women⁵³ (perpetrators will be banned from receiving assistance for one-year), and (iv) agreement to avoid begging (30% reduction in assistance for non-compliance);
- The NAF now offers to pay for fees for vocational training (delivered by the VTC) for the sons and daughters of heads of households who are unable to work; and
- Finally, a complaints system has been established at the NAF. This complaints system also allows for individuals and families to request a review of their claim.

Furthermore, the NAF has committed to review all old cases according to the new instructions. This will be carried out from 2013-2015 and is projected to remove approximately 3,000 of the current households benefiting from the NAF.

POLICIES

The following policies have been agreed.

Improve NAF Strategic Capabilities.

⁵¹ This was due to concerns about the impacts of adopting PMT. The World Bank's preliminary analysis determined that many beneficiaries (40,000 families) would be excluded if PMT were adopted. Furthermore, there was no consideration of how to manage the transition (and the resulting social unrest) of so many households. Moreover, the cost implications are large, in terms of both carrying the 'to be excluded' beneficiaries through a phase out period and to include new beneficiaries. It is estimated that a cost of 29 million JD would be required to implement PMT and manage transition.

⁵² Previously no income was allowed.

⁵³ Reported cases of violence against women/domestic violence are checked with the Family Protection Directorate at MoSD.

This policy includes developing NAF's strategic capabilities by revitalizing the NAF board of Directors to define and review strategic direction (and oversee/monitoring operational functions). In addition, the development of a strategic plan and communications strategy would be prioritized.

Key policy measures/actions include:

- Reconvene the Board of Directors and appoint new members where appropriate, by start-2013;
- Secure technical assistance for the development of a NAF Strategic Plan and Communications Strategy, by mid-2013; and
- Undertake a consultative and evidence-based strategic planning process from mid to end-2013; and
- Finalize the NAF Strategic Plan and Communications Strategy by end-2013.

Support the NAF to Increase Operational Autonomy.

This involves providing the NAF with a dedicated Management Information system (MIS), physical infrastructure (and renovation of existing infrastructure) and equipment, human resources, and funding for maintenance to allow NAF to operate with greater independence. Moreover, a formal assessment of the NAF's operational relationship vis-à-vis MoSD should be carried out to assess whether institutional independence would be beneficial to the Fund.

Key policy measures/actions include:

- Undertake an assessment of the NAF's operational relationship with MoSD and develop options for potential changes in institutional arrangements, by mid-2013;
- Commission the establishment of a MIS, by mid-2013;
- Undertake set-up and training on MIS system, from mid- to end-2013;
- Agree the provision of maintenance costs with the Ministry of Finance, by end-2013;
- Undertake construction or purchase of new NAF offices, and undertake refurbishment of existing offices, by end-2014;
- Recruit additional staff members, by end-2014; and
- Purchase office furnishings, materials and vehicles for NAF offices, by end-2014.

Develop The Capacity of NAF to Improve Targeting and M&E Functions, and Enforce Existing Conditionalities.

This includes investing in the improvement of skills and systems at NAF. This will be done better to assess new applicants (to improve the quality of targeting) and to carry out quality monitoring and evaluation, so as to manage the new instructions and review the existing registry of beneficiaries.

Key policy measures/actions include:

- Develop a bespoke training program for NAF staff linked to targeting and M&E requirements, including workshops, coaching and ‘on-the-job’ training, by mid-2013;
- Undertake an analysis of NAF’s internal systems linked to targeting and M&E and design a bespoke systemic change management program, by mid-2013;
- Enact training program for NAF staff at national and governorate levels, from mid-2013 to mid-2014;
- Enact the change management program, with a focus on evolution of targeting and M&E systems, from mid-2013 to mid-2014; and
- Using new M&E capabilities enforce and monitor conditionalities, by end-2014.

To implement the newly established NAF eligibility instructions the NAF needs greater capacity, both human and systemic. To ensure that the NAF can improve targeting, manage the new instructions, and review old cases it is imperative that the NAF’s capacity be developed. This would have to be carried out at both human and systemic levels with appropriately designed programs. Moreover, capacity development should not impinge too greatly on the NAF’s ability to continue functioning on a day-to-day basis, and as such would best be structured around a small number of workshops, with extensive coaching and ‘on-the-job’ training. The development of effective M&E systems and trained staff to implement them is essential for the future improvement of the NAF.

Improve Coordination and Information Exchange Between NAF and Associated Public Institutions.

This policy involves improving coordination and information exchange between the NAF and the institutions it relies on for assessment of claims (i.e. ZF, SSC, LRD, and the Family Protection Unit at MoSD), for medical assessments and disability and physical rehabilitation assessments (i.e. MoH), and beneficiary training (i.e. VTC).

Key policy measures/actions include:

- Conduct an evaluation of NAF linkages to associated institutions to identify barriers (social and physical) to coordination and information exchange, by mid-2013;
- Conduct a series of consultations with all stakeholders to develop ownership and identify the value-added of improved coordination and information exchange, by end-2013; and
- Assess and undertake the integration of MIS’s between NAF and associated institutions, by end-2014.

Expand The Coverage to the Working Poor,⁵⁴ Enact Conditionalities, and Provide Additional Resources to Manage the Expanding Beneficiary Base.

This policy is based upon the assumption that savings from subsidy cuts are partially reallocated to the NAF as a compensatory mechanism. This includes expanding coverage to the working poor and enforcing conditionalities to limit the transfer of intergenerational poverty. As a result the NAF Law would need to be reviewed and potentially reformed.

⁵⁴ Including persons suffering from physical deficit (as defined in NAF guidelines).

Evidence shows that a majority of the poor in Jordan are working poor. These households remain poor due to low productivity, reflected in low wages, and compounded by informality, large families and high dependency ratios. Much like the non-working poor, the working poor, are subject to impoverishment, vulnerability to shocks, and to intergenerational poverty. Intergenerational poverty occurs because children in poor households experience lower health and education outcomes resulting in a high likelihood of a continuation of poverty. To escape from poverty the working and non-working poor require both social assistance (to protect them from vulnerability) and improved employment opportunities (to deliver them from poverty).

However, unlike the non-working poor in Jordan the working poor do not receive social assistance from the National Aid Fund (NAF) based on the logic that the non-working poor are more vulnerable. Moreover, the unsupported working poor represent the vast majority of poor households. While supporting the most vulnerable is of course important, steps need be taken to support the large proportion of working poor households. Furthermore, Active Labor Market Programs (ALMPs) must be improved to provide opportunities for present and future poor households (working and non-working) to obtain gainful employment. This is a key gap in Jordan's current poverty reduction policy.

Conditionalities and the National Aid Fund: Conditionalities, or making receipt of social assistance conditional on another activity (i.e. participation in vaccination programs), is an internationally recognized approach to reduce poverty. Furthermore, it has shown positive impacts worldwide in reducing intergenerational poverty by placing health and education conditionalities on receipt of social assistance⁵⁵. Typically, regular check-ups for children in local health clinics, participation in national vaccination campaigns or regular attendance at school is mandatory for the continued receipt of social assistance. This does however place large burdens on government institutions in monitoring compliance. Moreover, monitoring is also often partially carried out by institutions other than that delivering the social assistance. This requires good coordination and established mechanisms for the exchange of information.

Active Labor Market Programs and the National Employment Strategy (NES)⁵⁶: Active labor market programs have been one of the main components of governmental public policy response in the Arab World to deal with unemployment. ALMPs include public employment services (PES), employment subsidies, trainings programs, public works programs (PWP) and micro-, small-, and medium enterprise (MSME) development programs. Jordan currently provides PES, employment subsidies, training programs and MSME development programs. PES, employment subsidies, and training programs are of mixed success and little is known regarding their equity and impacts upon employment and poverty reduction. MSMEs can be seen as relatively successful in Jordan, yet it is unclear to what extent they actually benefit the poor. Many of the above mentioned programs were reviewed in the NES, and the following ALMP-related policies were agreed.

1. Short Term Impact (2014) - Start Absorbing the Unemployed, including:

⁵⁵ World Bank, (2009).

⁵⁶ GoJ, (2011).

- Expanding Micro and SMEs Access to Credit; and
- Evaluating and then Scaling Up Active Labor Market Programs with a proven record.

2. Medium Term Impact (2020): Better Skill Matching and Micro and SME Growth, including:

- Scaling up School-to-Work Transition Programs; and
- Reforming the Employment, Technical and Vocational Training (ETVET) Sector.

Assign New Resources, Expand NAF Coverage to Include the Working Poor, and Enact and Monitor Conditionalities. It is essential to ensure the working poor are supported in Jordan. Furthermore, the enactment of health and education-related conditionalities that would benefit children, would contribute to the intergenerational transfer of poverty. This policy will require a redrafting of the NAF Law, and significant investments in funds and human capital.

Key policy measures/actions include:

- Conduct modeling of projected costs and human resource requirements, by mid-2013;⁵⁷
- Agree required financial commitments from with the Ministry of Finance, by late-2013;
- Adjust NAF instructions to include the working poor, by end-2013;
- Recruit and prepare additional staff, by end-2013;
- Review and amend NAF Law to accommodate changes, by mid-2014;
- Conduct a three-month communications campaign to alert the public of the new instructions, by mid-2014; and
- Enact new instructions and begin two-year transition phase, with monitoring focused on tracking compliance with conditionalities, by mid-2014.

While it is recognized that this policy places huge administrative/operational burdens on the NAF, it is suggested for the following reasons: (i) it is essential to support the working poor to reduce poverty and protect the vulnerable in Jordan; (ii) the NAF is the only mechanism currently of sufficient scale to manage the implementation of this much-needed policy; and (iii) the NAF currently has all necessary processes in place (albeit in need of increased support and improvement) to roll out the activities necessary to support the working poor.

It is proposed that the conditionalities—especially the health and education-related ones—included in the new NAF eligibility instructions be linked to the social assistance for the working poor. It would be possible also require mandatory participation in PES, training programs and MSME development programs for the working poor (should they lose their jobs), or indeed, for the able-bodied non-working poor who currently receive assistance from the NAF. This would be possible only once the required information

⁵⁷ This should draw on the recent initial analysis carried out by ESCWA (2012) on behalf of UNDP.

systems and monitoring mechanisms were established at NAF to monitor conditionalities.

Presently, the NAF is eligible to a minority of poor households (i.e. the non-working poor). If eligibility was expanded to 100% of poor households (i.e. including the working poor) there would be significant increases in funding required to both recruit and train staff to manage the workload, but also to afford the assistance payments. Detailed estimates of cost would require to be made drawing on the recent ESCWA analysis (ESCWA, 2012). While costs are likely to be significant, they would be a small proportion of the potential savings made from cuts in subsidies⁵⁸. In addition, to ensure the effective distribution cash transfers in a Fund of the suggested size major improvements in targeting would be required. Otherwise, leakage to non-eligible households could be highly costly.

Evaluate and expand current Active Labor Market Programs (ALMPs) with a proven track record, whilst also establishing new ALMPS with the aim of raising the productivity of the working poor. In-line with the NES this policy would require the review of existing ALMPs across the Kingdom, followed by a scaling up of successful programs and, potentially (dependent upon available resources), the reform of poorly performing programs.

Key policy measures/actions include:

- Conduct an extensive evaluation of ALMPs in Jordan, by end-2013;
- Conduct a simulation of the impact of this intervention on the general finance, poverty, and productivity;
- Define an exit strategy for this support and linking it to productivity, health and education conditions.
- Scale-up effective ALMPs, and commit additional resources for their implementation, from start-2014; and
- Invest additional resources in those ALMPs that have the potential for reform, strengthening operational capacities and functioning, from start-2014.

This policy should follow the policies and actions laid out in the NES, so as to harmonies between strategies, avoiding duplication and overburdening institutions involved in implementing the selected policies.

⁵⁸ The total cost of all subsidies was estimated at 9.7% of GDP in 2011, IMF (2011).

ZAKAT FUND

The Zakat Fund is under the responsibility of the MoAIA and consists of a National Zakat Fund with headquarters in Amman, field offices in the MoAIA offices in each governorate, and 210 Voluntary Zakat Committees throughout the country. The Zakat Fund is an implementing agency, with policy making for Zakat undertaken through the Zakat Board and the MoAIA. The Zakat Fund implements a number of programs (Table 3.1). It provides cash assistance (long term and seasonal) to poor persons of all ages, but with a particular focus on orphans. Monthly benefits are equal to JD 30/month (53% of the adult equivalent poverty line) plus JD 5 per person with no upper limit on the number of beneficiaries. Zakat cash benefits reach about 1% of the poor and also provide benefits to about 1% of the non-poor.⁵⁹

TABLE 3.1: EXPENDITURES AND BENEFICIARIES OF THE ZAKAT FUND AND ZAKAT COMMITTEES, 2010

	Expenditures (JD millions)	Beneficiaries
Monthly Cash Assistance	4.52	17,800
Emergency Cash Assistance	0.61	32,520
Vouchers (Food & Clothing)	3.80	105,200
Orphan Sponsorship	9.76	33,600 ¹
Qualifying Projects	0.21	210
School Bag Program	0.39	38,200
Rahman Food Table Program	0.44	144,666
Health Care Program	0.15	47,000
Poor Students Program	0.04	382
Charity Bread Program	0.54	10,000
Total	20.46	Not available ⁽²⁾
¹ Includes 27,000 orphans in the West Bank who are supported by one Zakat Committee in Jordan.		
² Total number of beneficiaries not available because households benefit from more than one program		

Source: Zakat Fund, (2011).

The method of selection is broad and there are no standardized criteria. The targeting process combines income data; verification of statements and documents submitted

⁵⁹ World Bank, (2009).

by the applicant; and an assessment by Zakat Fund examiners (referred to as social researchers) regarding the welfare status of the applicant family made during a home visit. There are no clear guidelines on what to observe during home visits.

Available evidence suggests that the Zakat Fund benefits are not particularly well targeted to the poorest. Twenty-nine percent of Zakat fund beneficiaries are from the poorest quintile, but the majority of beneficiaries are not poor. Twenty-five percent of Zakat fund benefits go to households in the wealthiest quintile compared to 20% to households from the poorest quintiles (Table 3.2).⁶⁰

TABLE 3.2: COVERAGE AND DISTRIBUTION OF ZAKAT BENEFITS BY WEALTH QUINTILE (PERCENTAGE)

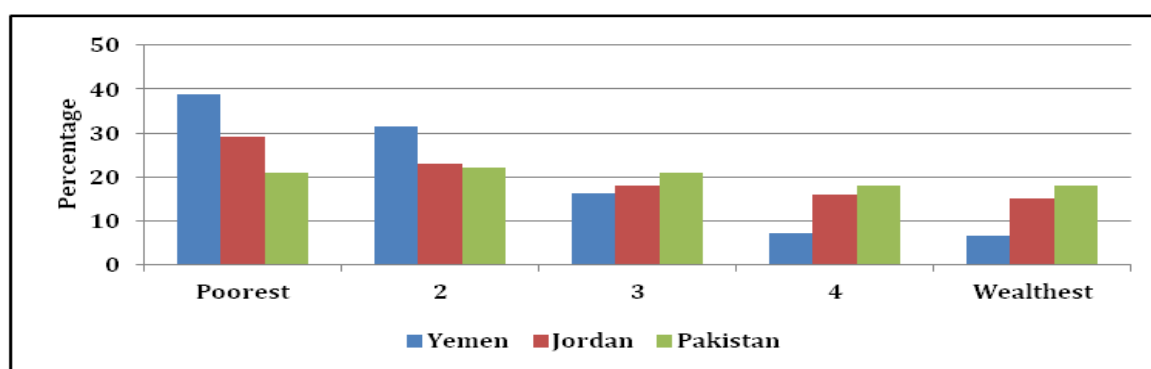
	Poorest	Q2	Q3	Q4	Wealthiest
Percent of Households Receiving Benefits	1	1	1	1	1
Distribution of Beneficiaries Households	29	23	18	16	15
Distribution of benefits received	20	15	25	15	25

Source: World Bank, (2009).

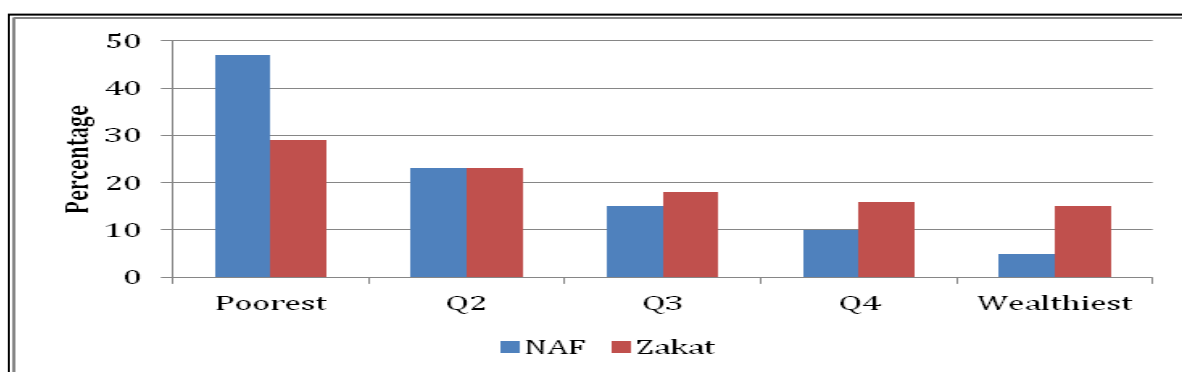
Coady, Grosh, and Hoddinott (CGH) studied targeted programs in developing and developed countries. They studied the measure of targeting efficiency to facilitate comparison of programs across countries.⁶¹ The median score among 77 programs was 1.25 (with scores ranging from zero meaning highly regressive targeting; to 1 meaning targeting no better than provision of universal benefits in which all individuals received identical benefits; to 4.0 meaning perfect targeting). The top 10 programs had a median score of 2.1, with scores ranging from 1.95 to 4.0. The Zakat Fund receives a targeting score of 1.30. This means that targeting outcomes for the Zakat Fund are slightly better than the median, but well below the best performing programs. Similarly, the performance of Jordan's Zakat Fund is not as good as the targeting performance of the Yemen Zakat Fund, but better than the targeting outcomes for the Pakistan Zakat Fund (Figure 3.1). Targeting outcomes for the Zakat fund are below those for NAF, which receives a targeting score of 1.75 (Figure 3.2). These findings suggest that the Zakat Fund targeting outcomes could be improved.

⁶⁰ Ibid.

⁶¹ The Coady-Grosh-Hoddinott index reports the share of benefits accruing to the group observed divided by the share of the group observed in the total population—for example, the share of benefits going to the poorest 20% of the population divided by 20. For most observations, it reflects the distribution of benefits to the poorest two quintiles, or to the poorest quintile of the poor. A value of 1.5 means that targeting has led to the target group (here those in the bottom two quintiles) receiving 50 percent more than they would have received under a universal intervention. A value greater than 1 indicates progressive targeting; less than 1, regressive targeting; and unity denotes neutral targeting. David Coady, Margaret Grosh, and John Hoddinott, (2003).

FIGURE 3.1: DISTRIBUTION OF BENEFICIARIES OF ZAKAT FUNDS IN THREE COUNTRIES

Sources: Quentin Wodon (2011); World Bank (2009); Heltberg and del Ninno (2006).

FIGURE 3.2: DISTRIBUTION OF BENEFICIARIES OF THE ZAKAT FUND AND THE NATIONAL AID FUND

Source: World Bank, (2009).

Fundamentally, Zakat is guided by Sharia Law and forms one of the pillars of Islam. According to the tenets of Islam, each member has a duty to tithe 2.5% of income to the poor. One way of doing this is through the Zakat Fund, either the National Fund or to each local voluntary committee. Islamic Law stipulates that Zakat be used to support, among others, the destitute who do not have their basic needs such as food, clothing and shelter and the poor or needy, who may be able to meet some but not all of their basic needs, and travelers. This later group could include refugees.

Zakat was first integrated into Jordanian law in 1944. The 1977 Zakat Fund Act established the Zakat Fund as an autonomous fund under the portfolio responsibility of the MoAIA. Other governing legislation include *inter alia*: the Zakat Fund Law (1988), the administrative and financial instructions of the Zakat Fund (2004); the instructions of Zakat committee and amendments (1999); financial and administrative instructions of the Zakat Fund (1977); administrative and financial instructions for poor students assistance and its amendments (2000); and the foundations and conditions instructions for payment of Zakat and its amendments (2002).

The Zakat Fund recognizes the need to improve its policies and procedures, monitoring, and information management in order to enhance its poverty impact. It also recognizes the need to improve targeting outcomes. To this purpose, the Zakat Fund is partnering with UNICEF to undertake a number of upgrading activities including: a process audit of

the Zakat Fund; development and implementation of a Management Information System (MIS) for the Zakat Fund, preparation of an operations manual for the Zakat Fund, and training of staff and committee members in the use of the operations manual and the MIS.

POLICY

Target the Extreme Poor. It has been agreed that the Zakat fund will target the extreme poor (also referred to as the destitute or the abject poor). These are the people who live below the food poverty line and do not always have enough to eat. In Jordan, the extreme poor represent less than one percent of the population (0.32%). Providing a monthly benefit of JD30 per person per month would cost about JD5.5 million annually, which is only slightly more than the Zakat Fund currently spends on monthly cash assistance (JD4.52 million) and considerably less than it spends on orphan assistance (JD9.76).⁶² By targeting only the extreme poor, the Zakat Fund could cover the entire target group with existing resources; i.e. to eliminate errors of exclusion. In addition, the Zakat Fund is likely to realize the greatest poverty impacts by targeting the extremely poor. The poorest 10% of the population in Jordan account for only 3.4% of total expenditure and this means that the extreme poor (who consume an even smaller share) are much needier and that they will benefit much more from the transfer.

However, since there are so few extreme poor, it may be very hard to identify them accurately. International experience indicates that the more tightly we attempt to target, the more difficult accurate targeting becomes and the greater the likelihood of leakage to persons not in the target group. In other words, efforts to target only the extreme poor might lead to high errors on inclusion. However, if the Zakat Fund targets the extreme poor, most errors of inclusion are likely to be among those who are poor but not extremely poor so that Zakat Fund transfers can still be expected to have an impact on poverty reduction. Targeting of the extreme poor would be an administrative challenge given existing Zakat Fund resources, but could be possible with the refinement of existing targeting mechanisms and adequate training of social researchers.

The Targeting Mechanism for the Zakat Fund.

Many programs use a combination of two or more targeting methods in an effort to target intended beneficiaries as accurately as possible. In a study of 111 targeted poverty reduction interventions in 47 countries, only 37 interventions used a single targeting method, while 43 use two methods, 21 use three methods, and 10 used four methods.⁶³ Similarly, 60% of programs in 13 African countries combined at least two methods.⁶⁴ For example, Mexico targets the poorest communities and then uses a PMT

⁶² It is important to note that these figures are based on very rough estimations and are only intended to give indicative figures of the cost and affordability of providing a benefit to the target group. The use of the JD30 (the current Zakat benefit for the first member of the household) is not intended as a recommendation about the size of the Zakat benefit. These figures are not intended for planning or budgeting purposes as they would have to be refined through more sophisticated simulations.

⁶³ Coady, Grosh, and Hoddinott, (2002).

⁶⁴ World Bank, (2012c). The countries included in the draft report are Benin, Botswana, Burkina Faso, Cameroon, Ghana, Kenya, Liberia, Malawi, Mali, Mozambique, Niger, Tanzania, and Togo.

to select beneficiary households within those communities. El Salvador and Honduras combine geographic targeting using poverty maps with a PMT and provide benefits to all households in the very poorest geographic areas, while using a PMT to select households in the areas that are not as poor.⁶⁵ Lesotho combines community targeting with the use of a PMT to verify welfare status. Households selected via community targeting must also be validated by the PMT. The intersection between PMT-eligible and community selected households was used to generate the final list of selected households.

This latter approach will be used by the Zakat Fund, with the Jordan PMT used as a mechanism to verify Zakat Fund selection and exclude applicants who are clearly not poor based on their PMT score. The advantage of this approach is that it would reduce errors of inclusion by providing a secondary and objective mechanism to screen out households that are clearly not poor. Alternatively, the Zakat Fund could continue to use the combined approach that it currently employs (means testing and community targeting in the case of the committees); however, this approach would need to be refined and the capacity of social researchers and committees upgraded in order to minimize existing errors of inclusion. The PMT could also be used with this approach with the PMT score used as an additional piece of information to add to the decision on eligibility. In both cases, the PMT would provide important information, but would not be used as the sole criteria for selecting beneficiaries.

Combined targeting methodologies have generally been found to decrease errors of inclusion. However, they may be administratively burdensome because they rely on more than one targeting methodology, each of which has to be properly implemented. Depending on the combination chosen and the difficulties that households have in being selected based on more than one mechanism, they may or may not increase errors of exclusion.

Policy Measures, Indicative Actions and Indicators.

The following policy measures and indicative actions are required for improved targeting.

1. The Zakat Fund Technical Committee⁶⁶ currently working on the UNICEF/Zakat Fund upgrading project organizes a targeting workshop for MOAIS, the Ministry of Planning and International Cooperation (MoPIC), and the Zakat Fund representatives at the national, governorate, and committee level to introduce participants to the principles and requirements of effective targeting, and to discuss targeting options;
2. The Zakat Fund Technical Committee makes a recommendation regarding the targeting system;
3. The Board of the Zakat Fund endorses recommendation;
4. Minister of MOAIS endorses recommendation;
5. The Zakat Fund Technical Committee ensures that MIS reflects targeting system adopted;

⁶⁵ Laura Ripani and Luis Tejerina, (2008).

⁶⁶ The Technical Committee is comprised of senior technical staff from the Zakat Fund.

6. The Board of the Zakat Fund ensures that the Zakat Fund Operations Manual reflects the targeting system adopted;
7. The Zakat Fund Technical Committee ensures representatives at the national, governorate, and committee level are trained in the new targeting approaches;
8. The Zakat Fund Technical Committee develops systems for providing ongoing training and supervision to ensure systematic implementation of targeting system; and
9. The Board of the Zakat Fund ensures that the system for providing ongoing training and supervision is implemented.

SOCIAL INSURANCE

Social insurance is a key cornerstone of social protection in Jordan. While Jordan has a relatively effective social security system, large gains can be made in terms of extending the scope and provision of social security to better support the poor (amongst other members of the Jordanian public).

The Jordanian social security system is administered by the Social Security Corporation (SSC) which is an autonomous public body responsible for the implementation of old age, disability and death pensions and occupational health and safety benefits. Coverage under the social security system has recently been extended to employees in businesses employing 5 workers or less. In September 2011, new maternity and unemployment insurance schemes were introduced. In 2011, about 955,000 Jordanian workers were insured with the SSC and this number will continue to rise as the 'coverage extension' project is implemented. In 2011, 135,000 persons were in receipt of pensions from the SSC.

In the past, the SSC covered mainly public servants and those in larger businesses, i.e. those likely to be in more stable and better paid employments. As a result, a higher proportion of pensions go to households in the upper income quintiles. As set out in Table 3.3 (based on World Bank research), one third of households in the wealthiest quintile receive SSC pensions compared to only 14% of households in the poorest quintile. In addition, reflecting the pay-related nature of the Jordanian pension system, richer households get larger pensions so that 42% of benefits go to households in the wealthiest quintile.

Table 3.3: SSC Coverage, Distribution of Beneficiaries, and Benefits Received, 2006

	Q1 (poorest)	Q2	Q3	Q4	Q5 (wealthiest)
Share of Households Covered (%)	14	20	26	31	32
Distribution of beneficiaries by quintile (%)	11	17	21	25	26
Distribution of benefits actually received (%)	7	12	16	23	42

Source: World Bank/Department of Statistics (2009) Hashemite Kingdom of Jordan: Poverty Update, Washington, DC.

However, the cost of pensions is met, not from taxation, but from employer and employee contributions and in order to get a full picture of the distributional impact of the social security system it would be necessary to calculate the relative return on pension contributions to those on different incomes. This data does not appear to be available for Jordan at present. Nonetheless, even if the final distribution of pensions is pro-rich, the benefits provided by SSC play an important role in reducing poverty. According to a study conducted by SSC in 2010 on the impact of pensions from social security, civil and military retirement, it was found that pensions assisted in raising 5.8% of the population and 4.6% of

Jordanian families from living below the poverty level in the year 2006.⁶⁷ The study revealed that the poverty rate would have increased from 12.8% to 18.6% during the same year if the pensions were excluded.

Reflecting overall trends in the Jordanian (formal) labor market, women make up a small proportion of those insured with SSC, about 25% of active insured, and they have lower insurable wages and, therefore, lower pensions. In 2009, only about 12% of those in receipt of pensions were female and average benefits are lower for women (Table 3.4).

Table 3.4: Average Monthly Pension by Gender, 2009-2011 (JD/Month)

	All Pensioners		New Pensioners	
	Male	Female	Male	Female
2009	282	227	405	313
2011	327	270	460	327

Source: Social Security Corporation

Unlike many social security institutions, contributions to the SSC currently greatly exceed its outgoings and the SSC has a large social security fund (representing 25.3% percent of GDP in 2011). The fund is invested by a separate body (the Social Security Investment Fund) whose mission is to maximize the returns on the funds allocated for investment by the SSC. The Fund Strategy Statement 2009-2013 sets a target of an annual rate of return of 7.22% (based on the discount rate for actuarial analysis plus the inflation rate). However, actual returns are, of course, affected by the overall economic environment, as with all other pension funds. The fund currently, contrary to best practice, is almost entirely invested in Jordan.⁶⁸

Despite the existence of this Fund, the longer-term sustainability of the SSC is threatened by a very generous pension system with a very low retirement age (as low as 45 in some cases).⁶⁹ The most recent actuarial valuation estimated that resources would be depleted by 2036 (ILO, 2009).⁷⁰ The World Bank (2003)—and other agencies—have called for reforms in this area, which are reflected in the National Agenda (GoJ, 2006). Indeed a temporary law implementing important reforms was adopted by decree in 2010 (see below).

The Jordanian social insurance system does not currently include health insurance (medical care). However, the GoJ has given consideration to introducing a system of

⁶⁷ Internal report.

⁶⁸ The existence of this fund must be balanced against the fact that a World Bank (2005) study has calculated that Jordan has an implicit pension debt approaching 175 percent of GDP, among the highest in the world.

⁶⁹ The Social Security Law No 19 of 2001 permitted early retirement at 45 for all subscribers; the new Temporary Law No. 7 of 2010 raised the early retirement age to 50, except for some categories of this age group whom the new law treats in the same way as the previous one.

⁷⁰ An updated actuarial valuation is currently ongoing.

health insurance (possibly to be administered by SSC) and detailed (unpublished) studies have been carried out by SSC to consider the modalities and costs of introducing health insurance. However, this is primarily an issue that needs to be considered in the context of health policy generally (see below). The issue of health insurance is considered here only from a poverty perspective as a delivery mechanism for health care.

PRE-EXISTING POLICY, LAW AND LINKAGES

There have been several recent policy and legal changes in the operation of the social security system. First, coverage has been extended to employees in businesses employing 5 workers or less with the aim of increasing coverage to 75% of the workforce by 2020.⁷¹ These are likely to be poorer workers on low incomes and thus this extension should have a positive poverty impact. However, it is creating major administrative difficulties for SSC in that the number of employers covered will expand considerably from about 20,000 to 100,000. The new businesses are smaller and more difficult to administer (e.g. to collect contributions) with likely problems of greater turnover of businesses and levels of contribution debt. In addition, given the low income of new insurees, the expansion may have negative financial implications for the social security fund (although no formal actuarial assessment of the coverage extension project has been carried out).

Second, important reforms of the pensions system—addressing issue such as the low retirement age⁷² and excessively generous pensions—have recently been adopted by way of a temporary law (Social Security Law – Temporary Law No. 7 of 2010). These reflect the goals set out in the National Agenda of reforming the pension system to ensure its sustainability by, *inter alia*, raising minimum retirement age to over 55 by 2020. This law requires to be confirmed by Parliament which has not yet occurred.

Finally, the coverage of the social security system has recently been extended with the introduction of maternity and unemployment insurance.⁷³ The maternity scheme is a standard maternity insurance and, if combined with relevant labor market policies, may have some positive impact on female employment rates (in line with the National Agenda goal). The unemployment insurance scheme involves an innovative ‘individual account’ type scheme whereby contributions paid by the insured person (and employer) are returned to the person upon attaining unemployment. It raises the issue of how to assist such persons to return to the labor market (in line with the National Agenda goal of integrating the unemployed into the labor market).

⁷¹ The expansion of coverage project launched by the SSC was completed on 31 December 2011, whereupon its scope of work and tasks became part of the daily activities of the SSC and its branches in all parts of the Kingdom.

⁷² Important not only in terms of the cost to the social security system but also the negative labor market impact.

⁷³ In the case of maternity insurance the first case to benefit will be nine months after the launch of the project. In the case of unemployment insurance, on the other hand, those eligible have benefitted since the first day of implementation.

POLICIES

The following policies are set out to address the issue of how to improve the scope and provision of social insurance to better serve the poor.

Ensure the Financial Stability of the Social Security System by Implementing Pension Reform.

As noted above, the risks to the financial sustainability of the Jordanian social security system have already been identified and action has been taken in the 2010 temporary Social Security Law. However, this legislation requires confirmation by Parliament and because it reduces the prospective entitlements of certain pensioners, it is politically unpopular.⁷⁴ This policy will assist in ensuring the financial stability of the system by reducing social security expenditure. It is also likely to have a positive poverty impact in that reducing excessive pensions should have a poor-poor impact.⁷⁵ In addition, ensuring financial stability is potentially positive from a poverty perspective in that it allows pro-poor reforms of the system. The reform is also positive in contributing to the efficient operation of the labor market and ensuring economic growth in that it aims to reduce early retirement and disincentives to remain in employment.

Expand the Persons Covered by the Social Security System.

Poor workers and women are not currently well covered by the social security system. Of course, inclusion in a social security system is based on employment. Therefore, it will be difficult, if not impossible, to expand significantly coverage of the social security system without increasing the currently very low level of employment amongst Jordanians (particularly Jordanian women) as proposed in the National Employment Strategy.

Gender: SSC is currently making significant efforts to extend coverage to women by way of voluntary insurance and this will be continued. However, this is likely to be limited due to the difficulty of paying for such insurance (poor women or women without access to their own resources may find it difficult to pay contributions) and due to adverse selection.⁷⁶ The recent introduction of maternity insurance may also have some positive impact. However, ultimately significant improvement in social security coverage for women is dependent on improving the level of female employment. In summary, while SSC should be supported in taking a more gender-focused approach,

⁷⁴ It is not intended to affect existing pensions already in payment.

⁷⁵ Although no detailed assessment of the distributional impact appears to have been carried out, the lack of any limit on pay assessable for pension purposes means that very high pensions are paid to comparatively well-off individuals. Recent reforms resulted in setting an upper limit for the deductible salary equal to five times the average salary subject to social security, and at an upper limit of JD 5,000. This contributes to preventing persons obtaining excessively high pensions. This in turn reinforces social protection for the poor and needy classes in society.

⁷⁶ Because insurance is not compulsory, only persons who are going to benefit financially are likely to take out voluntary insurance leading to a cost to the SSC and/or low take-up.

there is no realistic policy option to extend social security coverage for women without a major increase in female employment. Policy measures that would be required for this policy might include: the development by SSC of an explicit gender policy; and continued publicity for the voluntary insurance option.

Low Paid Employees: A decision has already been made to extend social security coverage to employees of small businesses and this is positive from a poverty perspective.⁷⁷ This is currently being implemented by SSC. However, it will involve a massive increase in the number of businesses covered by social security (by a factor of about 5) and a significant change in the type of business covered (small, informal, poor records, high turnover, etc.). This will require major changes in business processes in SSC. Otherwise there is a real danger that the coverage extension will not be implemented correctly so that the potential benefits (of coverage) do not accrue to low paid individuals.

Policy measures that would be required for this policy include:

- (i) the adoption by SSC of a revised business model, and
- (ii) evolution of SSC institutional architecture appropriate to its new remit.

Expand the Scope of the Social Security Scheme (i.e. Type of Risks Covered by Social Security)⁷⁸.

Historically, the Jordanian social security system has covered the risks of 'old' age, disability and death; and work injuries. Coverage for unemployment and maternity has recently been added. The Jordanian system does not cover the risks of sickness (generally), family (i.e. child benefits) or health insurance (medical care).⁷⁹ Given the importance of financial sustainability (and the considerable Jordanian public debt), it would seem advisable that any expansion of coverage should be self-financing.

Social Protection Floor: The Social Protection Floor (SPF) concept, developed by the UN and, in particular, ILO, involves an integrated set of social policies designed to guarantee income security and access to essential social services for all, paying particular attention to vulnerable groups and protecting and empowering people across the life cycle. It includes guarantees of: (a) basic income security, in the form of various social transfers (in cash or in kind), such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees and services for the unemployed and working poor; and (b) universal access to essential

⁷⁷ However, 'housemaids and servants, or labourers at the same level' remain excluded from social insurance (article 4.C of the 2010 temporary Social Security Law).

⁷⁸ Policy measures are not specified in relation to the policy options discussed here as, in the case of health insurance, the measures are primarily of a health policy nature while in the case of the other two options (SPF and family allowance) further study of costs and distributional impacts would be required.

⁷⁹ Although these risks are referred to in the Social Security Law (Law No. 19 of 2001) and health insurance is again referred to in the 2010 temporary Social Security Law, no details of how such an insurance scheme would operate are set out.

affordable social services in the areas of health, water and sanitation, education, food security, housing, and others defined according to national priorities.

The ILO is currently preparing, in conjunction with SSC, an outline estimate of the potential cost to Jordan of moving towards a SPF. The SPF is a rather flexible concept and its precise scope might vary considerably in practice. Nonetheless, the SPF should be positive from a poverty perspective insofar as one adopts a broad definition of poverty, e.g. promoting resilience. However, because it adopts a more universal approach, it is less well targeted than, say, the approach of targeted supports via NAF. Although a detailed costing is not yet available, the costs involved would appear likely to be very significant so that any major moves towards a SPF could impact on government debt, and could have a negative impact on the labor market and economic growth. However, in themselves they should have a positive impact on social stability.

Ensure the Social Security System Contributes in a Positive Manner to the Operation of the Labor Market.

A number of the policies outlined above (including reducing the current incentives to retire early) will contribute to the operation of the labor market.⁸⁰ However, the introduction of unemployment insurance more directly raises this as an issue for the Jordanian social security system. Up till now, the SSC has only had a few schemes directly linked to the labor market and, even here (such as work injuries); there is little indication that SSC has prioritized issues concerning the reintegration of injured persons back into the workforce. Therefore it has no structured links with labor market institutions. Indeed because the new unemployment insurance system operates on the basis of individual account, SSC will have little (if any) financial interest in returning unemployed persons back to work. However, this would clearly be desirable from the point of view of the objectives outlined above including poverty reduction, contributing to the labor market and economic growth, etc. The alternative option is to retain the *status quo*, which does not have good outcomes in terms of poverty and the labor market.

Policy measures that would be required for this policy include:

- (i) the development by the relevant authorities and the SSC of an employment action plan to assist unemployed, injured and disabled claimants in returning to work, and
- (ii) the establishment of operational links with labor market institutions and NAF.

⁸⁰ It should be noted that the existing social insurance system contributes significantly to encouraging individuals to enter the labor market and to stay in this market.

Enhance Operational Co-ordination with Other Key Agencies.

Finally, there are a range of issues—such as links to employment services discussed above—where the social security system (i.e. SSC) needs to co-operate with other agencies in the social protection field. Apart from the employment services, the NAF and Ministry of Social Development (MoSD) are the main relevant agencies in the social protection field but co-ordination with other agencies (e.g. revenue, business registers) is also critical in areas such as coverage extension. There are currently a number of barriers to such co-ordination, including, a failure to realize that co-ordination is necessary, legislation limiting exchange of data, and lack of compatible IT systems

Policy measures that would be required for this policy include:

- (i) the assessment by SSC of key agencies with which links should be established;
- (ii) an assessment as to the legal and administrative steps required to establish those links; and
- (iii) action by SSC, relevant agencies and the GoJ to establish a ‘joined-up’ administration.

SOCIAL SERVICES

Investing in Social protection, improving labor conditions and systems, and designing social and development programs and policies buffer individuals from shocks, enable them to improve their livelihoods and create opportunities to build a better life for themselves and their families. Given the increase in uncertainty, risks, as well as potential, Jordan with its very young population can effectively use solid and targeted social policies to manage risks and challenges, and ensure that it protects its most vulnerable groups from any external and internal distress in a positive way that opens the window of possibilities and opportunities.

On the bright side, Jordan's advancement in education, its commitment to social development, and qualified Jordanians, provide all the needed elements for a solid social policy; these advantages, if properly built upon, can be used as a foundation for advancement.

Many strategies and plans have been stipulated, particularly on poverty alleviation and social protection, such as the Poverty Alleviation Strategy (2002), National Agenda and the National Strategy for Family Counseling (2009) by NCFA, the outcome has been modest at best.

Specifically, the National Agenda has included a comprehensive social protection strategy that specifically outlines the basic steps needed for both social assistance and social insurance. Unfortunately, the weakness of follow-up, and translation of the National Agenda into funded programs and strategies, prevented the recommendations from being implemented in a comprehensive manner. The ability to work jointly and the capacity to deliver results, with follow-up implementation were key obstacles in realizing the goals of those plans.

It is well noted that Jordan, from the onset, has paid great attention to social development that is focused on the family as the foundation of the society. This has been reflected in the latest amendments to the Jordanian Constitution, so that Article 6 states the following:

(iv): The family is the foundation of the Society, it is founded on religion, morals and patriotism, the Law preserves its legal entity, strengthens its ties and values.

(v): The Law protects motherhood, childhood and the elderly and cares for the youth and people with disabilities.

The Ministry of Social Development (MoSD) is one of the oldest ministries in Jordan, to date; it works based on Law No. 14 for the year 1956 and its amendment as a Ministry of Social Affairs and Labor. The Law specifies its main functions to provide comprehensive social pension and sufficiency, coordination of social services for all citizens throughout their life stages and to regulate their investments as the main source of fortune for the State is its human fortune. The current law does not give MoSD the specific mandate to set the overall policy for social development, protection and poverty alleviation. This needs to be better defined in the legislation, to ensure that MoSD assumes its policy, regulatory, and oversight functions and gradually move away from providing direct services to regulating and monitoring. Ideally MoSD would divest

itself of all direct service delivery to put in place a new law replacing the 1956 law. Currently MoSD has 4 main laws governing its main operations as follows:

1. Social Affairs and Labor Law No. 14 of 1956 and its amendments. قانون وزارة الشؤون الاجتماعية والعمل رقم (14) لسنة (1956) وتعديلاته.
2. Juveniles Law No. 24 of 1968 and its amendments. قانون الاحداث الاردني رقم 24 لسنة 1968 وتعديلاته.
3. Family Protection Law against Violence No. 6 of 2008. قانون الحماية من العنف الاسري رقم 6 لسنة 2008.
4. Association Law No. 51 of 2008 and its amendments in 2009. قانون الجمعيات رقم 51 2008 وتعديلاته لعام 2009.

Moreover, MoSD has to work with 10 bylaws and 30 regulations, and work closely to the National Council for Family Affairs (NCFA), Higher Council for People with Disabilities (HCPD), and has to better clarify and roles of each and ensure that the Ministry is assuming its policy and executive roles.

Jordan has ratified the International Covenant on Civil and Political Rights, the International Covenant on Economic, Cultural and Social Rights, the Convention on the Rights of the Child with few reservations, the Convention on the Elimination of All Forms of Discrimination against Women - with few reservations, the Convention on the Rights of Persons with Disabilities, the Convention against Torture, the International Convention on the Elimination of All Forms of Racial Discrimination, and the Geneva Convention on the International Humanitarian Law. However, Jordan did not ratify any of the optional protocols to these agreements (this would have enabled individuals to directly submit complaints to the monitoring committees of the specialized United Nations, in accordance to the mechanisms adopted by the UN).

POLICIES

The following policies have been agreed:

Preserving the family as the corner stone of the society

Issues addressed under this policy include:

1. Focus on the role of the family and how it is being portrayed in school and community at large. Ensure that school curricula support family values and unity without negatively stereotyping women's roles. Initiate initiatives in support of values that encourage moving away from dependency towards innovation, productivity and responsible citizenship.
2. Move away from keeping children who are in need of care and/or are in conflict with the law and are kept in institutions, and cater for alternative care arrangements such as community based programs, so that the children are kept with families or in family-like dwelling.

This necessity is shifting MoSD's strategic directions and focusing of its resources and attention to oversight function, setting of standards, licensing and monitoring service delivery. However, some key services require special attention and need to

stay under MoSD direct implementation, such as Al-Khansma (Centre for safe keeping girls who victim and with high risk of being killed until their family situation is resolved). The plan should have a span of three years for gradual implementation and ensuring that the proper services are provided. It also entails setting specific standards of services to be adhered to and strengthening the oversight function for the Ministry as well as the capacity of NGOs to provide the needed services.

A full comprehensive review of costs and standards needed to care for children and PWD is recommended, as the cost of all staff are included in which in reality MoSD will have to continue to hire, however, freeing up more valuable human resources will better enable MoSD to fulfil its new role. Training of staff is essential in this transition process. Moreover, for this transition to take place, MoSD will have to establish detailed quality standards and enforce them as part of the agreement with civil society to provide the purchased services to NGOs or community based services. It will also need well qualified staff at both MoSD, social workers in the field and civil society.

Some Centers should remain under direct control of MoSD, such as those providing services for diagnostic and physical therapy, namely "Hiteen" Centre, since these centers rely heavily and benefit from services directly provided by from the Ministry of Health (MoH) given the nature of these services and importance of proper medical diagnostic.

Responsible Entities: Ministry of Education (MoE), Ministry of Higher Education (MoHE), Ministry of Awkaf and Religious Affairs (MoARA), Ministry of Social Development (MoSD), Minister of Women's Affairs, Ministry of Health (MoH), National Centre for Family Affairs (NCFA), and the civic society, with support from international development agencies like UNICEF.

Institutional changes: Complete shift of structure for MoSD from direct provision of services for the services outlined above, to setting standards, licensing and supervision.

Legal changes: There is a need to change the existing Juvenile Law to allow for a referral and diversion system (draft of the New Juvenile law has already been sent to the Prime Ministry).

Support the different functions of the family

1. Productive role of the family: Jordan already has in place pre marriage test, regulation no. 57 for the year 2004 which states that all parties to the marriage contract should perform a free test for Telasimia blood disorder. If found positive, the couple should be formally notified and informed of the risk of completing the marriage. This test can be expanded to include other tests in coordination with the MoH and NCFA.
2. Upbringing and Caring for Children: although this has been addressed in different ways by many laws and regulations, Jordan still lacks a clear text obliging parents to take care of their children, and the children's right for caring and upbringing. This role has been addressed but not quite adequately in the Personal Status law

Articles 184 and 186, Child's Right Agreement Article 18 and Penal Code Law Article 290.

3. Economic function: The family should be supported to provide for its needs, this brings to the forefront the importance of integrating the implementation of social policies within economic plans and enabling vulnerable groups to support themselves which directly links to poverty reduction efforts by the government. It also strongly relates to the right of vulnerable women and children to their property, inheritance and economic rights.
4. Cultural and Integration into the Society: is a right to all vulnerable groups to be provided with the full range of services and not limited to food, shelter and medical care. Programs and initiatives should make sure to include them in all cultural activities and ease for them the integration process into the main stream of society. This has been also addressed in the International Covenant on Economic, Cultural and Social Rights, Article 31, ratified by Jordan.
5. Providing Safe and Adequate Family Environment (emotional support function): The National Strategy for Family Counseling by the NCFA, along with the Columbia joint project with MoSD to build capacity of social workers are sounds steps that need more focused efforts such as institutionalize social services, making social work a profession, counseling, better partnering programs, in addition to providing integrated services to respond to mental and psychological needs in an effective way.

Responsible Entities: MoSD, Ministry of Awkaf and Religious Affairs, MoARA, Chief Justice (religious)ⁱ MOH, NGOs, NCFA, MOH, NGOs, HCPD, Family Protection Directorate (FPD), International and Development agencies and civil society.

Institutional changes: Stronger partnerships and coalitions including all stake holders should be formed. Structures should allow for sharing of information, flexible and fast response.

Legal changes: It will need change in bylaw at MoSD to enable it to better purchase services from NGOs as well as changes to the Personal Status Law/ Penal Code Law to outline the responsibilities of parents towards their children.

Provide clarity of vision, roles and responsibilities for public bodies and build effective partnership with civil the society and the private sector.

Issues addressed under this policy recommendation:

1. Ensure that Ministries are able to perform their initial mandate of setting policy, standards and monitoring performance.
As indicated above, MoSD current law does not provide the Ministry with the policy formulation function and leadership needed to set and coordinate social policies. There is a need to support a strong mandate for MoSD along with the respective human and financial resources to effect change, moreover, there should be a unified strategy for funding and support for the various funds on the level of HCHP, NGOs

MoSD, NCFA, JNCW, and Cabinet Minister for Women's Affairs, based on clarity of roles.

2. Institutionalize effective consultative process and actively involve all key stakeholders to enable them to set sound and relevant policies. This can be achieved by giving a mandate for coordination to MoSD (the importance of the coordinative role was one of the main recommendations of the National Agenda) and setting an advisory board for MoSD consisting of all the key stakeholders. Moreover, a stronger role by the consultative Economic and Social Council is foreseen and needed for complementing and providing input to the Ministry of Social Development (MoSD). A special focus on the Corporate Social Responsibility (CSR) would be very beneficial where the priorities and venues for assistance are provided to private sector for support.
3. Participatory approach to development, advocacy and implementation with civil society, private sector, professional associations and local communities will enable better pooling of resources and results.
4. Effective use of media and social media to support social policies. Development of on-line networks, partnerships, and coalitions that include local NGOs, civil society organizations, government officials, and/or business community to promote the agreed upon social policies as well as the effective use of information and communications technology (ICT) to expand the outreach.

Legal Changes: New MoSD Law, changes to the legislation of related centers and boards may be warranted as well as establishing the Advisory Board for MoSD.

Move towards social budgeting

Issues addressed under this policy recommendations:

1. Given the trends of increased scarcity of resources and uncertainty, Jordan needs to effectively harness and utilize all available resources (human and financial) as sources of growth and prosperity. Should vulnerable groups not be supported to become productive citizens, their long term cost will outweigh any short term expenditures needed to provide them with training, skills and open a window of possibilities and opportunities. Budgets should account for this.
2. Ensure that public finance policies are geared towards protecting children, women, and PWD. If not, the economic and social costs of trying to "fix" and "reintegrate" them as effective citizens will be much higher later on the long term.
3. Coordination across "economic" and "social" ministries and agencies of government is a must.
4. Ensure that public finance and human resources (through the Civil Service Bureau) are able to support the implementation of social policies and build the capacities of responsible entities for implementation. This may mean moving and shifting human resources and not necessarily hiring more staff. The difference of pay and allowance maybe a challenge facing implementation, moreover, the social status of working in

the economic ministries may be perceived by some as higher than that of working in social ministries.

5. Set in place a Rapid Social Response System to enable the government to effectively respond to the needs of the poor and vulnerable, this also includes providing catalytic investments/budgets to build the basic administrative sub-systems that can serve as the backbone of social protection. The social costs of not responding in time usually outweigh the associated long term costs.

Legal Changes: some changes to the Civil Services Bureau (CSB) bylaws may be needed to allow more flexibility of staff mobility and allocation of human resources.

Build strong institutions involved in social policy with clear accountability systems

Issues addressed under this policy recommendation:

1. Strong institutions can only exist with strong and capable staff, there is a need to invest in both technical and administrative skills of social workers and empower public servants through in-place mechanisms to ensure that the “voice” of the poor and most vulnerable groups in the whole community is heard.
2. Set in place accountability systems and performance indicators to evaluate the different programs and projects, and how they have affect the poor and vulnerable (both positively and negatively), so that these systems are based on clarity in design, planning and achievable goals against set timeframes. Include control and accountability systems such as an effective Monitoring and Evaluation (M&E) scheme, verification systems, audits, quality control measures, spot checks, policies to ensure access to information, and formal grievance mechanisms.
3. Strengthen studies, research capabilities and support to rigorous science evidence-based programs; create systems that are evidence and research based, on which government sound decisions are made, reliant on knowledge that will enable the government to better allocate scarce resources, and decide the impact of social policies and poverty reduction efforts. This will free up much of the needed resources and redirect them to the protection of the weaker segments of society.

Legal changes: Law and regulations reflect more built in accountability.

The government provides basic living, services and health insurance to most vulnerable groups. This includes education, health insurance and cash payments through the National Aid Fund (NAF) and other mechanisms and services.

Issues addressed under this policy recommendation:

1. Continue to provide various cash, in-kind contributions and social care programs through the NAF and HCDP as well as health insurance for children and other needed services.
2. Set minimum required standards that are based on international standards for all key social services for PWD; children in need of care, dysfunctional families, school dropouts, beggars, abused women and any other vulnerable group
3. Put in place the needed legal framework and enforcement / adherence mechanism. Moreover, establish a simple system of checks and balances to

ensure that *all* beneficiaries receive the same quality of services on time and that social services provided are based on fairness and equality for all.

4. Provide training, mitigate employment related risks for the vulnerable groups and increase access to active labor market programs among the poor and vulnerable.
5. Continue and expand in-kind transfers including education-based programs (school feeding), housing programs for the poor, and health related programs.
6. Boosting early childhood development programs for vulnerable children, including strengthening pre-school education, health care services and the role that family doctors play in monitoring children's growth.

Legal Changes needed: More regulations are required in order to set out standards.

GENDER AND HUMAN RIGHTS

Despite a number of steps in the right direction on the part of the GoJ, specifically in relation to Gender and Human Rights, a number of significant challenges persist which serve as obstacles to the full realization of the equal protection and human rights of all Jordanians, especially women, the elderly, children, PWD, the poor and vulnerable groups. At a time of growing social unrest, these obstacles must be given renewed priority and due attention to ensure that society's most vulnerable enjoy a safe and equitable playing field in pursuit of their livelihoods and aspirations.

The Jordanian constitution guarantees the equal treatment for all Jordanians and safeguards their rights, including minorities. Article 6 of the Jordanian Constitution states *"Jordanians shall be equal before the law. There shall be no discrimination between them with regards to their rights and duties on grounds of race, language or religion"*. Moreover, Article 16 of the National Charter provides for a commitment to protect human rights and the adherence to the United Nations Universal Declaration of Human Rights. In 1974, women were given the right to vote and the right to run in general elections. In addition, The National Agenda 2006 -2015 and "We are all Jordan" incorporated the principle of equality; this of course includes the rights of women. The National Committee for Women (JNCW) was formed in 1992 by a Cabinet decision and recently a Cabinet Minister for Women's Affairs was appointed.

However, in spite of all the positive advancements and the numerous bright spots in Jordan's progress in human rights practices, many challenges still remain; perhaps one of the biggest challenges is how to implement the already ratified international agreements and treaties, while ensuring transparency and accountability. Another challenge is the ability to design and implement a comprehensive and integrated program to protect the rights of all Jordanians especially the poor, women and vulnerable groups, with a set of priority indicators that are closely monitored, responsibilities of each partner clearly spelled out and a dynamic mechanism to coordinate implementation on the ground.

PRE-EXISTING POLICY, LAW AND LINKAGES

As stated above, the Jordanian constitution guarantees the equal treatment for all Jordanians and safeguards their rights including minorities. Moreover, Jordanian culture is based on respect for the family and care for the elderly; this has been reflected in the latest amendments to Article 6 of the Jordanian Constitution (see above).

As far as the international treaties and agreements, Jordan has ratified and signed more than sixteen international Agreements, Treaties, and Declarations on human rights including the International Covenant on Economic, Social and Cultural Rights, Convention on the Elimination of All Forms of Discrimination against Women and the Convention on the Rights of the Child. There were many positive amendments regarding child protection and rights that have been passed in the New Personal Status Law No. 36 such as the accurate age of puberty, establishing the Alimony Advance Fund "صندوق تسليف النفقة", detailed provisions on custody, inheritance, wills, relinquishing inheritance rights, alimony and visitation rights.

There have also been other positive revisions in relation to women's rights such as the Provisional Social Security Law No 7 for the year 2010, which included provisions in

Articles 44 and 45 that encourage employers to hire women in the private sector. However, some see that limiting the number of births / maternity leave in the Social Security law as a draw back from earlier texts and contradicts with Labor Law No. (8) for the year 1996, which granted working women the right to maternity leave without specifying the number of births, however, the Social Security Corporation indicated that there are plans to lift this limit.

Persons with Disabilities (PWDs) face many difficulties and challenges that hamper their enjoyment of their rights, starting from the way society regards their role and abilities to inadequate legislation such as Article (4/c/4) of the Rights of Persons with Disabilities Law No. 31 for the year 2007, which leaves the door open for employers not to be obliged under this law to employ disabled persons, under the pretext that the nature of businesses that does not allow for hiring this group of society. Children with disabilities are not integrated in schools, especially public schools and in universities, as they lack the necessary support services and structure to do so. In general, PWDs are not assuming their true role in the society in all spheres of life, be it social, public and political life in contrast to Article (4/g) of the Rights of Persons with Disabilities Law.

Older people: The National Council for Family Affairs (NCFA) launched the Jordanian National Strategy for the Elderly, the first that tackles this issue in a comprehensive manner. Although the document identifies a set of priorities to work with and tackles the main areas of importance such as health care, social welfare, scientific research and studies, databases and legislation; the document lacks an executive branch/government owner or a “champion” to ensure that all parties execute their parts and track implementation accordingly; this can also be designated as one of the issues to be tracked by the Cabinet Development and Service Committee given the cross cutting nature of this topic.

Children: Jordan has ratified the UN convention of the Rights of the child, placing reservations pertaining to children's rights to thought, belief and religion, in addition to Articles 20 and 21 on “adoption” since Islam uses an alternative custody of the children who are deprived, (temporarily or permanently) of family care. In spite of the very positive improvements to some Articles in the Personal Status Law, an area of concern remains, which is the age of marriage for girls: the Personal Status Law No. 36 for the year 2010 allows the marriage of girls in “special cases” and with the approval of the Chief Islamic Judge at the age of 15. The regulation also states that age difference should be suitable and that the marriage is not a repeated marriage, nor a reason to drop out of school. Lowering the age of girls to less than 16 years (it is currently stated at 15) is an area of concern; the stated regulations can be very subjective in terms of who decides what is suitable and what is in the best interest of the girls.

Another positive step was the issuance of Domestic Violence Law “Family Violence Law” No. 6 for the year 2008 (قانون الحماية من العنف الاسري); unfortunately, and until recently the Law had not been used by judges and/or lawyers. Recently, two new cases were filed by a local NGO based on this law, which illustrates the fact that there is a strong need to do more advocacy on possible ways to use the Law and for judges to become more familiar with its use in courts. Some Articles of the law are criticized, for instance, as the law did not include a specific definition of domestic violence or violence against women, and refers to the Penal Code Law for penalties.

The last Penal Code law toughened penalties for perpetrators committing violence against women or children, and perpetrators of crimes against children under 15 years old, would not benefit from the mitigating conditions contained in Articles (340, 341 and 342) of the Penal Code.

POLICY

The following policies have been agreed.

Ensure that all Jordanians have equal rights, especially for the poor, women, elderly and vulnerable groups.

Issues to be addressed under this policy:

1. **Legislation.** Laws and regulations are based on justice, dignity and equality for all. The legislation should properly include **access to rights for the poor and vulnerable**, inclusive access to justice (legal aid), alimony and other rights. This is of the highest importance, as it is the Government's role to ensure that the vulnerable groups and the poor have equal legal rights and are *legally empowered*. This can be done through providing legal counseling, representation and the promotion of awareness that rule of law is for all segments of the society. Providing this important right endorses a culture of democracy, prevalence of rule of law and respect of all human rights regardless of social status or wealth, it also raises awareness about the public's legal rights and duties.

Currently, the right of "access to legal aid" for the poor and vulnerable is partly met by the non-profit organization called Justice Centre for Legal Aid (JCLA). However, there is a need to institutionalize this basic right and provide this service to those who need it the most. The Government can amend the Penal Code Law to ensure that all suspects in criminal cases have legal representation, if proven that they can't afford a lawyer, such text is included in the new draft for the Juvenile Law.

Another way to tackle this is by referring to the Jordan Bar Association Law No. 11 for the year 1972, Article (100) / Free Professional Services state that the President of the Bar can assign to any lawyer the responsibility to provide free professional services (to be offered to the Bar Association) once each year. The Article defines this free service to several services including the defense of a poor person who is unable to pay any lawyer's fees, if found otherwise, the Court will rule for the attorney to take fees. Any lawyer who declines to provide this service without presenting an acceptable reason or is negligent in conducting his / her duties in defending his/her case diligently is subject to disciplinary sanctions.

The Bar Association has an important role in ensuring that the poor and vulnerable Jordanian has access to justice. The President of the Bar activated this Article so that some cases have already benefited from this Article. However, the numbers are still modest. The President is therefore able to fall back on Article 100 of the above stated Law, and effectively utilize professional expertise of approximately 14,000 members of the Lawyers Bar Association, hence denoting

an impressive positive force for justice and yielding an immediate impact in terms of ensuring the right to access legal aid to all. To do this, the Bar Association will have to issue standards for services provided to ensure compliance and commitment in order to provide the best for the poorest and the most vulnerable.

In Sharia Courts / Personal Status Law, and in order to better assist poor women and vulnerable groups to proclaim their rights, in particular financial rights, a payment of a fee is required to file their cases before the courts inclusive claims arising from marriage contracts, divorces, inheritance or other. The Government should allow for the ***postponement of payment of fees to the Sharia Courts, so that the fees can be paid once rights are gained.*** This is already a well established practice implemented in regular courts. This simple change will allow poor women and vulnerable groups to have better access to justice.

Moreover, the latest amendments to the Personal Status Law No. 36 for the year 2010 established the Alimony Advance Fund, which has administrative, legal and financial independence.

This fund once operational can have a real and immediate impact on removing injustice and alleviating the suffering of women, divorcees, widows, parents and children. The Fund pays the alimony stated in the court decision to the one deserving alimony including wives; it then collects it from the defendant. However, to start the actual operations, the Fund requires the Government to issue specific regulations (bylaws), have the needed management structure in place, as well as the seed funding. The bylaws have been prepared and sent to the Government but it has not yet been legally issued, reasons of this delay can be the unavailability of start-up funds, with some challenges related to the ability of the Fund to enforce the ruling (absence of the defendant or lack of information about his address). To help establish this Fund, donor funding (Arab and Islamic Funds) can be sought to cover the cost of operations in the first year, this may encourage the Government to go ahead with its gradual implementation. The fund is self-funding (self-sustainable), therefore, once the initial amount is paid, there will be no added financial burden on the Government, on the other hand this Fund will have immense and immediate positive effect on the beneficiaries, moreover, once this becomes operational, it will encourage husbands to pay so that they will not be subjected to legal pursuit from the Government if they don't fulfill their obligations.

2. **Access to services:** The Government has the legal obligation to provide services to the poor, women, and all vulnerable groups including decent basic living, education, health insurance and cash payments through the National Aid Fund (NAF) and other mechanisms. Moreover, it is the duty of the Government to ensure that these groups have equal opportunities and are properly supported to grow and fulfill their potential. All of the services provided should ensure systematic implementation to the best interest of children and vulnerable groups. This also includes setting minimum required standards that are based on international standards for all key social services; establish a simple system of checks and balances to ensure that all beneficiaries receive the same quality of services on time and that social services provided are based on fairness and equality for all. In addition, the Government should provide training, mitigate

employment-related risks for the vulnerable groups and increase access to active labor markets programs among the poor and vulnerable.

3. **Cash Payments to the poor:** The current beneficiaries of NAF are mostly if not all the most vulnerable groups in the society, Women, the elderly and families of persons with total handicaps have increased as a proportion of beneficiaries over the period of the last six years. NAF's total budget increased by approximately 56% over the last six years and has also been expanded to include monthly payments to the unemployed female graduates of MoSD care institutions to enable them to better integrate into society and ensure that at least they have the minimum needed funds to sustain them. A valid option would be is to extend NAF payments to include families of victims of abuse who are very poor and are going through very difficult circumstances, this can be done for interim periods of 3, 6 or 9 months provided the family abides to MoSD family reconciliation and undergo therapy sessions. Reintegrating victims of abuse with their family with proper support is cost effective for the Ministry as opposed to keeping the children in residential care institutions at MoSD.
4. Participatory approach to instilling human rights values and for human right values to become a way of life. The Government can strengthen advocacy and partnerships with civil society, private sector, professional associations and local communities. Although this process may be very cumbersome and time consuming, pooling of resources is the only way for all stakeholders, policy makers, community and civic leaders who can work together to preserve human dignity to all segments of the society. This is a prerequisite to ensure *the health of the society*, and for human rights to become a value cherished by all segments of the society.
5. Conduct research and studies to better learn more on existing conditions and any human rights violations for the poor, women, and vulnerable groups. This will assist policy makers, academics and the community at large to have a better and more honest knowledge of the existing conditions faced by vulnerable groups. Moreover, rigorous science evidence-based research and programs are needed, one possible venue for this "think tank" and research centre is the Centre for Women's Studies at the University of Jordan, as it can be strengthened to provide relevant research, utilizing experts students, as well as research departments at the related ministries.

Shape positive cultural practices, traditions, and mindsets that promote respect for human rights values and advancement for women, poor, elderly, persons with disabilities and vulnerable segments in the society. Issues to be addressed under this policy:

1. Education promoting respect for human rights, better understanding and respect for all. Right to education is protected by the Jordanian Constitution Article No. 6 (3). Moreover, the Education Law No. (3) for the year 1994 states that basic education is compulsory and free for all Jordanians at public schools.
 - However, this does not apply to victims of abuse, rape or violence. It is of high importance to support victims to continue their formal education and allow them to reintegrate in public schools. To date, the internal Ministry of

Education bylaws forbid any student who has not attended school for more than two years to return back to school's formal regular classes, and the student is forced to join in the non-formal education stream. This is extremely harmful for all victims of abuse, or children who had to leave school for reasons beyond their control. Extending this period and making it easier for children to return back into formal education, as warranted by special circumstances should be allowed, Flexibility with victims in early grades is even more important, to ensure that they have the needed support and opportunity to catch up his formal education.

- Education should also be made available at MoSD care institutions for the victims of abuse, such as the "Khansa Centre" (مركز الخنساء), and despite MoSD's requests for small formal schools or classes for girls in protective custody, this has not taken place; often girls who have been raped or severely abused end up losing their education as the result of not being able to join regular education / attending school. The same applies to juveniles' centers for all ages (all the male centers and the one female centre).
- Education should be directed to the full development of the student's personality and to the strengthen respect for human rights and fundamental freedoms. This can be achieved through the active discussion of human rights principles in the classrooms and integration of these concepts into curriculum. In addition to setting-up debate classes that can address day to day issues that touch upon human rights values. This however, will need well trained teachers who themselves are supporters of human rights, values and the notion of equality of all. There can also be motivations, awards and competitions for the best story/ paper on a topic that involves human rights, or for the best debate team, or other creative ways to create the needed interest.

2. Role of the media: Positive portrayal of women and their role in the society as well as how social issues are tackled have a large effect on how the society views women, as negative stereotyping of women or any vulnerable group can be very damaging. Issues to take into consideration for this item are:

Firstly, development of on-line networks, partnerships, and coalitions that advocate for human rights in all media related fields, including social media, secondly; include more women in the media as reporters and provide expert opinion on matters relating to the news items (almost all experts consulted in the Arabic news channels are men), thirdly; report on women's issues in an unbiased way, and involve community, social and religious leaders as advocates for human rights for women, the poor, and all vulnerable groups and finally; tap into the potential of youth and ensure that some local radio and TV programs are administered by youth and targeted towards youth discussing the larger notion of human rights and gender.

3. Moving towards a unified understanding of a "citizenship based culture" where responsibilities and duties are well defined and understood. Given the on-going political process towards more democracy, this is a positive move that can be used effectively to instill the basic rights of all Jordanians and their right to live in dignity. Human rights values should also be the basis of the relationship between

the State and citizens and that there are adequate venues for the voice of the poor and the weak to be heard.

4. Cultural rights and integration into the Society: all vulnerable groups have the right to be provided with the full range of services not limited to food, shelter and medical care. All programs and initiatives should include cultural activities and ways for active integration processes for the poor and vulnerable groups into the main stream of society. This has been also addressed in the International Covenant on Economic, Cultural and Social Rights, Article 31, ratified by Jordan.
5. Raise awareness among all segments of the society on the importance of women's contributions in work and their essential role in the advancement of any economy.
6. Raise awareness amongst employers especially in the private sector to the importance of hiring women, and not to discriminate against women because of the benefits they have to receive from their employers in relation to their social roles in childbearing and child-rearing.
7. Educate members of the community to ensure that women have equal opportunities in education and vocational training.
8. Raise awareness in the field of women's right to inheritance, both in terms of rights and legality.

Utilize the potential of all Jordanians, acknowledging their right to decent work, without any discrimination in pay or conditions, and ensure that these rights are reflected in just legislations that are properly enforced. A recent study by the Jordan National Committee for Women (JNCW) study illustrated the low participation of women in political and economic life, with disparity in salaries between men and women of approx. 24% in the public sector, and 44% in the private sector. It also indicated that women are not represented well in senior positions standing only at 10%, while 18% work in medium administrative positions and 46% in executive positions. Another study conducted by the Forum for Women - Irbid branch indicated that 76% of women in Irbid were denied from receiving their rights of inheritance, 15% of whom voluntarily waived their rights. Issues to be addressed under this policy:

1. **Amend or enact new laws that deliver justice to the poor, women and vulnerable groups against any discrimination in any form.** This includes the following:
 - Amend the Civil Servants bylaws in regards to the “one hour for breastfeeding” and open nurseries for the children of women working in the public sector. Legislative review of existing legislations pertaining to the licensing of nurseries with the Ministry of Social Development is also needed.
 - Amend legislation on retirement law for civil servants to allow women to combine two retirements, since the social security law allows such combination.
 - Amend the Labor Law and insert a dedicated text to state equal pay for equal work, including equal opportunity in jobs and salary scale (quality or quantity of work).

- Amend the Education Law adding a text on punishment of parents of children who drop out of school who do not completed their children's compulsory education stage.
- Find a suitable legislation or incentives to regulate the provisions relating to the private sector Corporate Social Responsibility (CSR) in a way that supplements the Government's work and provides their own initiatives that enforces the values of human rights.
- Develop the legislation related to "Waqf Fund" to enable it to be more effective in reducing poverty in the Kingdom according to the provisions of Islamic Sharia.
- Amend the Owners and Tenants Law to allow the widowed or divorced women to take advantage of the lease for the duration of their lives (widows) and wives who have custody of the children (divorced).
- Amend the Civil Service bylaw which qualifies males to receive a family allowance as they get married while females are qualified only if they are widows, married to a male suffering from disability, or if they can demonstrate that they are the basic supporter for their families.
- Amend the Social Security Law to make it easier for a female supporting her family (sole provider for the family) to get the same rights as male for her social security pension, i.e. to be classified as the "provider" of the family, to date, this requires a court ruling by a Sharia judge and this is not always accepted.
- Issue the needed regulation to provide the stated exemptions for persons with disabilities by the Right of the Persons with Disability Law no 31 for the year 2007 (قانون حقوق الاشخاص المعوقين وتعديلاته رقم 31 لسنة 2007) to get the needed exemptions and enhance their potential to contribute to the economy.

2. **Law enforcement of existing laws**, there are many good laws but are not enforced such as:

- The Jordanian government has recognized the importance of providing nurseries services to working women and the Jordanian Labor Law No. (8) of 1996, Article (72) states that "*The Employer who employs a minimum of twenty married female Employees should provide a suitable place under the custody of a qualified governs to care for the Employees children of less than four years of age provided that the number is not less than ten children.*" Unfortunately **the above legislation is not enforced**. Moreover, alternative models are needed to assist institutions (both public and private sector) to establish and administer nurseries at the workplace in compliance with Article 72 of the Labor Law. Other possible ways to encourage establishing nurseries, is to provide a structure for a government special fund to provide resources and training for institutions to set-up nurseries at the workplace in addition to committing towards benchmarks pertaining to the percentage of women hired in five years time (or by 2020) tied to the institutions' ability to benefit from the employment. Ensure enforcement of the ratio stipulated by the Labor Law concerning Persons with Disabilities (Article 13).
- Ensure strict observance of the rules and provisions relating to the work of children over the age of (16) years. Enforce provisions by law to prevent the

- exploitation of children in begging, especially females, which affect the possibility of access to basic education.
- Enforce provisions of the Law on the Prevention of trafficking in human beings No. (9) for the year 2009 to pertaining to exploitation of women in the work environment and in particular the category of domestic workers.
3. Switching to a “Rights based approach in Development” including the following:
- Provide training and employment opportunities to the poor, women and vulnerable groups by ensuring that they are including in all employability programs, in addition to implementing especially dedicated projects towards them.
 - Promote the access of the poor, women and all vulnerable groups to micro and small finance and mitigate collateral required to obtain such financing as well as provide them with the needed services to support their micro and small enterprises.
 - Mitigate employment related risks for the vulnerable groups and increase access to active labor market programs among the poor and vulnerable.
 - Coordinate with civil society organizations to provide technical and legal advice for small businesses to promote women's economic role in the advancement of the society.

Ensure that the poor, women, elderly, persons with handicaps and vulnerable groups are protected from any violence, abuse and exploitation and are supported to properly enjoy all their rights as Jordanian citizens. The following are the main components:

1. For PWDs:

- Building national capacities and awareness before the National 2014 Census to ensure that the proper methods are adhered for the required statistics pertaining to the number, distribution and family status pertaining to PWD. The National 2004 National Census estimates that disability in Jordan is estimated at 1.23% of the population, which is a very low percentage compared to all international standards, the door to door surveys also indicated a percentage of 4-5% which does not include hidden disabilities, or families do not reveal family members with disabilities.
- Ensuring that all development programs and national priorities are inclusive of disability issues and that programs at the grassroots level positively affect the lives of PWD.
- Provide services for PWD on three levels; Diagnosis, Early detection, and Rehabilitation.
- **Health field:** Implement a National Strategy on Rehabilitation which includes: integration of early detection within early childhood strategy programs, raise awareness of all mothers on infants’ and children’s developmental milestones, ways to detect disability and work with Kindergarten teachers to enhance early detection tools and skills.
- **Education Field:** Ensure that children with disabilities have equal rights to access formal education by adopting the following policies: inclusive education and not only on paper, this will take place only when there is strong political will, proper integration models in every governorate

supported by training, access and awareness. This also includes quality education for persons with hearing and visual disabilities– sign language.

- **Special Education:** Ensure that quality and affordable services are available all over the Kingdom, and gradually move towards an inclusive educational system sensitive to the needs of children with intellectual disabilities within the public and private schools formal structures.
- **Employment:** ensure that private sector hires PWD as required by the Law. Moreover, there is a need to integrated PWD in vocational training and microcredit programs in all its aspects, access, training and awareness in the public, civil society and / or private sector initiatives and programs.
- **Job coaching for persons with intellectual disabilities,** starting with group homes programs, alternate homes program, as well as building the capacity for all the staff and implementing in parallel awareness programs for the community.
- **Moving towards systems that serve and protect PWD,** this includes developing accreditation systems for early intervention programs, developing standards for providing services with proper M&E systems and accountability measure, capacity building programs for government and non government service providers.

2. Vulnerable Women and Children

The following policies will be advanced:

- Provide a shelter for women kept in prisons for their own protection, and support them by providing a comprehensive set of services such as; health, legal counseling, physiological support, psycho social services, art therapy, economic empowerment and skills needed to reintegrate back into the community.
- Provide a shelter for women who have been victims of trafficking as per the Anti Human Trafficking Law No. 9 for the year 2009, the Law in Article 7 aims to provide victims with temporary accommodation before they are sent home. The Ministry of Social Development (MoSD) in partnership with the Ministry of Justice is already working on this, funding has already been obtained from donors.. It is also noted that by Law, violators will be imprisoned for three years and tough measures will be taken against companies convicted of human trafficking, including permanent closure.
- **Honor Crimes:** the Government restructured the legal system to deal with honor crimes and the courts set up a special Judicial Committee to handle honor crimes as normal criminal cases, therefore getting much tougher sentences. The Government also began working with non-government organizations to better inform officials on how to deal with honor killings. Court sentences against offender increased from less than a year to seven up to 15 years.
- **Amend the Penal Code Law** so that the family of both the victim and the offender (in the case of family crimes) convicted with murder are not allowed to drop charges which in turn means decreasing the sentence into half of the assigned prison sentence. In addition, measures should be in place to ensure that any criminals convicted of “honor crimes” are not included in any future “General Pardon” Law.

- **Amend the Domestic Violence Law** to specify clearly the definition of violence against women, procedures for implementation, and work with judges and the police on how to implement the Law.
- **General issues to be addressed:** develop a faster and more efficient response to violence against women and institutionalize internal protection systems at related government agencies, police, hospitals and clinics (in private and public sectors).
- **Build capacities** across all key partners who are involved in providing services to abused women, children especially amongst the poor. This includes MoSD social workers, private health providers and private and public hospitals. Services should also include home visits by community workers' and a more active role by grassroots NGOs.

3. Care for older people

The Ministry of Social Development is considered the main umbrella under which care and attention are provided for the elderly in Jordan. However, this is limited to licensing and supervision for (11) nursing houses, five belonging to the voluntary sector and 6 to the private sector.

The numbers of elderly residents is still low in Jordan hovering around 350 beneficiary, as it is still not socially acceptable to place your parents in a home, in fact, it is rejected by most families. To date, most of the elderly residents are homeless and / or do not have any close family member to take care of them. However, there are few cases of abundant parents. It is also noted that most of the elderly care centers are in Amman which reflects the stronger traditional family ties (or social pressure against placing your parents in a residential home) in rural areas.

Moreover, the community at large does not address the needs of the elderly adequately; there is a clear absence of cultural and educational programs for the elderly. In general, the elderly lack awareness of their rights and duties guaranteed by the Jordanian Constitution, there is no system of clear grievances, with no real interest from the media in focusing on their role, and coverage of their rights. With the expected increase in the percentage of the elderly in Jordan in the coming few decades, this needs to be addressed properly.

4. Children in Conflict with the Law:

There is an urgent need to proceed with a new Juvenile law to replace the old Law No. 24 for the year 1968 and its amendments, (قانون الاحداث رقم 24 لسنة 1968) Article 36 state that the age of seven is the age after which children will be held criminally responsible (in practice this age is 12). The proposed Juvenile Law is based on the principles of restorative justice and penal reform and raises the age of criminal responsibility to 12 instead of 7, bearing in mind that some Islamic scholars recommend using the age of puberty (15) as the age for criminal responsibility. The new draft law is ready and has been submitted by MoSD to the Prime Ministry for review, it has been in preparation for over three years

in close cooperation with the Ministry of Justice. Moreover there is a need to create an integrated information system linking security centers and juvenile courts and centers of the Ministry of Social Development.

REFORMING SUBSIDIES

Currently prices in the Kingdom are increasing and inflation is high. On one hand a continuation of subsidies—in a bid to protect the population—will result in mounting costs for GoJ. On the other hand a removal of subsidies will—while saving money for the GoJ—result in adverse affects upon the population and will contribute to an increase in poverty. At a time of growing social unrest these options must be carefully weighed. Furthermore, subsidies are regressive and pro-rich, meaning they are an ineffective and inefficient measure to protect the poorest members of society.

Jordan has a long history of subsidy provision dating back to the 1960s. However, from the 1990s onwards the current format of subsidy provision has generally been maintained. Presently, the Government of Jordan (GoJ) provides universal⁸¹ price subsidies for four main types of commodities. These commodities are fuel, food, water, and electricity. In addition, the GoJ also provides universal tax subsidies; exempting partially or fully 260 goods and services from the 16% General Sales Tax (GST).

Total Subsidy Cost and the GoJ's Budget: From 2005 to 2009 the overall cost of subsidies in Jordan steadily declined⁸², from 6.2% of GDP to 1.3% of GDP⁸³. From 2009 onwards⁸⁴ total subsidy cost for the GoJ reached 9.7% of GDP in 2011⁸⁵. If these circumstances were to remain unchanged a pessimistic scenario would project total subsidy costs to reach 18% of GDP by 2014⁸⁶. To situate these costs in the broader economic context: total government spending has also declined (mostly from reductions in subsidy expenditure), falling from 40% of GDP in 2005⁸⁷ to just over 33% of GDP in 2011.

Alongside this decrease of total GoJ expenditure, the fiscal deficit dropped from 2005 to a recent low in 2008, and then grew into 2011. In figures it dropped from approx. 5.5% of GDP (approx. 11% of GDP excluding foreign grants) in 2005, to 2.2% of GDP (6.8% of GDP excluding foreign grants) in 2008⁸⁸, and then increased to 6.2% of GDP (12.1% excluding foreign grants) in 2011⁸⁹. This increasing deficit was partly driven by increases in subsidy costs alongside a growing trade deficit. In 2011 managing this large

⁸¹ Universal subsidies are flat subsidies applied to the consumption of selected commodities regardless of who purchases them.

⁸² This reduction was primarily linked to adjustments to fuel subsidies (i.e. removal of oil derivative subsidies) and food subsidies (i.e. limiting wheat subsidies to white flour only), and to a lesser extent to reductions in international prices.

⁸³ IMF (2011).

⁸⁴ This was mostly due to increasing international prices (especially for energy and wheat); the suspension of natural gas delivery from Egypt; and the suspension of the automatic fuel pricing mechanism in February 2011.

⁸⁵ IMF (2011).

⁸⁶ IMF (2011).

⁸⁷ USAID (2012).

⁸⁸ USAID (2012).

⁸⁹ GoJ (2012).

deficit was made possible by a grant from Saudi Arabia—mostly used to pay fuel subsidies—totaling 1 billion JD or 5% of GDP⁹⁰.

In addition the GoJ's total debt declined rapidly from 2005 to 2009—shrinking from 79.9% of GDP in 2005 to 54.8% of GDP in 2009. However, total debt has again risen to 65.7% of GDP in 2011⁹¹. This increased public debt-to-GDP ratio was largely attributable to increased central government borrowing to manage growing electricity subsidy costs.

Distribution of Subsidy Benefits: Analysis undertaken by the World Bank (2011b) and International Monetary Fund (2011) model the distribution of subsidies by expenditure group, based upon data from the Household Expenditure and Income Survey (HEIS) 2008. Table 3.5, below, illustrates the estimated distribution of subsidies.

This analysis demonstrates that food, fuel (LPG), water and electricity subsidies are regressive, and are—to varying degrees—pro-rich. Disparities in the distribution of subsidies are narrow for food subsidies with the richest quintile receiving 21.2% of subsidies compared to the poorest quintile receiving 18.7%. However, for fuel (LPG), water and electricity subsidies the richest quintile receives between 1.5 and 2.5 times the amount of subsidies compared to those received by the poorest quintile. Overall, the poor receive an estimated 12% of the total amount of subsidies.

Table 3.5: Distribution of Subsidy Benefit by Expenditure Group (2008)

	DECILES/QUINTILES OF PER CAPITA CONSUMPTION						Total
	D1	D2	Q2	Q3	Q4	Q5	
Food	9.3%	9.4%	19.3%	20.0%	20.8%	21.2%	100%
Fuel (LPG)	6.0%	7.2%	16.4%	18.6%	22.1%	29.7%	100%
Water	6.2%	6.7%	15.2%	17.1%	21.0%	33.8%	100%
Electricity	7.9%	8.5%	18.1%	19.0%	20.4%	26.1%	100%

Source: Food, fuel and water subsidy distribution figures from HEIS 2008, cited in WB (2011b). Electricity subsidy distribution figures from HEIS 2008, cited in IMF (2011).

Furthermore, the World Bank (2011b) analysis—simulating only 10 of the main consumption products presently GST exempt—suggests that tax subsidies are also regressive and pro-rich; with non-poor households receiving almost 2.5 times the subsidies received by poor households.

⁹⁰ IMF (2012).

⁹¹ GoJ (2011).

POLICY AND LEGAL LINKAGES

The National Agenda 2006-2015, as part of its Financial Services and Fiscal Reform Theme, makes a commitment to “phase out oil subsidies completely by 2007 and eliminate other forms of subsidies” (GoJ 2006: 23). Associated performance indicators found in the National Agenda include *oil subsidies (in JD million)* and *subsidies on wheat, malt and bran (in JD million)*, with 2012 targets of zero and zero, respectively. Under the Water Sector component of the Infrastructure Upgrade Theme, the National Agenda commits to “restructure [water] tariffs and progressively reduce [water] subsidies” (GoJ 2006: 34). No associated indicators or targets are provided. Furthermore, the National Agenda also utilizes *public debt as percentage of GDP* and *budget deficit/surplus as a percentage of GDP, excluding grants* as national indicators, with 2012 targets of 63% and 3.6% (deficit), respectively.

Indirectly the Public Debt Law of 2001/2008 may affect future decision-making regarding subsidies. The Public Debt Law states that total public debt may not exceed 60% of GDP. It should be borne in mind that rising electricity subsidy cost was the primary reason the debt-to-GDP ratio climbed from 61.1% of GDP in 2010 to reach 65.7% of GDP in 2011⁹².

In November 2012, where the fuel prices increased dramatically, the Government of Jordan decided to lift fuel subsidies. This decision affected three fuels: diesel, kerosene, and gasoline (octane 90). Moreover, a critical price increase of 65% affected cooking gas. Following on the government decisions, several proactive steps were initiated to compensate poor households. This includes a direct cash compensation transfer for every individual of the household (70 JDs/individual/year up to a maximum of 6 members). In order to minimize the fuel price increment this is to be paid every four months according to the world fuel prices on condition that the household's overall income doesn't exceed 800 JD per month. The government fixed bread prices by lowering the price of the subsidized flour in order to maintain its price.

POLICY

Building on the measures adopted in November 2012, the GoJ will implement the following policy: **create fiscal space, move to phase out selected subsidies and adopt compensation measures to ensure delivery of subsidies to those who deserve them.** The savings that result from phasing out of subsidies on selected commodities will be directed to programs that serve the poor and below middle class. This policy will seek to create fiscal space by increasing foreign aid, in order to allow space for a phased reduction in tax and universal subsidies and the adoption of targeted compensation measures. This will minimize social unrest and negative welfare impacts on poor and vulnerable households.

Key policy measures/actions include:

- Approach donor countries to secure grants and loans, by mid-2013;

⁹² GoJ (2011).

- Assess total expenditure on—and feasibility of reducing—tax subsidies, by mid-2013, including review the priorities of tax exemptions given to commodities and identifying the basic commodities used by the poor;
- Assess feasibility of new tariff structures in water and electricity sectors, by mid-2013;
- Assess feasibility of reintroducing the automatic fuel pricing mechanism with price smoothing, by mid-2013;
- Initiate a six-month public information campaign to raise awareness regarding the need for—and approach to—subsidy reform, by mid-2013;
- Maintain selected subsidies, and review by end-2016;
- Initiate a three-year phased reduction of remaining subsidies from end-2013 to end-2016;
- Introduce new water and electricity tariff structures and the automatic fuel pricing mechanism with price smoothing, if applicable, from end-2013; and Utilize resulting finances to create fiscal space to fund poverty-reduction initiatives or to reduce the fiscal deficit and the public debt.

A new targeting system must address the fragmentation of databases across various agencies that exist today and establish a “National Unified Registry”. Jordan is blessed with many databases each for different functions but which are utilized in an ad-hoc manner when the GOJ needs to target transfers. However, this is not ideal as the fragmentation of the databases across agency (Ministries, SSC, NAF, etc.) means that some agencies may have the technical skills and IT infrastructure to develop matching routines and others, as per the eligibility criteria, may not have such resources and this could lead to delays, duplications and miscalculated payments, and complaints. The ideal situation is one where a single institution (or Unit in a Ministry), equipped with adequate IT and communications infrastructure and highly technical staff, is charged with developing all needed computing routines to be used in all databases, and runs the routines for crossings with other data sets, such as the family book data set, checking for duplicates and inconsistencies, and prepares the final data set for payments. Without a single registry database where duplicates (family heads and family members) can be detected and eliminated, the risk of duplicates and miscalculations of payments are high.

3.2 PRO-POOR EMPLOYMENT AND ENTREPRENEURSHIP

An effective poverty reduction strategy cannot be limited to income support mechanisms but requires activation policies stimulating income generation activities by the able-bodied working age poor. This approach is essential for sustainability of poverty reduction outcomes. Without increased levels of economic activity and productivity by the working age poor social welfare policies are likely to reinforce dependency patterns among beneficiaries by creating poverty traps which undermine incentives to take up jobs. In order to create sufficient job opportunities poverty reduction measures should be aligned with economic growth policies and education, vocational training and skill-building policies. Therefore, this PRS strategic pillar includes activation policies for the working poor and unemployed, development of small and medium enterprises (SME) and microfinance.

The key policy and technical issues related to the design of the employment and entrepreneurship pillar of PRS include creating mechanisms for integrating able-bodied poor people of working age into the labor market and income generation activities through 'welfare to work' measures; support to SMEs by counseling, tax incentives and financial mechanisms, such as microfinance. Employment and labor market policies will need to provide temporary income support to the unemployed but such support should include activation incentives for people of the working age to find jobs or set up their own businesses. A particular target group of this policy is young people requiring support for starting economic activities upon completion of education. Measures developed within PRS in the area of employment and entrepreneurship is aligned with the National Employment Strategy in order to develop synergies and avoid overlapping and duplication.

EMPLOYMENT

The nexus between poverty and employment is a very strong one in Jordan. It is not just because the unemployed tend to be poor as we would expect, but also because the dependency ratio is very high, i.e. even those who are working have to support a disproportionate number of dependents, putting them within or just above poverty lines. Indeed, for a country whose main asset is its people, it is inconceivable that labor participation rates are among the lowest in the Arab region and the world. Poverty cannot be addressed sustainably without expanding the working population and reducing dependency ratios. Expanding the working population means creating more jobs for Jordanians, both the university degree holders, but also the less educated. It also means addressing the issue of female labor participation, which is the main cause for overall low participation rates. Policies have to equally ensure that child labor does not increase as a result.

This section provides a snapshot of the Jordanian labor market, in terms of the link between poverty and employment, dependency ratios, and levels of education. It also outlines issues for other vulnerable groups such as child labor and the disabled. The link between poverty and employment in Jordan is manifested both in terms of unemployment and also very high dependency ratios.

As one might expect, the poorest quintile are much more likely to be unemployed than the richest quintile or even the average unemployment rate. Yet the majority of the poor are working.⁹³ This is due to low productivity, reflected in low wages, exacerbated by a very high dependency ratio, where the household size for the bottom quintile is almost twice the size of the top quintile.⁹⁴ While voluntary population planning will help reduce dependency ratios in the future, it is critical to start addressing the challenges and opportunities that the youth bulge represents to Jordan in the short term.

Table 3.6 suggests that the poorest in Jordan slightly improved their wage income between 2006 and 2008, but suffered from reduction in income from self-employment, rents, assets, and transfers.

**Table 3.6: Real Income Growth Rate According to the Different Sources
(for 2008, taking 2006 as base year)**

Real Income Growth Rate According to the Different Sources (for 2008, taking 2006 as base year)					
	Poorest Quintile	2nd Quintile	3rd Quintile	4th Quintile	Richest Quintile
Employment	5.6%	3.3%	8.4%	4.5%	-1.6%
Self employment	-16.3%	-12.5%	-14.8%	-10.6%	25.6%
Rents	-16.4%	-4.2%	-4.6%	-6.4%	-10.1%
Assets	-61.2%	-31.2%	-1.9%	-29.0%	-27.1%
Transfers	-20.4%	1.0%	3.5%	-1.9%	-6.9%

Source: Source: DOS, Poverty Report on Jordan, 2008.

Table 3.7 shows clearly that most of the poor fall among the younger generation, below the age of 25. This provides strong justification for focusing employment intervention on youth in fighting poverty, as they constitute a large segment of the poor.

⁹³ See the discussion in section 2.2 above drawing on the recent ESCWA (2012) analysis.

⁹⁴ The average size of the poor family is 7.6 and 4.2 for the rich.

Table 3.7: Distribution of Individuals According to Age and Quintile (2008)

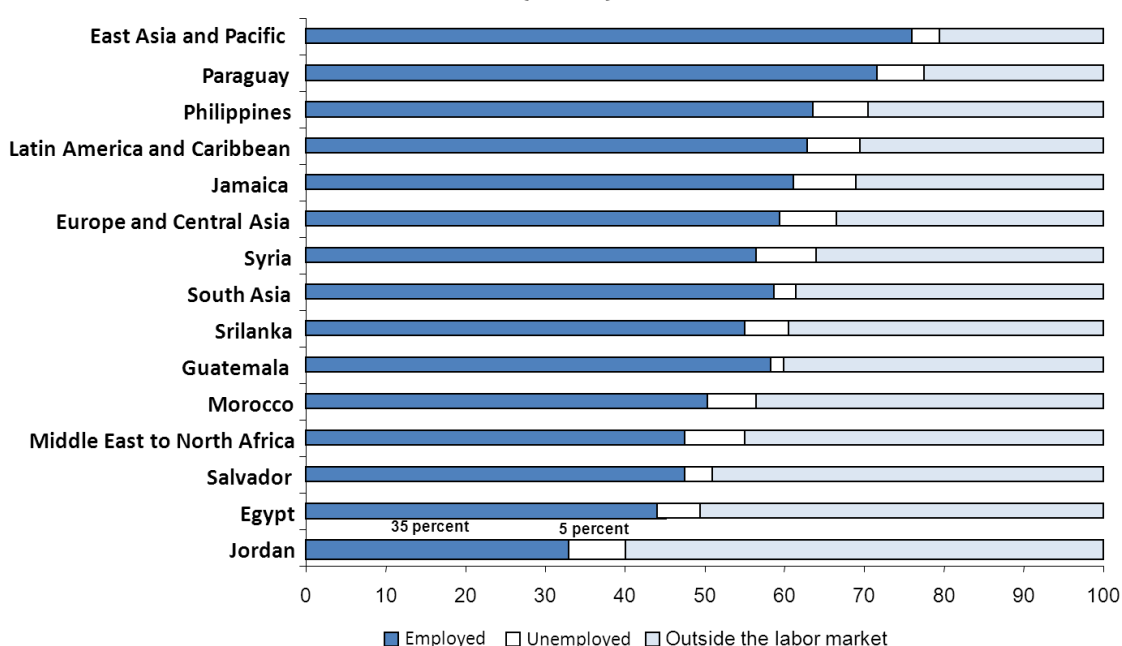
Distribution of Individuals According to Age and Quintile (2008)		
	Below 25	25 and Above
1st Quintile	67.2%	32.8%
2 nd Quintile	63.7%	36.3%
3 rd Quintile	61.7%	38.2%
4 th Quintile	56.0%	44.0%
5 th Quintile	44.4%	55.7%

Source: Source: DOS, Poverty Report on Jordan, 2008.

However, Jordan has a long way to go to make good use of its working age population. Compared to the region and the world, Jordan's active population is extremely low. To better understand the significance of Jordan's challenge in relative terms, Figure 3.3 compares Jordan's working age population with other countries in the region and the world in terms of employed (dark blue), unemployed (white), and inactive (light blue). It is quite evident that as significant as the unemployment problem is in Jordan, it pales in comparison to the very high inactive working age population.

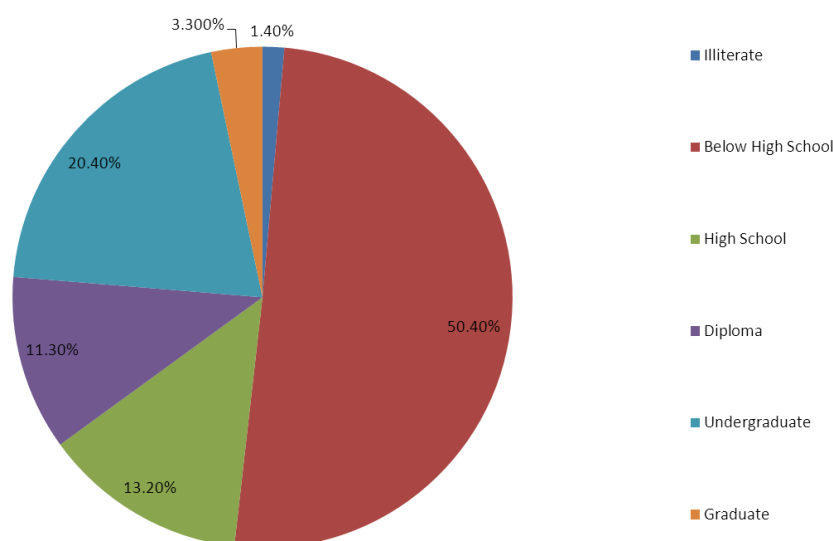
As for the 35 percent of the working age population who are actually working, their profile reveals a male dominated workforce, mostly of high school education or below. Of the 1.2 million working Jordanians, 84 percent are male, and 61 percent have a high school education or below. The proportion of workers with university degrees has steadily risen, however, from 17.6 percent in 2000 to 23.7 percent in 2009 (but not as fast as the supply of university graduates; see Figure 3.3).

Figure 3.3: Jordan's Working Age Population Compared to Other Countries (2009)



Source: World Bank 2008 (numbers updated by NES Team).

Figure 3.4: Distribution of Jordanian workers by Education Level, 2009



Source: Manar Project Database 2009.

As for the unemployed, they are overwhelmingly young: 49 percent are below the age of 25; 72 percent are below the age of 30; and 89 percent are below the age of 40. Relative to the labor force, female unemployment is much higher than male unemployment (46 percent female, 23 percent male). In absolute numbers, however, the unemployed are mostly males. Differences due to economic and cultural reasons and may justify gender-specific interventions. More over young women are engaged more in unpaid (family personal, reproductive) work, which effects their participation in paid productive activities.

Over 75 percent of unemployed males have high school education or below. The opposite is true for females; over 75 percent of unemployed females have diplomas or higher. The low level of unemployment among less educated females cannot be taken at face value as a positive sign. The likely scenario is that less educated females tend to get de-motivated, stop the job search, and join the ranks of the inactive population. As for unemployment among all university degree holders, this phenomenon is relatively new and on the rise, signaling a mismatch between specializations and skills supplied and those demanded by the market.

In terms of child labor, Jordan fares relatively well compared to developing countries.⁹⁵ 2.1% of children aged 5-17 in Jordan are economically active and 1.9 % are working. Boys constitute nearly 90 percent of all children in employment. Sector of employment also differs markedly between boys and girls. Most boys are employed in the trade sector, while most girls work in agriculture.

Despite this rather low relevance of employment among children, it is clear that those who are working do it at the expense of schooling: working boys put an average of 40.6 hours of work per week. This suggests that ensuring school attendance and special programs for dropouts is the best means of dealing with child labor in Jordan.

As for persons with disabilities, the 2004 census estimated them at 1.23 percent of the population. However, many experts reject this figure, due to differences in definitions, and the fact that people tend to hide the existence of disability for cultural reasons.⁹⁶ International estimates of disability ranges between 1-10% according to the World Health Organization (WHO). Additionally, World Bank reports on disability in the MENA region estimate disability in Jordan at 4-5%, that is approximately 194,000 persons with disabilities.

PRE-EXISTING POLICIES, LAW AND LINKAGES

A range of public policies, laws, and regulations shape the labor market, including policies on public sector employment, social protection, education, foreign labor, investment policies, access to finance, and regional development.

The historical role of the public sector as the main employer has shaped the labor market and the expectations of those entering in terms of wages and benefits. While public sector hiring has gradually decline as a percentage of the total, it still represents more than 33 percent of those employed (compared to 22 percent in the formal private sector and 44 percent in the informal sector). With higher wages at most entry level positions (especially below university level), shorter working hours, and social security and health insurance coverage, the public sector has become the employer of choice for most youth entering the labor market. Civil Service Bureau waiting lists have encouraged the formation of queues by young unemployed extending employment for several years.

⁹⁵ See "Working children in Jordan: results of the 2007 child labor survey." The analysis presented here is based on data from 2007 child labor survey CLS conducted by DOS with ILO-IPE.

⁹⁶ National Disability Strategy Phase I: 2007-2009 Phase II: 2010-2015.

These expectations of being hired by the public sector have linkages into the educational system, reducing interest in vocational training in favor of any degree that qualifies the holder for a public sector position. Thus the incentives for students, schools, and universities have not been geared towards building skill sets and specializations demanded by the private sector, but rather the minimum certification needed to qualify the applicant for a public sector job.

The above factors were compounded by the migration pattern that sent the best and brightest Jordanians to work in the Gulf, and opened doors for unskilled foreign workers to enter Jordan. The private sector thus was faced with a Jordanian workforce that is not prepared for private sector work, and a foreign workforce that is unskilled. Indeed, it is estimated that about 60 percent of all jobs created in the private sector in the past decade went to foreign workers. Naturally, private sector investment tilted towards the low skill, low wage, and low productivity sectors. While knowledge economy sectors such as ICT, pharmaceuticals, health, engineering and architectural services, and higher education present a very different trajectory, they remain small in absolute terms, though very promising with the right set of policies.

In terms of the geography of job creation, regional development patterns emphasized Amman, which is typically the result of agglomeration economies and the concentration of service sectors in the capital. Secondary regional hubs, such as Irbid and Aqaba, have only partially reduced the concentration of economic activity. In tertiary towns and villages, labor demand far exceeds supply. This can only be addressed by focusing on micro enterprise and SME growth as well as providing affordable and reliable public transport.

Finally, male/female segmentation of the labor market continues, influenced by cultural norms about mobility of women outside their hometown, but also by lack of job opportunities for females, especially in the private sector, and high reservation wages related to lack of childcare options.

Jordan's Job Compact (JJC)

Jordan's Job Compact (JJC) is a tripartite initiative involving the Government of Jordan, the private sector, and active civil society organizations focused on youth. It aims to build the institutional and financing basis for creating decent jobs in the private sector for young Jordanians entering the labor market at various skill levels. The program would be financed by the Government of Jordan along with donor support.

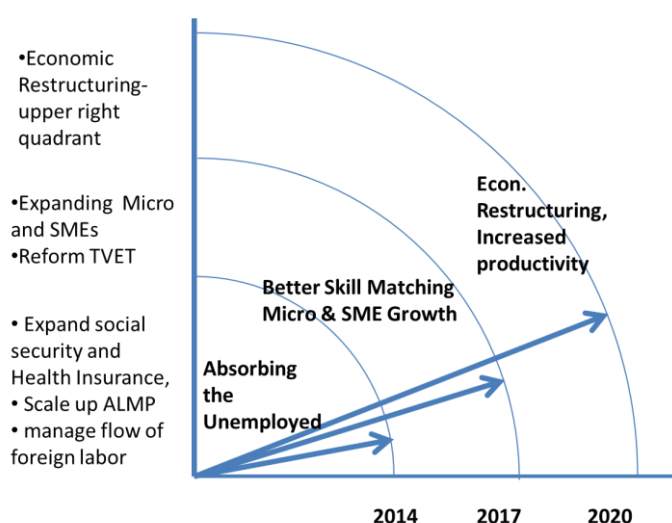
The JJC derives from the NES and focuses on developing a staged approach to assist graduates with finding jobs in a coordinated and strategic way. It will be designed to track students and fresh graduates through a four year cycle (Years 0-3) plus an on-going program: Year 0 takes place during the last year of school, college, or university and aims to help students with career guidance and build critical employment skills. The target of JJC is to increase net employment of Jordanians by 12,000 jobs during 2013, and 22,000 jobs during 2014 and to gradually reduce unemployment rates below 10 percent later in the decade. The net jobs increase would be achieved by a combination of policies:

JJC will coordinate efforts among (government, private sector, youth organizations/NGOs), with support from the donor community, to generate 12,000 additional jobs for Jordanians in 2013 at a cost of JD 20 million, and 22,000 jobs in 2014 at a cost of JD 37 million. The program will build on efforts and programs already underway under each of the five stages listed above. It will improve coordination, scale up, and roll out into the different governorates in phases.

POLICY

To address the cross-cutting issues and gestation period for different policies, the NES explores objectives, constraints, and policies at three levels, the demand side of the labor market, the supply side of the labor market, and the institutional framework within which the labor market operates. In addition, NES outlines the ten most important actions, and the horizons within which they are expected to produce the intended impact.

FIGURE 3.5: TRANSITION TO PRODUCTIVE HORIZON



The three horizons presented in Figure 3.5 describe the short, medium, and long term impacts of implementing the NES. By 2014, execution of the short term actions aimed at creating employment will lead to absorption of a substantial proportion of the currently unemployed. By 2020, actions aimed at: (i) better matching educational outcomes with demand, and (ii) removing the credit constraint to SMEs and micro enterprises should start having an effect on growth and higher employment rates, especially among females. Finally, by 2020, incentives to restructure towards a knowledge-based economy should create higher demand for an educated and skilled Jordanian labor force. Actions leading to each horizon are described next (see Table 3.8).

Table 3.8: Ten Actions Leading to the Three Horizons

i)	Short Term Impact (2014): Start Absorbing the Unemployed a. Committing to a Predictable Foreign Labour Policy and Management b. Expanding Micro and SMEs Access to Credit c. Evaluating and Then Scaling Up Active Labour Market Programs with a Proven Record d. Curtailing Public Sector Employment and Aligning Wage Structures
ii)	Medium Term Impact (2017): Better Skill Matching and Micro and SME Growth a. Scaling up School-to-Work Transition Programs b. Reforming the Employment, Technical and Vocational Training (ETVET) Sector c. Introducing Health Insurance Benefits and Expanding Social Security Coverage to SMEs
iii)	Long Term Impact (2020): Increased Productivity through Human Capital and Economic Restructuring a. Investing in the Future through Early Childhood Education b. Pursuing Sustainable Fiscal and Monetary Policies for Economic Growth with Job Creation c. Developing Industrial and Investment Policies towards Economic Growth with Job Creation

Short term impact (by 2014): There are four priority “short term impact” actions: foreign labor policy and management; micro and SME access to credit; ALMPs; and curtailing public sector employment. They were selected because they are likely to have a significant impact on employment in the short term and will continue to play an important role over the medium and long term.

Committing to a predictable foreign labor policy and management: Jordan will always rely on some combination of Jordanian and foreign labor to meet the demands of the labor market. But the current policies tilt the incentives of the private sector towards hiring foreign workers (lower minimum wages, lack of enforcement of labor laws). The objective should be to create a labor market environment in which foreign workers complement the Jordanian workforce rather than substitute for it. This requires managing migration as well as changing the incentives of Jordanian employers to invest more in training Jordanians on the job and motivating Jordanian workers to build their technical and employability skills to meet needs, while the structure of the economy evolves towards higher wages, higher skills, and higher productivity. Given the considerable substitution of foreign for Jordanian labor currently taking place, considerable gains in employment can be made in the short term from better policies. For example, anywhere from 35-45,000 jobs could potentially be created for Jordanians during the first three years of the NES by substitution. The policy chosen needs to be tailored in terms of availability of skills and exposure of the sector to international

competition to ensure that it does not choke the growth or competitiveness of the Jordanian economy (see NES for a full discussion of proposed policy).

Expanding micro and SME's access to credit: Increased access to microfinance will have a direct impact on employment in the form of new start-ups as well as expanding micro enterprises into small businesses. There is no empirical evidence to suggest the net job creation, but current anecdotal evidence from the industry is that every JD 2,500 in microcredit creates one job. If true, this is probably in gross terms (i.e., it includes the rate of job creation but not the rate of job destruction). While this rate should be verified empirically, a conservative upper range which doubles the cost of creating a new job to JD 5,000 would mean that JD 18 million of credit would create an additional 3,600 jobs per year.

To relax the constrained supply of credit to SMEs and address the financing gap, a new SME Fund was recently announced by the MoPIC, aimed at addressing the financing needs of Jordanian SMEs. As a response to the program's targeted group's requirements and needs regarding the difficulties of access to finance in Jordan, the program will provide soft loans with low interest rates that might reach an average of 4-6 percent, no annual commissions on facilities, longer repayment periods (up to ten years including a grace period), and grace periods of up to three years, while requiring minimal collateral (70-85 percent of the total loan value depending on the type of project and location).⁹⁷ It is proposed that this program be supplemented with an export support program comprising an export market access fund (EMAF) and a pre-shipment export finance guarantees (PEFG) facility. While the expanded access to credit for investment and export financing is expected to positively impact job creation, establishing the empirical relationship requires development of a computable general equilibrium (CGE) model by MoPIC to help assess the growth and employment impacts of various macro policy scenarios.

Evaluating and scaling up ALMPs with a proven record: It is proposed that the Employment, Technical and Vocational Education Training (ETVET) Fund become the main engine through which Active Labor Market Programs (ALMPs) be financed and monitored. To accomplish this: (i) the ETVET structure should be amended to ensure that no training providers are part of the decision making process; (ii) transparent criteria for funding be developed and approved and open to all training providers and on-the-job training programs; (iii) all funded programs be independently evaluated in terms of cost per student and placement rate; (iv) all follow-up funding be based on a track record of cost per student, placement rate, and satisfaction levels of employers; and (v) all training programs be directly linked to employers' demand.

It is estimated that an annual fund of JD 30 million could create around 20,000 training opportunities per year.⁹⁸ While not all trainees would be placed in permanent jobs

⁹⁷ The program will benefit from a Loan Guarantee Facility (LGF) of US \$500 million. The LGF will have a ten year timeline. The fees and other nominal costs for the LGF, which is extended as part of a U.S. assistance package, will be covered through a separate grant provided by USAID to the Government of Jordan.

⁹⁸ Either through on-the-job training or vocational training at an average cost of JD 1,500 per trainee per year.

afterwards, recent experience in Jordan suggests that a well-targeted training program could achieve a 30 percent placement rate or better. Combined with subsidies for six months to a year, the placement rate could rise even further.⁹⁹

The MoL, with external support, will take stock of all current ALMPs, and incorporate lessons learned into a national training and employment program that can be scaled up to address urgent unemployment issues among university, diploma, and high school or below graduates. It is recommended that the government as well as donors augment the ETVET Fund in the range of JD 20-70 million per year for the medium and long term, depending on its performance against measurable criteria.

Curtailling public sector employment and aligning wage structures: The first three actions proposed in the short term are intended to address unemployment, but they are not likely to succeed if unemployed young men and women continue to perceive that there is a fair likelihood of getting a public sector job. Therefore, it is proposed that any new public sector hiring should be within the current ceiling of the number of public employees (around 463,000 in 2009). Room for staff needed by various ministries and public agencies can be created by normal attrition and by reassignment across public bodies. All new hiring should receive prior allocation within the budget and be within areas of national priority (such as expanding early childhood education programs). It is also proposed that the Civil Service Bureau practice of maintaining a waiting list be discontinued. Those currently on the list (218,000 were registered on the list in 2010) should be targeted for vocational or subsidized on-the-job training programs in the private sector. Finally, the wage structure discrepancies between the public and private sectors should be reduced and better aligned with productivity. Public sector wages and promotions should increasingly be based more on performance evaluation and less on seniority.

Medium term impact (by 2020): There are three priority “medium term” projects that are no less important than the “short term” ones, but that are expected to impact employment levels later on. These projects are: school-to-work transition programs; reform of the ETVET sector; and social security coverage and health insurance extension.

Scaling up school-to-work transition programs: The high unemployment rate among youth in Jordan is partly the result of an inability to transition from an educational environment to a work environment. The stakes are high for youth, as the longer they spend unemployed, the more demoralized they become and the more likely it is that they will exit the labor force for good, especially females. In Jordan, a school-to-work program might not reduce overall unemployment among youth in the short term (as much of the unemployment is concealed in the discouraged inactive population), but it would start making an impact in the medium term (provided aggregate labor demand improved) and would certainly reduce the duration of unemployment for youth, which is critical. Based on international experience, it is expected that unemployment rates among male and female youth will start to drop once the program reaches a national scale.

Reforming the ETVET sector: While the ETVET sector has languished for some time, serious steps have been taken recently to rectify its governance and financing issues. Going forward, the institutional framework for vocational and technical training priorities should include a i) high level coordination mechanism within the public sector and between the public, private, and labor and civil society; ii) bringing all public vocational training (by the ministry of Education, Vocational Training Corporation, and National Employment Company) under one umbrella with heavy private sector involvement in program design; iii) develop an independent vocational accreditation; iii) reforming the ETVET Fund to ensure allocation criteria based on performance of training providers; and iv) developing the MoL's local offices' capacity to carry out employment and career guidance and counseling aimed at the unemployed for job searches, retraining, or access to micro finance.

Introducing health insurance benefits and expanding social security coverage to SMEs: The level of social protection is a prime reason for male and female youth to prefer public sector jobs to private sector jobs, and large private sector enterprises over small and micro enterprises. While the extension of social security coverage, maternity benefits insurance, and creation of an unemployment fund were underway in 2011, health insurance for private sector workers remains a major gap. Expansion of social security coverage, including maternity and unemployment benefits, is expected to reach 75 percent of workers by 2014 (from about 50 percent in 2009). A health insurance scheme would have upfront requirements in terms of systems, procedures, and protocols, and thus needs to be introduced gradually. Thus, it is not expected to reach the 75 percent target until the medium term.¹⁰⁰

Long term impact (by 2020 and beyond): Actions identified here will likely impact job creation after 2020. This does not mean that they are less important, or that action on them should be delayed. It simply means that they require longer gestation periods to generate the desired impacts.

Investing in the future through early childhood education: International research has established the importance of early childhood development as a basis for future learning and performance. A public program of preschools is perhaps the best-known mechanism to deliver consistent early childhood development and education and it is recommended that children aged three to six participate in preschools. Private preschools will continue to play an important role in providing middle and upper income households with quality childcare and education, but they are likely to be beyond the means of a significant majority of Jordanian households.

The strategy proposes an aggressive expansion of public preschool education to reach 50 percent of all children in the four- to six-year-old age group by 2012, and 60 percent of them by 2020 (National Agenda targets). It proposes to make schooling compulsory for ages five and up by 2015 and for ages four and up by 2020. In addition to having desirable effects on children's cognitive and social skills, an early childhood learning

¹⁰⁰ This is assuming the scheme is implemented by the Social Security Corporation. If done by another provider, it would take longer due to the need to establish the financing and administration infrastructure.

program would have a direct effect on female labor participation, as it would reduce the reservation wage for mothers (the wage below which they would not be willing to work) by providing free public preschool education and increasing their mobility and options (e.g. registering their children in schools near their workplace or allowing them to work from home). Another effect would be the jobs created for females in the preschool education sector (a specialization for which supply exceeds demand).

Pursuing sustainable fiscal and monetary policies for economic growth with job creation:

Job creation requires macroeconomic stability, which in turn requires sustainable fiscal policy and stable monetary policy. It is critical that (i) fiscal policy play a counter-cyclical, not a pro-cyclical, role in economic growth, i.e. it should create surpluses during economic boom periods so that it can intervene to stimulate economic activity and jobs during downturns; (ii) current expenditure levels be reduced to achieve a long term budget deficit below 3 percent (before grants); (iii) capital expenditures not go below 20 percent (especially given the low domestic investment rate in Jordan) so as not to undermine future growth, while at the same time targeting productive public investments in human and infrastructure capital which enhance the productivity of the economy (less on roads, public buildings and real estate projects) ; (iv) sources of public revenue are revisited, not only to increase the overall revenue envelop, but also to ensure a progressive redistributive function of the tax system; (v) stimulus packages are targeted directly at socially productive investments as well as those that motivate job creation in the private sector (e.g., on-the-job training, subsidizing social security for new hires for a period of time, etc.); and (vi) monetary policy continue to provide a stable environment for future investments but also remove bottlenecks for financing SMEs and start-ups.

Developing industrial and investment policies towards economic growth with job creation:

Most countries that transformed their economies did not simply liberalize their economies and open their markets. Instead, they instituted a range of policies aimed at encouraging exports, promoting innovation, and attracting FDI in particular sectors. Jordan's economy is one of the most open in the region and the world, while making good use of public expenditures in the form of various incentives, exemptions, tax brackets, and subsidies. However, these need to be revisited and aligned with the country's vision of transforming its traditional economy towards higher value added, higher skills, and higher wages.

WOMEN'S EMPLOYMENT AND ECONOMIC PARTICIPATION

Jordan's high rate of female secondary and tertiary education coupled with one of the lowest rates of female labor market participation represents a policy paradox and a huge challenge to the economy. While family attitudes about female mobility, preconceptions of employers about female productivity, and high reservation wages (for lack of day-care options) might be at fault, these are not immutable and indeed can be changed under a progressive policy environment. The importance of addressing these issues has been emphasized by the Convention on the Elimination of all forms of Discrimination Against Women reports, which highlight the high rate of unemployed women; the persistent gender gap especially in private sector; the lack of a provision in the labor code that entails equal pay for men and women for work of equal value; as well as the continuous horizontal and vertical gender segregation in labor market.

Male/female economic participation: Females are increasingly better educated than males, but still lag behind in terms of labor participation rates, employment and unemployment rates, average wages, and promotion into higher positions. The low female participation levels are glaring, even by regional standards, in light of high levels of education (see Table 3.9).

Table 3.9 Jordan's Economic Participation Compared with Other Countries

State	Economic participation rate among males	Economic participation rate in females	Gender gap
The World*	78%	52%	26%
Jordan*	65%	15%	50%
Syria**	88%	38%	50%
Morocco**	85%	30%	55%
Tunisia**	79%	31%	48%
Egypt*	76%	24%	52%

Note: * 2009 Data.

** 2008 Data.

الأستر النجحية الوطنية للتشغيل 2011 NES

SOURCE: NES, 2012.

As one would expect, the vast majority of the economically inactive are females and with a secondary education or less (table 3.10). A comparison between males and females suggests that female inactivity is almost twice that of male inactivity (61 versus 27 percent) for those with secondary education, and almost three times that of male inactivity for university education (9 versus 3 percent). Thus economic inactivity cannot be attributed solely to student status, which is roughly the same for both sexes. Table 3.10 clearly shows that economic inactivity is largely associated with low levels of education, and those with higher education are more likely to be employed, or unemployed but actively searching for work.

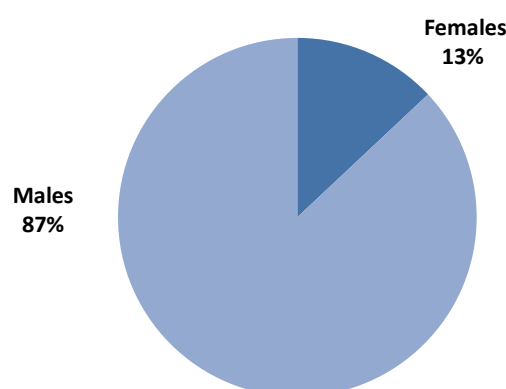
Table 3.10: The Economically Inactive Population by Gender and Level of Education

	Males	Females
Secondary or less	27 % 567,271	61% 1,281,088
Diploma or higher	3% 53,268	9% 188,106

Source: NES, 2012

The inactive population is also young, with about 70 percent under the age of thirty, which means they could still enter the labor market. About one third of the inactive population are students (30 percent). The rest are “stay at home females” (not necessarily married; 54 percent), and “other” (mostly early retirees; 16 percent). Much of this inactivity is not voluntary, and needs to be seen more as unemployment that is hidden by social constraints on female mobility and by lack of economic opportunities for females.

A review of where women work reveals that the constraint is not the public sector, whose staffing is almost 50 percent female, but rather the private sector, whose female workers constitute only 13 percent of its workers (Figure 3.6).

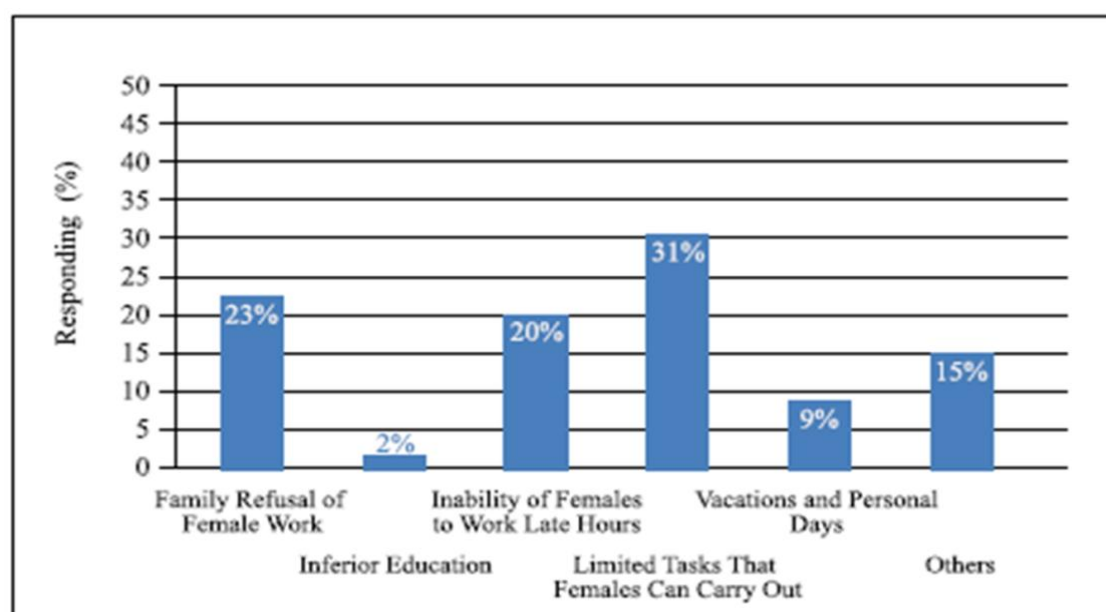
FIGURE 3.6: COMPOSITION OF EMPLOYMENT IN THE PRIVATE SECTOR

Source: DOS 2009

Several factors contribute to low female employment in the private sector, among them is that the public sector tends to be employer of choice for females given lower working hours and better benefits. But private employers also have strong perceptions of low female productivity, especially in small enterprises. A recently conducted survey for the Jordan Human Development Report, 2011 revealed that medium size enterprises hire more females than small ones. Figure 3.7 summarizes employers' reasons for preferring male employees, the main ones being females' limited ability for manual labor and for

working late hours, and problems with families refusing to allow them to work. These results have been confirmed by more recent surveys.¹⁰¹

FIGURE 3.7: EMPLOYERS' REASONS FOR PREFERRING MALE EMPLOYEES



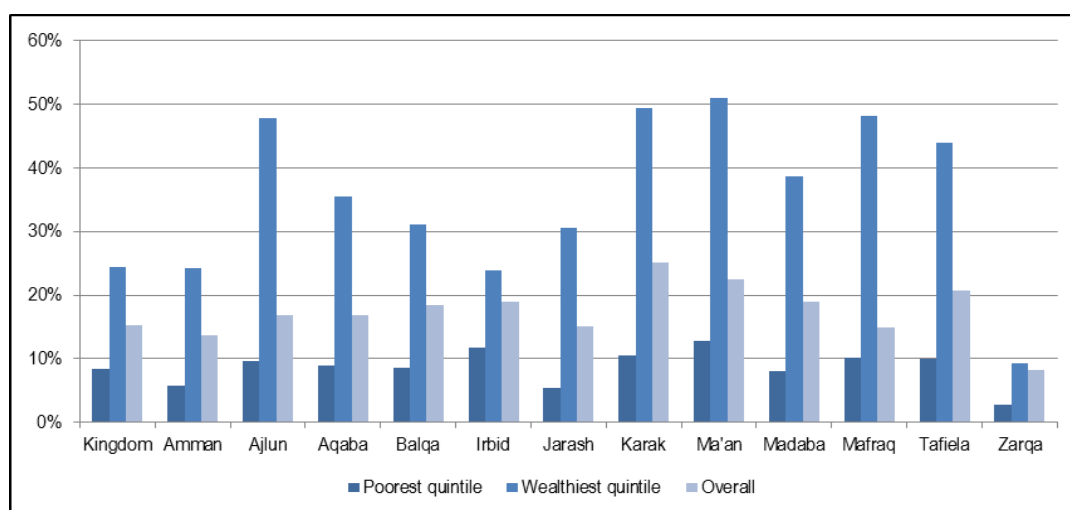
Source: Report MSME Survey, 2010

* In the above figure, 'certain tasks,' refers to such activities as heavy lifting, manual labor.
Report MSME Survey

The relationship between household income and female work breaks at least two common stereotypes: The first is that better off households are more likely to have the female stay at home because they can afford it, and the second is that females are more economically active in Amman than in the regions. The recent Jordan Labor Market Panel Survey (JLMPS) dispels both and suggests that working status is higher for higher incomes, which tends to be associated with higher levels of education, and governorates like Karak, Ma'an, Ajloun, and Mafraq have the highest rates of participation, while Amman, Irbid and Zarqa have the lowest. This suggests that there is an enormous opportunity to increase household incomes by creating an environment that is conducive for women to work, either in skilled jobs at home or in the private sector, either for an employer or as self-employed individuals.

¹⁰¹ World Bank, 2012d "Soft Skills or Hard Cash? What works for Female Employment in Jordan?"

FIGURE 3.8: PROPORTION OF WOMEN IN THE LABOR FORCE OVERALL, AND FOR THE POOREST AND WEALTHIEST QUINTILES



Source: The Earth Institute, 2011.

Male/Female unemployment: While lack of economic participation is mainly a female phenomenon, unemployment is a more nuanced one: in absolute numbers, most of the unemployed are young males. But as a percentage to the labor force (those who are employed and unemployed) by gender, female unemployment is much higher. But unemployment as a measure in Jordan hides the fact that many more females have lost hope of finding jobs and have thus stopped searching.¹⁰² Table 3.11 illustrates the situation by showing male and female youth unemployment in absolute numbers and percentage terms.

Table 3.11: Unemployment among youth (aged 15-24), 2009

	Female Youth	Male Youth
Unemployed Youth	28,171	59,836
Employed Youth	33,188	205,045
Total	61,359	264,881
Percent Unemployed Youth by Gender	46%	23%

Source: Manar Project Database 2009.

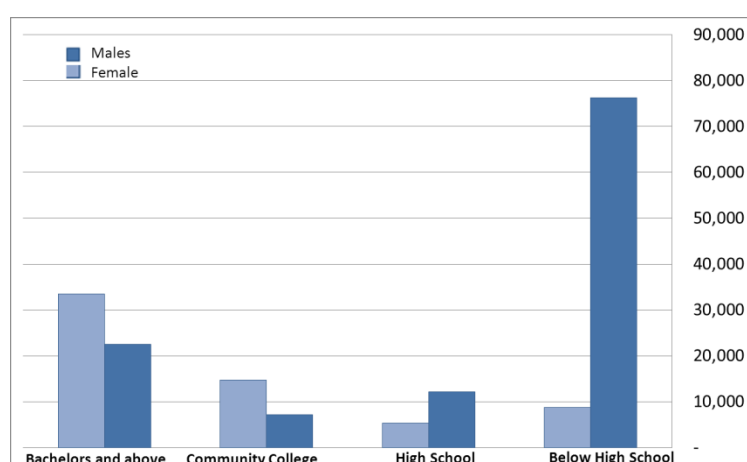
The most evident feature of the unemployed is that they are overwhelmingly young: 49 percent are below the age of 25; 72 percent are below the age of 30; and 89 percent are below the age of 40. In absolute numbers, they are mostly males (see table 3.11), but the

¹⁰² The definition of an unemployed person is someone who is: over the age of fifteen, not working, able to work, *and* actively looking for work. In other words, the over 2 million working age persons who are classified as economically inactive are not considered unemployed by this definition as they are not actively seeking work.

unemployment *rate* is 46 percent for young females compared to 23 percent for young males.

Unemployment by education shows that over 75 percent of unemployed males have a high school education or below (see Figure 3.12). The opposite is true for females; over 75 percent of unemployed females have diplomas or higher. The low level of unemployment among less educated females cannot be taken at face value as a positive sign. The likely scenario is that less educated females tend to get demotivated, stop the job search, and join the ranks of the inactive population. As for unemployment among all university degree holders, this phenomenon is relatively new and on the rise, signaling a mismatch between specializations and skills supplied and those demanded by the market. Indeed, the proportion of university graduates doubled among the unemployed between 2000 and 2010.

Figure 3.12: Unemployment by Education and Gender, 2009



Source: NES, 2012

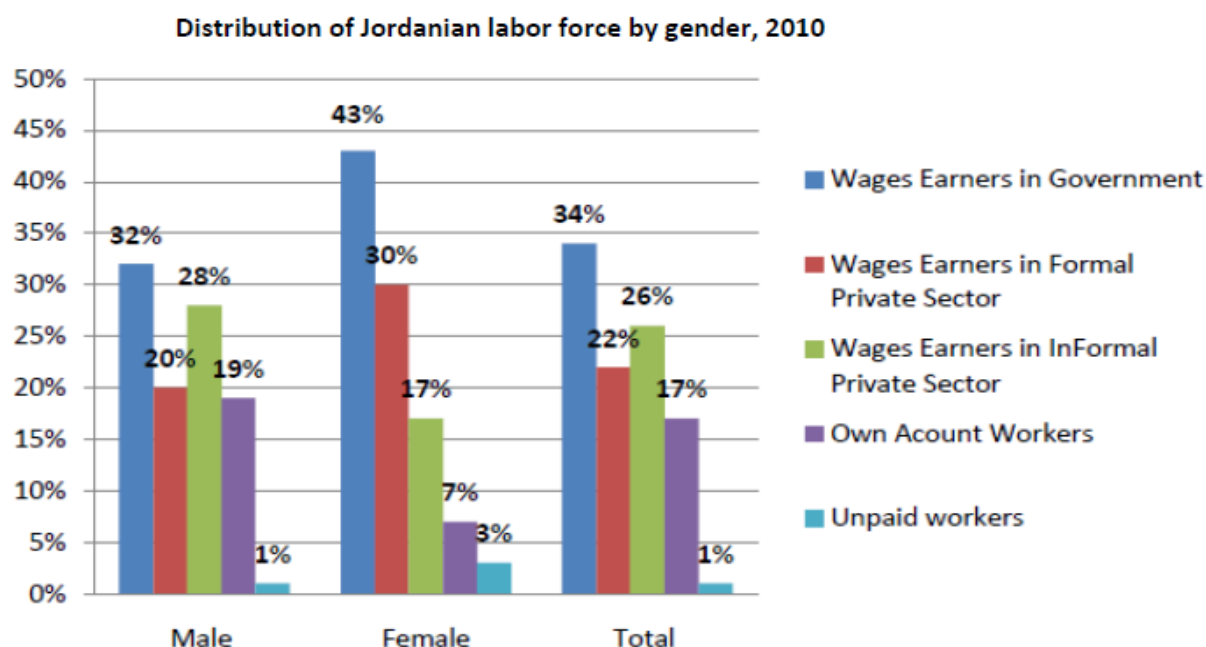
Child labor in Jordan is relatively low compared to middle income countries. CLS¹⁰³ estimates that 2.1 percent of children aged 5-17 in Jordan are economically active and 1.9 percent are employed. Boys constitute nearly 90 percent of all children in employment. But a higher percentage of girls (37.6 percent) provide unpaid household services (chores) to the members of their households than boys (27.1 percent) but the hours are limited to 6.2 hours per week (with girls putting in on average 3.5 hours more per week than boys). By sector, most boys who are wage earners work in trade sector, while most girls who are wage earners work in agriculture. Targeted programs to reduce child dropout rates can best address most child labor issues in Jordan.

The male/female wage gap: Working women in Jordan are more likely to be wage earners in the formal sector than men. Men on the other hand, are more likely to be self-employed or working in the informal sector (See Figure 3.10). This is not surprising given the very narrow base of working women, which is dominated by those

¹⁰³ Working children in Jordan - results of the 2007 child labor survey: the analysis presented here is based on data from 2007 child labor survey CLS conducted by DOS with ILO-IPEC. The CLS covered 76046 individuals including 24319 children between the ages of 5-17 from 14091 households.

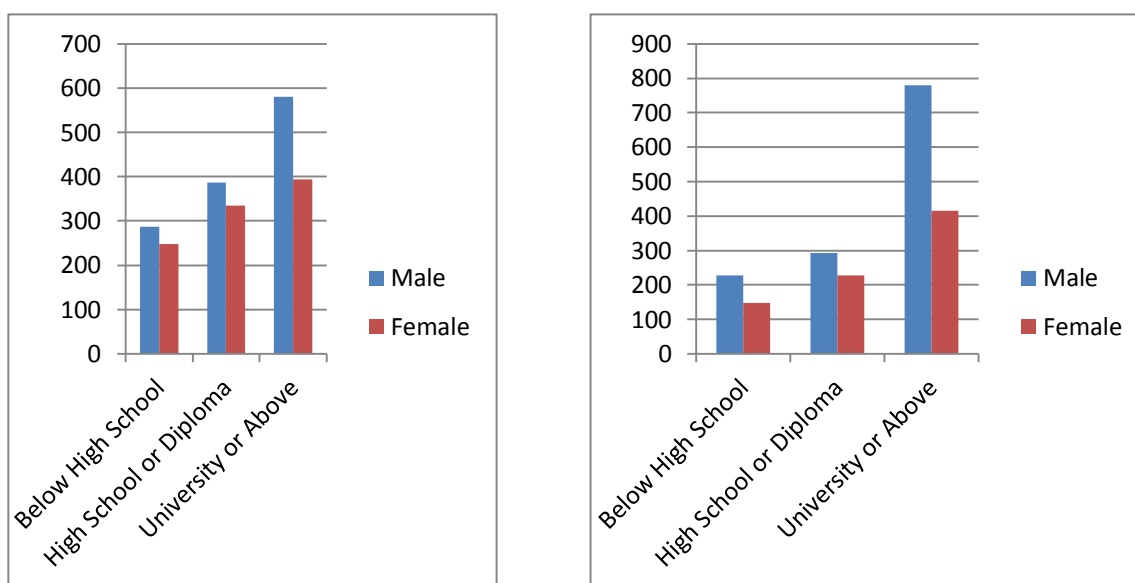
who are educated. Expanding the ranks of employment of women will require dramatically increasing self-employment.

Figure 3.10: Distribution of Jordanian Labor Force by Gender, 2010



As for those who are wage earners, the JLMPS of 2010 showed that in spite of minimum wage regulations, the private sector continued to evade the minimum wage and pay men and women wages below the minimum. It also shows that women who made the minimum wage of JD 150 or below were 25 percent of working women, almost twice as males. This suggests that as minimum wages go up to JD 190, more women are likely to be pushed in the informal sector. On the face of it, aggregate data suggests a wage gap between male and female workers. A wage gap between male and female workers continues to exist and is wider in the private sector (e.g., the average male wage is 1.24 times higher than the average female wage) than in the public sector (where the average male wage is 1.17 times the average female wage). Taking educational attainment into account, the wage gap is larger for university graduates than it is for graduates of community colleges, high school, or below (see Figure 3.11).

Figure 3.11: Average public and private sector wages by gender and educational level, 2008



Source: DOS.

But recent empirical research controlling for other variables that affect wages, such as hours worked, job title, experience, etc., finds that the “wage gap in Jordan remains compressed by international standards in the private sector and is either non-existent or even represents a premium for women in the public sector” (Said, 2011). This implies that the wage gap is not the biggest policy challenge, but rather supporting a policy environment which allows more work opportunities for women (full time wage earners, part time wage earners, self-employment, and management positions).

In spite of the low starting point of female participation in the labor market, the National Employment Strategy is upbeat about the future prospects:

“With increasing investment in female education, Jordan has removed the biggest hurdle in the way of active female participation. Indeed, in some service sectors such as financial intermediation and telecommunications, the male/female gap has been virtually closed in terms of hiring patterns and wages. Females have gradually moved into jobs that were unthinkable for women a few decades ago, either because they were reserved for males or were seen as taboo (e.g., CEOs and managers, municipal council members, judges, police officers, stewardesses, restaurant waitresses, etc.). The “glass ceiling” limiting female promotions still exists, but it is eroding, with 18 percent of management positions in the private sector now going to females. Social values are often blamed for the low participation rates in Jordan, but values are not immutable and have changed over time. Within an enabling social, economic, and institutional context, female participation rates can increase substantially and any remaining wage gaps can be reduced.” (National Employment Strategy 2012-2020, Section 2.5.2)

In terms of objectives, the National Strategy for Women (2011-2020) outlines the following two objectives for economic empowerment: i) ensuring equal economic opportunity to achieve greater participation of women in various sectors of national economy; and ii) raising the proportion of women's participation in policy-making

industry and economic decisions. The Strategy outlines policy measures for 5 groups of women (working women, business women, women on boards of directors, informal sector/home based women, and poor women).

In terms of numbers, the NES proposes several scenarios ranging from weak, moderate, to strong in terms of overall employment and female employment in particular. The moderate scenario would increase the number of working women from around 200,000 in 2009 to 400,000 in 2020 (an increase of working women to total working age female population from 12 percent to 18 percent).¹⁰⁴ These numbers, though they double the number of jobs for women, are still low by international standards, and are quite realistic and certainly achievable if the constraints are addressed in tandem.

POLICY AND LEGAL LINKAGES

What are the barriers that hold women back from joining or remaining in the labor force? The very high unemployment rate of females, reaching 50 percent for young females, suggests a persistent determination by women to find jobs. The constraints and mitigation measures have been examined in a variety of policy studies and strategies. They can be grouped as follows:

Public mobility, access to information, and finance: Mobility outside the house/neighborhood continues to be a significant constraint to many female prospective workers. Related to mobility, access to information about job prospects is equally constrained.¹⁰⁵ Policy options include better public transportation offering reliable regional services might partly address the issue of distance for some; and mobile phone based job search services. For those whose access would remain constrained, home-based or community work with increased access to micro finance needs to be expanded.

Marital status and maternity support: Recent research based on the DOS's JLMPS suggests that married women are far less likely to find a job than single women. While this probably reflects both supply and demand preferences, the difference in Jordan is larger than that in other Arab countries. (Amer, 2011). As for maternity, while Labor Law offers women *de jure* maternity benefits, these benefits have historically been *de facto* denied to them by the private sector, either through hiring discrimination, or firing them when they get pregnant. Therefore, even when females enter the labor market, they do not tend to remain for long.¹⁰⁶ A combined policy of affordable childcare, and the recently launched maternity benefits scheme by Social Security are expected to change incentives of employers and female employees as maternity and child care costs

¹⁰⁴ The NES also offers a strong employment growth scenario by 2020 involving an increase in total employment to around 500,000 in 2020 (an increase of working females to total working age female population to 23 percent).

¹⁰⁵ See survey published in World Bank, "2012d Soft Skills or Hard Cash? What works for female employment in Jordan?".

¹⁰⁶ Social security records in 2009 show that on average, female workers spend only four years in the labor market; and 77 percent of retiring females fail to qualify for pension and instead receive a lump sum payment upon retirement (compared to 23 percent of males fail to qualify for pension).

are socialized.¹⁰⁷ Expansion of pre-school education by Ministry of Education for ages 4-5, and private sector and NGO day-care for ages less than 4 would greatly expand the set of options available for working mothers.¹⁰⁸

Women focused programs for career counseling, job matching, and vocational and on-the-job training: Given the distinct constraints faced by women, the above listed services need to be tailored to those constraints. School to work career counseling and tailored employability, vocational, and technical skills should be expanded for women. There is also a need for greater efforts to reach out to the women and match them with available jobs. This may call for employers to advertise job vacancies using a wider variety of channels that will reach potentially suitable women. Government employment service also has an important role to play to bring together employers and job seekers.

Women business owners and self-employed: Self-employed women in micro, small, and medium enterprises account for only 6.5 percent of female employment, far below the proportion of males as owners (20.6 percent of employed males). Expanding opportunities for females to start their own businesses has a multiplier effect on employment of females; when females do start their own firms, they are more likely to employ other females (Jordan Human Development Report, 2011). While traditional businesses of food, handicrafts, and beauty salons will continue to dominate, the challenge is to diversify the types of businesses females start.

Strong enforcement of women's rights in the workplace: Strong enforcement of women's rights in the workplace, against discrimination and sexual harassment, coupled with policies to make the workplace more welcoming (such as access to part time work and childcare facilities) will help protect both children and women and would reduce perceptions of the private sector as an un-hospitable environment for women.

POLICY

The NES explores objectives, constraints, and policies at three levels, the demand side of the labor market, the supply side of the labor market, and the institutional framework within which the labor market operates. As discussed above, the NES outlines the ten most important actions, and the horizons within which they are expected to produce the intended impact. The three horizons presented above describe the short, medium, and long term impacts of implementing the NES. By 2014, execution of the short term actions aimed at creating employment will lead to absorption of a substantial proportion of the currently unemployed. By 2020, actions aimed at i) better matching educational outcomes with demand, and ii) removing the credit constraint to SMEs and micro enterprises should start having an effect on growth and higher employment rates,

¹⁰⁷ Maternity cost is socialized through a payroll contribution of 0.75 percent to be paid by employers on behalf of both male and female workers, thus reducing the incentive to hire males to avoid maternity leave costs, and increasing the likelihood of females remaining at work after their maternity leave.

¹⁰⁸ Article 72 of the Labor Law requires that companies and organizations in Jordan with more than 20 women employees to establish day cares within their respective offices for the employee's children. But it is poorly enforced and has acted as a deterrent to employers to expand employment of women. Alternative formulations need to be considered.

especially among females. Finally, by 2020, incentives to restructure towards a knowledge-based economy should create higher demand for an educated and skilled Jordanian labor force.

The proposed policies and actions (set out above) stand to improve the employment situation for both men and women. But they need to also be individually tailored to accommodate real needs by females (part time work, childcare, etc.) and expanding sectors and professions within which they can work. Disjointed policy options, tackling some aspects of women's employment, but not others are not likely to yield sustainable results. The demand side and the supply side for females in the labor market, as well as the institutional framework, have all to be addressed in tandem.

Demand side policies: Demand side policies would need to acknowledge upfront that growth needs to be pro-poor and pro-job creation of Jordanians to result in sustainable development. Stimulating job creation in the private sector would require a stable macro-economic environment; namely in the case of Jordan, less structural deficit and containing debt levels. The fiscal situation does not allow for broad fiscal stimulus packages, which the government attempted in the years 2009 and 2010. But reallocation of some of the current spending to direct job creation through public works, private sector skill building support, and access to financing regional projects, SMEs, and micro enterprises will achieve several objectives at the same time: (i) it would create real productive jobs for the unemployed youth; (ii) it would provide a needed stimulus to the private sector in the form of wage support; and (iii) through focusing on regions with high unemployment rates, it would address regional disparities.

Supply side policies: How can the achievements of women in school enrolment and higher education be reflected in more and better jobs? The NES Action Plan proposes several actions on the supply side covering both gender specific and non-specific issues, including education and vocational training programs, school to work programs, targeted vocational training, legislation to facilitate home based businesses, maternity insurance through social security, and childcare facilities.

Institutional Framework: The institutional framework refers to the laws, regulations, and procedures that regulate the employer-employee relationship as well as the overall policy environment for the labor market. The NES is clear that there are considerable weaknesses at the strategic planning level; coordination among stakeholders within the public sector; monitoring and evaluation of programs; and weak traditions of social dialogue. Also, social protection continues to vary considerably between the public, the formal private sector, and the informal private sector in terms of social security, health insurance, and enforcement of workers' rights and health and safety issues.

In order to tailor the employment policy actions to the specific needs of women, the following four key policy measures have been agreed

- ✓ Amending the Labor Law and the Social Security Law to enhance women's participation in the labor market, including:
 - Applying part time and flexi-time working hours
 - Redressing the disparity in wages

- Protecting the rights of working women
 - ✓ The expansion in the provision of day-care services supported by the entrepreneur in cooperation with the working woman
 - ✓ Adapting education outputs to suit the requirements of the labor market and preparing programs that target women related to the provision of career guidance and its suitability to jobs, vocational training, and hands-on experience
 - ✓ Providing safe and reliable public transportation.

INFORMAL SECTOR

The concept of informal sector or informal economy,¹⁰⁹ which is also referred to as gray/shadow economy, unorganized economy, hidden economy, and underground economy, is a phenomenon which plays an important part in the Jordanian economy.¹¹⁰ The informal sector is clearly a potential engine of job and income generation, thus the main challenges exist in developing innovative and supportive policies that recognize the contributions, workforce of the informal economy and finding the correct method of integrating this economy into the formal economy.

The Dynamics of the Informal Sector

Informal employment stood at around 44 percent of the total employment in the Jordanian economy in 2010, whereby the percentage of informal employment in the private sector has reached 55 percent of the total employment in this sector. Furthermore, the percentage of informal employment amongst working males stood at around 23 percent compared with about 15 percent of informal employment amongst working females in 2010. Certain economic activities employed around 71 percent from the total employment in the informal private sector. These activities were; crafts (30 percent), services and sales (24 percent), and machinery technicians (17 percent). By contrast, the percentage of informal employment in higher administrative activities was very modest; standing at merely 0.4 percent from the total informal employment in the private sector in 2010.

One can examine Jordan's informal sector size on the "Schneider Index" which estimates the size of the informal sector as a percentage of GDP. This reveals that the ratio was 20.9 percent in the Jordanian economy which is in the low ranks of the Arab countries.

The relative distribution for informal labor force reflected the nature of population density between rural and urban areas in Jordan; whereby around 83 percent of Jordanian labor are concentrated in the urban areas versus 17 percent, only, in the rural areas. Moreover, it was revealed that 47.5 percent working at the urban areas are informally employed and 28.3 percent are informally employed from the total labor in the rural areas.

The same percentage can be applied on the gender distribution of employment in Jordan, while males compose around 83 percent of the Jordanian labor force, 47.8 percent of them are considered to be working informally compared with 26.7 percent of working females.

¹⁰⁹ The informal economy comprises of (i) households with at least some market production; and (ii) production units with low levels of organization and technology, and with unclear distinction between labor and capital or between household and production operations. Other typical characteristics of these units are high mobility and turnover, seasonality, lack of recognizable features for identification, and reluctance to share information.

¹¹⁰ This section draws on the recent studies of the informal sector completed on behalf of MoPIC and the UNDP (Al-Shamal Consulting, 2012a and 2012b). These studies draw on a new and original data set, the Jordan Labor Market Panel Survey of 2010 (JLMPS 2010).

A striking finding was the low levels of education of the informally employed individuals in the Jordanian labor market; it is estimated that around 72 percent of this segment are of basic education level or lower. Additionally, the majority (81.7 percent) of the informal employment fell under the category of paid workers. The percentage of informal employment from the total workers was higher in the following categories: self-employed workers (98.5 percent), employers (94.6), and unpaid workers (100 percent).

Informal Sector and SMEs

The most important characteristic of establishments in Jordan lies in the fact that most of them are SMEs; in 2010 around 99.8 percent of establishments employed less than 250 workers. Further, it is noticed that some governorates such as Madaba, Ajloun, Karak, Ma'an and Tafleh do not have establishments with more than 250 workers.

There is a disparity regarding the participation of the informal sector in the economic activities in the Jordanian economy. This disparity is due in the first degree, to the different nature of the economic activities, their size, and the extent of its contribution in the employment levels and total production. The activity of "wholesale and retail and vehicle and motor bikes maintenance" comes in the first place, whereby the percentage of its contribution in the informal sector is about 30 percent, followed by manufacturing, transport and storage, and construction with (18.6 per cent, 11.7 per cent, and 11.1 per cent respectively). The smaller the establishment in each economic sector, the higher percentage of participation rate in the informal sector.

POLICY

There are problems associated with this sector, among of which: tax evasion, which in turn grants the firms of this sector a comparative advantage in the cost of production compared to firms in the formal sector, which are subject to taxes and other fees and therefore incurred addition costs. Consequently, it is important to transform the informal sector to the formal sector, as this will increase the financial resources of the government, and give establishments in the national economy many advantages, such as: the protection of intellectual property rights, to take advantage of the various services provided by the government, particularly the infrastructure, in addition to that, the transition to the formal sector will make the firms eligible for credit facilities to finance the their investments.

Here an important question arises; how does the Government convince producers and employers in the informal sector to enter into the formal sector, or how to prevent the escape of producers and employers in the formal sector to work in accordance with the rules of the informal sector?

The following policy measures will be implemented:

1. **Simplification of procedures** for the launch of economic projects, including the establishment of one reference body that deals with new investors.
2. **Raise the awareness of informal sector micro-enterprises to the added value of registering and adhering to tax, social security and other relevant legislation.** A public awareness campaign would be initiated that would

specifically target existing micro-enterprises across Jordan to raise their awareness of the services offered by Chambers of Commerce/Industry, and of adhering to tax, social security and other relevant legislation. With regard to the latter both the penalties of non-compliance and potential benefits of paying tax and participating in social security schemes will be communicated.

3. **Provide tax incentives** (compatible with expected income) **to encourage informal sector micro-enterprises to register their enterprise and adhere to tax legislation.** Paying taxes—given the financial disincentive and the limited provision of services in some areas of Jordan—is one of the major hurdles to encouraging micro-enterprises in the informal sector to register and adhere to legislation. As such, the provision of tax breaks (e.g. a total exemption over a period of three to five years) would diminish some of the apprehension associated with registration and engagement with municipalities and other related institutions. Start-up costs and licensing fees should be reduced and, where possible, one-time fees imposed, which investors should pay, commensurate with the nature of the activity and its size (micro or small).
4. Fully **implement the expansion of the scope of social security** which is being put in place by the Social Security Corporation.

TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING (TVET)

The Government of Jordan has taken bold steps to respond to the Technical and Vocational Education and Training needs across the Kingdom. In 2006, the ETVET Strategy made the important link between poverty reduction and TVET. However, gaps in implementation still exist and challenges—mainly in the fields of access to the TVET system and the employability of its graduates—persist.

Skills Levels and Pathways: TVET in Jordan involves a complex of (a) official classification of occupational levels of workers in vocational and technical occupations; (b) institutions that provide the training for the various levels of skills (including Vocational Training Corporation, community colleges and universities); and (c) the pathways between them¹¹¹. There are no operational pathways between craftsman and technical levels (other than pilot projects).

- *There is a need to improve the seamless pathways between the various TVET levels, including for validation of prior learning, in order to avoid trapping those who started with a TVET education at a low level of skills (and income).*

Enrolment and Targeting: The enrolment of Jordanians in vocational training remains low especially at entry levels, with either 0.3% of Jordanians over 15 (9,454 in total) with a “vocational apprenticeship qualification” in 2011¹¹² according to the Department of Statistics, or 40,000 VTC graduates (around 1% of Jordanians above the age of 15), according to VTC files. According to DOS, 302,569 (or 8.23%) of Jordanians aged 15 and above had a college diploma in 2011¹¹³. 54% of college students were enrolled in a Technical Education program in 2011¹¹⁴. The share of working age Jordanians with a vocational diploma at semi-skilled/skilled/craftsman level is therefore around 1%, and the share of working age Jordanians with College level vocational background is around 4%.

International experience shows that there is no direct relation between the share of the population with vocational background and employment levels, and that quality and market relevance matters more in skills than the quantitative aspects. However, this low share of Jordanians with a formal vocational background highlights the fact that most skills transfer are actually happening in an informal setting, through traditional apprenticeships. Much could be gained in terms of efficiency and labor market outcomes by upgrading these apprenticeships and integrating them within a system of Recognition of Prior Learning .

In the formal vocational training system, poverty targeting at the time of recruitment is mainly happening in a “passive” mode: i.e. the labor market outcomes of these programs are not likely to attract richer Jordanians. It is worthwhile however to describe the experience of Satellite Units in actively targeting women in rural areas, with factories

¹¹¹ Basis for Classifying Vocational Workers Provision No. 83 for the Year 2000 / Issued for Articles (7) and (8) Vocational Work Regulation Law No. 27 for the Year 1999.

¹¹² DOS defines “Vocational Apprenticeship” as any qualification obtained from VTC – Semi-skilled, Skilled, or Craftsman.

¹¹³ DOS (2011).

¹¹⁴ MOHE (2012).

that advertise for apprenticeships through local labor offices. The results reflect an above average participation of women in the program. There is no way to assert directly whether the passive targeting approaches of other schemes are efficient, as there is no record of the poverty profile of the trainees and graduates. However, some conclusions can be drawn indirectly because poverty is correlated in Jordan with gender, geographic location and disability. The participation of women, of Jordanian living in remote areas, and of Jordanian with disabilities in the TVET system is examined below in further detail.

- *There is a need for a common analytical framework to be set up in order to measure the impact of the TVET programs on poverty reduction, including a systematic documentation of the poverty profiles of the trainees, at recruitment, and over time;*
- *There is a need to review informal apprenticeship systems in Jordan and assess what bridges and pathways can be established through recognition of prior learning to facilitate the transition of apprentices to decent work; and*
- *There is also a need to establish whether passive targeting techniques are actually working.*¹¹⁵

Women's Access to TVET Training: Women in Jordan have a very low economic activity rate and most women in Jordan do not have an individual source of income¹¹⁶. Methods that are generally used to “measure” poverty are criticized for overlooking the unequal distribution of resources between women and men within the home; they do not take into account “secondary poverty”, and while household income could place the family above the poverty line, the way resources are distributed within the household may result in women being poor. Jordanian women are more likely to live in secondary poverty and continue to face opposition to work and mobility.

Table 3.13: Women Participation in TVET

Institutions	Women participation
VTC	26 % (2010)
Paid employment and satellite unit	61% (2006 - 2011)
ETVET fund as a whole (the NET program is run by the army and targets only men)	28% (2006 - 2011)
Community Colleges (technical programs only)	44% (2011)

The low participation of many women in TVET programs at lower levels and when they are not directly targeted is likely to be linked to pre-conceived cultural notions against

¹¹⁵ In this context, passive targeting means that the TVET programs are designed to attract none but the poor without special quotas or reservations.

¹¹⁶ Department of Economic and Social Affairs (2010). The World's Women 2010: Trends and Statistics.

women joining TVET, and the comparatively higher success rate of women at primary and secondary education levels that give them the opportunity of joining more prestigious education paths. Their participation to the training program is generally also limited to skills that are perceived as “appropriate”. Furthermore, many female graduates do not enter the labor market, raising questions about the usefulness of TVET education for women in the absence of employment opportunities for women. In fact, the employment of women with TVET background is dis-incentivized by important pay gaps:

- *There is a need for special targeting to attract more women to TVET programs to access decent jobs, beyond the gender division of occupations, and vertical career limitations. There is also a need to take swift action to tackle the gender pay gaps at all levels.*

Access to TVET for People in Remote Areas: In 2008, 57% of individuals living under the poverty line came from three governorates: Amman, Zarqa and Irbid. Remote areas however, have smaller populations but a higher ratio of individuals living under the poverty line. In other words, the likelihood of an individual is being poor increases in remote areas.¹¹⁷ Remote areas in Jordan are characterized by a low population density, a shortage of resources (water, pastures, and livelihood options), lack of public transportation, and a high dependence on the public sector and armed forces for employment. The private sector avoids investing in remote area due to distance and lack of services and adequate labor supply. 85% of the poorest 30 districts in Jordan are situated in the South Region and the North-eastern Badia.

Table 3.14: TVET Targeting of Poor Areas (2010)

Institutions	% Training centers in Ma'an, Tafileh, and Mafraq	Transport allocations available for poor people from remote areas
VTC	14%	n/a
Community Colleges	7%	0
Satellite Units	100%	100%
Paid Employment	n/a (expected to be marginal)	Estimated 70%
NET	10% of beneficiaries	100%

A simple mapping of poverty areas and TVET centers show that their establishment has been led by the concentration of population, and by the proximity to businesses. Training centers are therefore based where most of the poor are. Their presence in areas where poverty rates are higher is minimal, but it is compensated by the payment of transport fees that allows trainees to access TVET training in more populated areas.

¹¹⁷ Report of the Poverty Status in Jordan: Based on Income/Expenditure Survey of 2008. DOS 2010.

ETVET Fund financed programs (Paid Employment, Satellite Units, NET, and Tourism Project) pay transportation subsidies for all trainees. ICT pays only for residents of areas far from jobs. VTC offers to provide free transportation (a bus) if an area not served with a VTI finds a minimum of 20 trainees to enroll from that area.

- *Transport incentives need to be harmonized across the various programs and generalized in order to ensure that all Jordanians have access to TVET.*

Access of Persons with Disability to TVET: The incidence of disability is twice as high among the poor as in the richest quintile in Jordan. Poverty can trigger disability by poor nutrition and low access to health services and disability can contribute to poverty by hindering access to social and economic opportunities.¹¹⁸ The integration of persons with disabilities in training and education in Jordan remains very low. In 2011, 158 persons with disabilities were enrolled in VTC programs - 1.5% of the student body. This is in spite of the fact that Persons with Disabilities are exempt from fees, which are reimbursed to the centers/colleges by the Higher Council for the Affairs of Disabled Persons (90% at college levels).

Table 3.15: Inclusion of Persons with Disabilities (PWDs) in TVET

Institutions	Inclusion of persons with disabilities
VTC	9/43 centers equipped for PWDs. Access still limited for persons with hearing and physical impairments.
ETVET-funded programs	Marginal involvement (programs are perceived by managers as “not suitable for PWDs”).
Community colleges	The share of students with disabilities and the number of vocational schools adapted to persons with disabilities could not be found.

Vocational training programs that target persons with disabilities usually focus on self-employment rather than wage employment, based on the wrongful perception that the Person with Disabilities are by nature less capable of contributing productive inputs as part of a labor relationship than within a commercial relationship. The focus is on financial independence from welfare programs rather than on a meaningful integration in the labor market.

- *There is a need to increase the access of Persons with Disabilities to all training programs, and refocus the TVET programs towards meaningful inclusion of Persons with Disabilities in the labor market, with special measures for training to work transitions.*

Financing: The share of the fee structure to be supported by the trainee is an important element of the access of poor households to TVET training.

¹¹⁸ ESCWA (2009). Mapping Inequity: Persons with Physical Disabilities in Jordan.

Table 3.16: Financial Structure Summary of TVET Service Providers

Program	% training cost covered by			
	<i>Government</i>	<i>Employer</i>	<i>Trainee</i>	<i>Others?</i>
<i>National Employment Project*</i>	50	50		
<i>Tourism Project*</i>	50	50		
<i>NET*</i>	95	5		
<i>Engineers Union*</i>	50	50		
<i>Agricultural Engineers Union*</i>	50	50		
<i>Al-Huson College*</i>	50	50		
Community Colleges**			100	
Vocational Education (MOE)**	100			
VTC**	87		2	11
Private sector centers			100	

* Source: Project Managers 2012 ** Source: GBD 2012

The table above shows the trainees' share of the training costs rises with the skill level. This is possibly based on a two-fold assumption: (a) the entry level requirements of TVET programs allow for seamless training pathways between qualification levels; and (b) the employment resulting from one level of training will generate enough savings to pay for the next training level, as part of a lifelong training approach. We saw that entry-level requirements do not allow TVET graduates to enter colleges. We can also assume by looking at the average take home pay of workers with a TVET background that their capacity to pay for a college degree is limited.

- *There is need to review the fee structure of the Colleges and higher education, jointly with the seamless education pathways, to allow for lifelong learning to become a reality for all Jordanians.*

Quality and Drop-Out: The contribution of the TVET system to poverty reduction depends also on the capacity of the system to deliver market relevant skills of good quality. Satellite Units and Paid Employment on the job training programs have a high drop-out rate (around 60%) and the top reasons for dropping out are "reasons relevant to work conditions:" trainees left because of low wages, inappropriate work, pressure from employer, poor transportation, inability to follow instructions, etc.

HR managers at hotels and restaurants participating in the VTC Tourism program stated in focus groups that the training delivered by VTC (classroom training) only taught trainees the very basics of work; it was up to hotels and restaurants during the On Job Training to deliver the specifics. While it is up to VTC to follow up on all matters

relevant to trainees during OJT, they only follow-up on administrative matters and fall short of ensuring that trainees are receiving training in the needed skills. The same scenario apparently also applies to other programs funded by the ETVET Fund – there is no monitoring or criteria for evaluating the quality of training delivered by private sector entities. Therefore it is completely up to each individual private sector institution to deliver quality training and cover skills that the trainees would need once they enter the labor market.

An on-going study evaluating ETVET funded programs concluded that many trainees who joined these programs are attracted by the wage subsidy element as a side income for the household, and/or the chance of a job that match their high expectations¹¹⁹. In the VTC Tourism project, for instance, many young women dropped out at the start of the on job training, because the reality of the job did not match their expectations.

- *There is a need to upgrade the 'on job' part of the trainings within a formal apprenticeship framework, tackle issues related to non-retention, through improved career guidance provided to the trainees prior to recruitment and throughout the training time.*

Employment of TVET Graduates: The contribution of the TVET system to poverty reduction depends also on the share of the graduates that are employed, and of the conditions of this employment: can graduates access jobs? And do these jobs pay enough to bring their households out of poverty?

Table 3.17: Economic Activity Status Indicators of TVET graduates

Economic Indicators¹²⁰	Activity	Vocational Apprenticeship	Intermediate Diploma	National Average
Working or looking for work		89.4%	52.1%	39%
Working		77.1%	45.7%	34%
Unemployment Rate		13.8	12.4	12.9

Source: DOS, 2011

¹¹⁹ Active Labor Programs Evaluation, ILO/MOL (2012- ongoing study).

¹²⁰ Definitions of the Department of Statistics:

Economically Active: Individuals who are 15 years of age and above, either working or unemployed (not working and looking for work) according to the definitions of DOS.

Working: individuals who are 15 years of age and above who practice an occupation in the public or private sector for no less than 1 hour in the week prior to the survey

Unemployed: individuals, who are 15 years of age and above, who are able to work and have not worked for 1 hour during the week prior to the survey and were not temporarily absent from work, are available for work, and looking for work.

According to VTC's tracer studies, 77% of VTC graduates were working 2 years after graduation, and 48% of VTC graduates were working in jobs related to the field they were trained on. These figures are in line with the statistics generated through DOS's Employment and Unemployment Survey of 2011. The share of Jordanians with "vocational apprenticeship" background active on the labor market is greater than for all Jordanians, probably because their income status does not allow them to wait for jobs that fully satisfy their expectations.

The reality is that good vocational and technical jobs are scarce, and the Jordanian private sector does not always perceive the benefits of hiring trained graduates, as (a) many small and medium enterprises prefer to focus their production on low skills and low productivity activities, and (b) the participation of the private sector in the assessment and certification process is still limited, and so is the trust of private sector managers in public training centers certificates.

The average monthly income of Jordanians with vocational apprenticeship background was 272 JD in 2011. As a point of reference the minimum wage in Jordan was raised from 160 JD to 190 JD in 2012, and the poverty line is set at 800 JD per year - or 67 JD per month. The average monthly wage of vocational trainees is hence four times the poverty line, and a family of 3 or 4 with a single breadwinner has therefore a high likelihood to be considered poor. 55.8% of Jordanians with VT education are in the occupational level "Crafts and Related Trades Workers," 19% "Service Workers and Shop and Market Sales Workers," and 12% as "Plant and Machine Operators." Jordanians in these three occupational levels are working the most hours among all Jordanians for the least pay. Vocational Training is seen as a dead-end stream that limit future career prospects, where the inability to progress in terms of qualification hinders professional advancement and salaries. Jordanians have a predominant perception of vocational training as "the last resort for people lacking in ability, seriousness, or opportunity (students who don't perform well at school, university graduates who cannot find jobs, housewives facing economic hardship or who have more time at hand, and/or inadequately qualified employees looking for career change, or self and career development)." ¹²¹

The much-discussed "culture of shame" still plays a part in preventing people from enrolling in TVET. However, the perception towards TVET has improved and the shame today is mostly related to the income potential of graduates. The low esteem in which TVET opportunities are held is mainly due to the wage levels offered to skilled and semi-skilled workers.

As an example, nursing and tourism sector occupations were not considered "proper" 10 years ago, but this perception improved with the number of good job opportunities, and many youths are currently enrolled at VTC for tourism related skills programs. These changes in perception take time also because of the low level of awareness Jordanians have of job opportunities linked to the TVET skills training paths.

¹²¹ Ministry of Labor. (2011). Gender in ETVE: Extent of Women's Participation and Proposed Strategies for Change.

- *There is a need for a greater involvement of social partners in the skills development system in order to ensure that additional skills actually translate in increased productivity and higher income for workers.*

PRE-EXISTING POLICY, LAW AND LINKAGES

The ETVET Strategy of 2006 identified the important role played by TVET in reducing poverty by preparing trainees at the basic and intermediate occupational levels to the labor market. There have been important steps taken in this direction. While the overall assumptions behind this objective have not been questioned, there is no integrated plan to operationalize this poverty reduction goal, and data are not readily available to monitor progress towards it.

POLICY

The following policies have been agreed:

Promote gender and disability mainstreaming and establish an Active Targeting Mechanism to Target the Poor, Persons with Disabilities, and Women. Most programs have adopted a low cost passive targeting approach, based on the expectation that the labor outcome of the trainings is not likely to attract those who can afford better options. As the impact of the skills development system will hopefully improve, it is likely that its poverty focus will therefore be lost, unless specific measures are taken to ensure poor Jordanians may still access it.

The quota of poor Jordanians of any training institutions under MoL, MoHE should be at least twice the country poverty rate. Proxies will need to be established at national level to ascertain the poverty status of the new recruits. It is also proposed for Persons with Disabilities to benefit from a 5% quota in all training institutions, and for women participation to TVET to be promoted (see below the section on gender). Compliance with these quotas should be linked to future funding access.

Equal opportunity for men and women to access the skills training of their choice requires both an institutional approach and focused awareness raising activities. The institutional approach can be based for instance on Participatory Gender Audits¹²² for all training institutions and systematic follow-up of the recommendations. Low cost focused awareness raising activities involving parents, potential trainees, and employers at the time of recruitment and during the training to work transition should become a systematic characteristic of each TVET centre.

The inclusion of Persons with Disabilities will involve at a minimum: (a) systematic review and focused improvements of the training centers to apply principles of universal design, (b) the set-up of skills analysis and ability units in each centre where the practical and methodological changes needed to accommodate the needs of persons with disabilities will be identified, and (c) capacity building of instructors and management on how to include persons with disabilities.

Review, Reform and Harmonize TVET Subsidies and conduct tracer studies to evaluate TVET impacts. Various in kind and in cash subsidies are being provided

¹²² http://www.ilo.org/gender/Informationresources/Publications/WCMS_113746/lang--en/index.htm

across the Kingdom to facilitate the access of vulnerable Jordanians to TVET including apprenticeship programs. They sometimes cover training costs, transport costs, food and accommodation, reduced salary and/or opportunity costs¹²³. While some may constitute the main motivation for training participants, others effectively contribute to the TVET system outreach.

It is proposed to conduct a thorough review of these subsidies across the Kingdom, and propose a harmonized approach that should apply to all vulnerable Jordanians. Calculations should be based on lower levels than direct and opportunity costs, in order not to recruit those considering this subsidized training opportunity to be no more than temporary cash transfer. Of particular importance will be the subsidies for higher level of skills training (technical and professional) in order to facilitate upwards mobility. A database of employers should also be set up in order to blacklist from apprenticeship programs those who do not retain trainees after the end of their apprenticeship contracts.

The labor and poverty reduction impact of each TVET institution/program needs to be ascertained through independent sample based tracer studies with various control groups. These studies should measure the impact of the training in terms of jobs, improved productivity, wages, and decent work conditions. Control groups should include individuals from the same communities that have not benefited from TVET. The performance of the institution/program should be linked to future funding.

Develop Existing Training Pathways and Upgrade Informal Apprenticeships. The work that started with the ETJET Council on setting up independent centers for assessment and certification needs to be continued. They will allow for skills acquired through training and on the job practice to be certified. There is also a need to institutionalize a skills tracking system for the apprenticeships, in order to ensure they actually include a strong training element that can be validated. In addition, additional pathways need to be established between Craftsman and Technical levels (Basis for Classifying Vocational Workers Provision No. 83 for the Year 2000/Issued for Articles (7) and (8) Vocational Work Regulation Law No. 27 for the Year 1999). Such improvements should be the subject of a wide awareness raising campaign towards the public, and also towards employers.

The discrepancy between (a) the share of Jordanians with an official “vocational apprenticeship” background and (b) the share of vocational jobs suggests that most of the skills transfer in the country actually happen on the job in an informal manner. Former apprentices are linked to their master craftsmen; and because their skills are not officially recognized, they have little chance to move upwards to other employment opportunities. It is recommended to pilot activities aiming at upgrading these informal apprenticeships in order to improve their learning contents, the social protection of the apprentices, and the assessment and certification of the apprentices.

Provide Systematic Career Guidance Support. Systematic career guidance support should be provided from the time of recruitment to up to six months after placement. That will address the specific issues trainees are facing along their studies, help them to

¹²³ Opportunity costs: “the cost of any activity measured in terms of the value of the next best alternative forgone”.

make the right skills and jobs related choices, and reduce the current important drop-out rates of various programs. This career guidance should include exposure to the world of work from the first day, in order to avoid future “shocks”.

“DARB” initiative

The Ministry of Planning designed several initiatives to improve the economic and social living conditions of young university graduates and enhance their productivity. “DARB” is a training program for university students that was launched in 2012 in cooperation with the King Abdullah II Fund for Development. It provides training opportunities for Jordanian university students at public and private sector institutions, to develop their skills and enhance their opportunities to join companies in certain fields and provide good experience at real workplace, which paves the way towards their involvement with the market place after their graduation. The Program targeted 2,000 students from different Jordanian universities.

“Student companies” initiative

This initiative was also implemented by the Ministry of Planning in cooperation with “INJAZ” The initiative aims to build the capacity of university enrolled young undergraduates and enhance their creativity and entrepreneurial skills, to design and initiate new businesses. The initiative also includes specialized training. In the end students establish companies through implementing business ideas to generate reasonable income for students to help them cover some of the expenses of their college education fees. It also contributes to the further development of these companies after their graduation The program targeted 5,000 students in public universities in the various governorates and established 225 companies over three years period.

“ERADA” program

The Ministry of Planning is also encouraging self-employment among young people and promoting establishing their own projects through the provision of advice and technical support to ERADA centers present in different areas provide advice. The program trained 400 graduates from different Jordanian universities in the private sector companies, and significant numbers were employed in those companies.

MICRO, SMALL AND MEDIUM ENTERPRISES

At international and national levels, the importance and effectiveness of MSMEs in economic growth has dramatically increased in recent years. Yet their relationship with, and contribution towards poverty reduction in respective countries, and in this case, Jordan remains unclear.

MSME contribution to GDP: There is limited data on the contribution of Jordanian MSMEs to GDP. The National Agenda 2006-2015 set the 2006 baseline contribution to GDP as 27%, stating the target of increasing this to 45% of GDP by 2020, however, the source of the 2006 data point was not specified in the report. Ayyagari et al. (2003) found that the MSME share of GDP increases substantially with the level of development, meaning that MSMEs play a stronger role in economic output as an economy develops¹²⁴. As such, there is a marked shift in the share of GDP and employment from the informal sector to the formal sector. As a developing country, Jordan's challenge is to strengthen and expand the formal SME sector so it can play a larger role in private sector and economic growth.

MSME contribution to employment: Since 1999, statistics in Jordan have mainly reported growth in MSMEs numbers¹²⁵ in micro (1-4 full time workers) size enterprises, followed by small (employing 5-19 workers) size enterprises. The distribution of enterprises by employment size has also been gradually shifting. In 2009, private enterprises employed approximately 68.7% of all workers in Jordan. The number of private sector workers has been increasing steadily since 2000 and the distribution of employment has been shifting in favor of larger enterprises over time. The largest growth in employment has been in enterprises with 100 or more workers (113.1% of an annual rate of 12.5%), followed by enterprises employing 20-49 workers (70.4% increase, or annual increase of about 8%). While private enterprises with 100 or more workers were responsible for only 1.1% of the increase in the total stock of private enterprises, they accounted for 55.4% of the net increase in employment. Enterprises with 50-99 workers have had the least impact on net job creation. The 2011 *Jordan Human Development Report* (JHDR) explained the dominant role of larger enterprises in net employment creation by the privatization of several state-owned enterprises and

¹²⁴ The (formal) MSME sector contribution to GDP averages about 16% in low-income countries and 39% in middle-income countries, but over 51% of GDP in high-income countries. The formal MSME share of total employment also becomes more significant with economy development, rising from an average of 17.6% in low-income countries to 57% in high-income countries. On the other hand, the contribution of the informal sector to GDP declines from an average of 47% in low-income countries to about 13% in high-income countries, and its share of total employment decreases from an average of 29% in low-income countries to only 15% in high-income countries.

¹²⁵ The Department of Statistics (DOS) produces various data on the MSMEs that allows some tracking of its developments over time. It conducts an Establishments Census on a five or ten year basis that reports on the number of enterprises by size categories. Although a myriad of census data is collected, the only data publically available on the DOS website relates to the number of enterprises by size, employment by size of enterprise, sector of economic activity, capital and revenue. Gender disaggregated data on enterprise ownership is not reported, making it impossible to determine the role of women in business ownership activity. Data from the 2011 Establishment Census has just been released. A comparison with results of the 2006 Establishment Census needs to be undertaken to determine changes that took place. In order to derive correlations between the establishment and growth of MSMEs and their role in reducing poverty in Jordan, outputs of this Census need to be linked to those of the annual Employment and Unemployment Survey, and the Household Expenditure and Income Survey.

the development of QIZs, which attracted a number of large garment manufacturing firms to Jordan to take advantage of concessions to enter the US market. However, almost a quarter of the labor force in Jordan is comprised of foreign workers so much of the net job-creation in larger enterprises was not of Jordanian workers. The MSMEs were much more likely to be creating employment for Jordanians. As firm size increased to 20-49 workers, the proportion of exports in sales rose and they became more export-oriented, which also indicates they are contributing to Jordan's competitiveness (MoPIC and UNDP 2011). These companies were best positioned to provide more employment opportunities.

The 2011 General Economic Establishments Census revealed that MSMEs represent 98% of Jordanian enterprises, 66% of which have less than 19 employees; employ 70% of the total labor force employed by the private sector; produce outputs that contribute 40% towards national GDP, and account for 45% of total exports. The total number of operating enterprises is 165,879, of which 135 are non-Jordanian owned, 45.8% are located in Amman, 16.7% in Irbid and 14.8% in Zarqa. In terms of company legal form, the number of individuals - owned (sole proprietorship) enterprises is 135,904 making up 86.7% of the total number of enterprises, followed by the joint-liability establishment at 8.9%. The percentage of enterprises employing less than 5 workers is 91.5% of the total number of enterprises, while enterprises that employ more than 20 workers accounted for 1.9%. Enterprises with an income of less than JD 5,000 accounted for 35.2% of the total number of enterprises, while those with an income more than JD 500,000 constituted 1.4%. This reveals that Jordan continues to have a dearth of enterprises with over 50 employees, making it a nation of very small enterprises.

The MSME definition for industrial enterprises¹²⁶ endorsed by Jordan's Prime Ministry in 2005 stated that:

- Microenterprises (handicraft) are those employing between 1 and 9 employees and/or have a registered capital of less than JD 30,000;
- Small enterprises employ between 10 and 49 employees and have a registered capital of more than JD 30,000;
- Medium enterprises employ between 50 and 249 employees and have a registered capital of more than JD 30,000.

These three categories of industrial enterprises had originally been singled out as those enterprises eligible to benefit from Government and/or donor support programs in addition to being receiving preferential treatment when implementing international agreements particularly the Government Procurement Agreement and other World Trade Organization Agreements.

To be noted is the fact that no particular focus was levied on rural or *Badia* (if existent) small firms although they represent the livelihood and employment source of the majority of the poor who live in Jordan. Traditional "cottage industries" were also not defined and no reference to industries that relate to national customs, art and culture or usage of local resources and skills, and traditional technology were made. Similarly,

¹²⁶ A national initiative to discuss and agree on a formal national definition for MSMEs in Jordan is currently being undertaken under the leadership of Jordan Enterprise Development Corporation (JEDCO).

non-traditional sectors were not identified either. An innumerable number of micro and small enterprises exist in the formal as well as informal sector¹²⁷ throughout the country. These enterprises mostly include small family enterprises involved in manufacturing, trading and personal services which are usually locally owned and operated by one person and rely on unique skills of owners. Enterprises with fewer than 50 workers constitute almost all of the enterprises in each sector of the economy: over 99% in the wholesale and retail trade sector; almost 98% in the manufacturing sector; over 98% in the hotel and restaurants sector; over 90% in the construction sector, etc.

Results of the 2011 Census also showed that 1% of enterprises benefit from government exemptions, and the total number of enterprises with government contribution to their registered capital is 372, while the percentage of establishments with private sector contribution is 99%. Results also revealed that 2.5% of the total numbers of enterprises are intending to halt their work, while 5% of them intend to expand their current activity in the future. Other results also indicated that 3.8% of the enterprises offer transportation allowance to their employees. The percentage of enterprises that do not keep accounting records is 92.2%, whilst the number of enterprises employing workers with special needs is 627. As we analyze these statistics in an in-depth manner, it is clear that when MSMEs employ, there is no targeted approach to employ 'poor' people as the main focus of these business owners is to employ competent people in labor categories that include, skilled/unskilled, and within educational level categories (i.e. pre-secondary, secondary, post secondary –university degrees), in addition to years of experience criteria.

MSMEs and Associated Business Environment:

The quality of the business environment is critical to the level of private sector development in a country. To establish, survive and grow MSMEs need an enabling business environment and relevant infrastructure. Regulatory reform is an important area for attention in any MSME development approach. If it is complex and costly to start a business from a regulatory perspective, both the dynamics of business entry and the level of formality in the business sector will be affected. Costly regulations and compliance regimes also affect the productivity and competitiveness of existing MSMEs, and thus, of the economy in general.

Box 3.000: Most problematic factors for doing business

Factor	% Responses
Inefficient government bureaucracy	12.8%
Access to financing	12.6%
Tax rates	12.1%
Corruption	10.2%
Tax regulation	9.6%
Poor work ethic in national labour force	9.1%
Inadequately educated workforce	7.5%
Inflation	7.3%
Restrictive labour regulations	5.6%
Policy instability	4.9%
Government instability/coups	3.4%
Inadequate supply of infrastructure	2.9%
Crime and theft	0.9%

¹²⁷ Although there are no official statistics on the size of the informal sector in Jordan, estimates suggest that informal economic activities may account for 20% to 25% of GDP, and that the informal sector employs as much as 30% of the national labor force (Bertelsmann Stiftung 2012).

As well, private sector and MSME growth is affected by the environment for investment and trade. The World Bank "Doing Business Report" and the WEF "Global Competitiveness Report" are two of the many reports that systematically measure and globally benchmark the conduciveness of the business environment for private sector establishment and growth.

According to results from the Executive Opinion Survey, the 2011 Global Competitiveness Report (Schwab 2011) highlighted the most important challenges hindering the performance of business as: 1) government bureaucracy, 2) access to financing; 3) tax rates and tax regulation; 4) corruption, and 5) issues related to the workforce (work ethic and skills). These factors affect business prospects regardless of the size of the enterprise, however, it is well evidenced that MSMEs are at a disadvantage when it comes to dealing with the various obstacles and constraints present in this sphere.

The government through its various specialized and ranking committees follow-up on these developments and continuously undertake actions to enhance the business environment and provide solutions to measured challenges. In 2012, a Task Force of public and private sector entities to coordinate efforts to improve Jordan's rankings on indicators was established, and in 2011 an Economic Dialogue Committee was created to carry out a diagnostic of Jordan's economic reform program (MoIT 2011). Several recommendations of the Committee related to increased funding for MSME projects and development of initiatives to improve the quality and sustainability of MSMEs (e.g. supporting cluster programs and initiatives that create income-generating opportunities for young people; establishing technology centers to develop local industry and increase their value-added; creating more business incubators, etc.).

Mapping of MSME Support Structure: Particularly over the last twelve years, the Government with the support of donor organizations facilitated and supported the establishment of private sector development organizations with regional outreach. Other than existing micro-finance organizations, specific sector oriented finance organizations, and the Development and Employment Fund (DEF), a lead national, specialized and legally mandated organization – Jordan Enterprise Development Corporation (JEDCO) - was established in 2003 to undertake the role of developing and growing enterprises throughout their life-cycle, upgrading and enhancing their competitiveness and promoting their exports in targeted international markets. According to specific eligibility criteria, MSMEs were accordingly targeted for upgrading assistance. Furthermore, policy actions were instituted to encourage the informal MSME sector to register into the formal arena in order to benefit from available support.

The Development and Employment Fund and the Governorate Development Fund also play important roles in supporting MSMEs. The DEF is a government lending institution based in Jordan that offers credit as well as insurance, capacity building, and technical training, including accounting and management skills for entrepreneurs. The government established the DEF to bring awareness to, and encourage and finance, poor and low-income groups and the unemployed, who are skilled with a profession, to establish their own projects in the areas of industry, crafts, services or tourism, for the purpose of creating sustainable employment opportunities that provide them with suitable income, and for employing their capabilities in economic and social development, instead of them running after jobs and remaining unemployed while waiting for the required job or depending on assistance corporations. It provides loans

both to MFIs as well as entrepreneurs directly. DEF is among the largest MFIs in Jordan in terms of loan portfolio, serving over 17,000 borrowers.

The Governorates Development Fund is a royal initiative, that was established under direction from His Majesty the King. Initial funding for it was granted by His Majesty and MoPIC supports its initiation and working on fund-raising for it. The GDF is designed to help citizens run their own businesses, starting with providing them technical assistance and training,

Donor Support: IFIs have been active in Jordan since the 90's and have been supporting its economic growth. The EU and USAID are the largest donors in private sector development.

Private sector support: The private sector is also supporting MSMEs as demonstrated by the strong presence of equity funds and angel capital. A number of associations and federations are active in the field.

The Jordanian consultancy market is one of the most advanced in the region and characterized by a number of consultancy companies in the area of accounting, financial, economic, legal and technical studies and they are mainly located in Amman. The range of consultancy services available in the market is wide, however not necessarily covering the specific needs of smaller businesses. The technical skills and know-how available locally are good, but not mobilized towards satisfying the demand of local MSMEs.

Constraints specific to MSMEs and Poverty Reduction. Jordan depends heavily on MSME activity to drive its economy, and although dominant in Jordan, their smaller size places them at a disadvantage relative to large enterprises. A list of major challenges faced by MSMEs and acting as barriers to MSME development in Jordan is summarized below:

- Lack of access to capital and finance;
- Finding markets and limited access to export markets;
- Access to technology and lack of technology know-how in several sectors;
- Low product quality;
- Low productivity and diversification of MSMEs in the agricultural sector;
- Inadequate availability and access to market information and intelligence;
- Inadequate access to business development and advisory support services in the governorates;
- Lack of access to diagnostic services and burden of associated costs;
- Low awareness among MSMEs of government/other support programs available;
- Insufficient collaboration between MSMEs and weak linkages with large firms;
- High input costs (e.g. cost of energy), thus reduces the productivity and competitiveness;
- Lack of management skills and availability of skilled labor (vocational education training system is not adequately preparing graduates with 'employability skills');
- Low commitment/investment of MSMEs in training their workers; and
- Weak entrepreneurial culture (only 57% of Jordanians perceive that they have the knowledge, skills and experience to start a business. It is noted that Jordanian women are much less likely than Jordanian men to believe they have the knowledge,

skills and experience to start a business (40% of women versus 74% of men) (one of the highest gender gaps on this indicator) and a higher percentage of women report that a fear of failure would prevent them from starting a business (47% of women versus 32% of men) (IDRC 2010, p.58). These are influencing factors in the much lower prevalence rate among adult women on 'intent to start a business in the next three years', with twice as many men as women reporting this intention (38.8% of men and 19.5% of women). Much evidence also shows that women tend to cluster in informal, low paid and low prestige sectors.

Young Jordanians prefer to secure paid employment in the public sector than to work in the private sector¹²⁸ or to become self-employed, assuming similar pay and working conditions. The education system does not reinforce the value of entrepreneurship or, until very recently, introduce the concept of entrepreneurship as a career option.

Key issues related to "pro-poor" initiatives: The *UN Jordan Human Development Report 2011* examines enterprise development¹²⁹ as one of the most direct tools to expand economic assets, combat poverty and expand human development choices, seeing MSMEs as instrumental to achieving equitable economic growth (i.e. distribution of resources to every part of society) and social progress (i.e. improvements in employment, income, education and health services) (MoPIC and UNDP 2011). MSME development is also a tool for alleviating some of the economic and social disparities between the various regions of Jordan. However, these disparities include a shortage of qualified labor at local levels, inequality in the availability of resources, and a shortage of liquidity to match the financing needs of production, all of which affects the capacity of regions to exploit the potential of MSME development.

The GoJ goal is to reduce development discrepancies between governorates and municipalities by increasing the available financing opportunities for micro and small enterprises, especially in the poorest regions, and encouraging the private sector and NGOs to set up development and productive investment projects that will increase employment opportunities for women and the unemployed in the agricultural sector. Accordingly and to facilitate access to finance, the SME Development Fund¹³⁰ and the Governorate Development Fund¹³¹ were established and operations launched during

¹²⁸ Results from the Gallup survey of young Arabs (15-29 year olds) in 2009, indicated 54% of young Jordanians would prefer to work for the government (compared to an average of 49% in the Arab League countries), 23% would prefer to be self-employed, but only 13% are 'planning to start a business within the next 12 months', compared to an average of 26% of youth in Arab League countries (Silatech 2009).

¹²⁹ The *Jordan Human Development Report 2011* defined small enterprises as those with fewer than 20 employees and medium enterprises as those with between 20 and 99 employees.

¹³⁰ A US\$ 300 million initiative with the aim of supporting MSMEs and Startups employing from one and up to 300 employees access to affordable capital in order to enhance competitiveness and generate employment / income opportunities. Main components include: 1) a Loan Guarantee fund of US\$ 250 million (supported by OPIC) providing 60-75% coverage value of loan in guarantees, 2) A Grant Fund providing up to 20% of total financing needs for special projects exclusive to women owned and or environment related business projects, and Technical Assistance before and after financing services (supported by the USAID and AFD), and 3) Loans from Local partner Banks in the initiative with a respective value of US \$ 25000 and \$ 2,000,000 per project.

¹³¹ The Governorate Development Fund is a recent JD 25 million initiative of HM King Abdullah II established with the aim of investing in MSMEs and large projects located in the governorates, whether startups or existing companies operating in the services, manufacturing and agro-business sectors.

the period of 2011-2012. Furthermore the GoJ aims at expanding the number of Development Zones to ten zones by 2013, channeling more funds through the Agricultural Credit Corporation and implementing the latter two Funds are among planned actions.

"Pro-poor policies" directly target poor people and are generally aimed at reducing poverty. To establish whether the above GoJ actions will have a direct and positive impact on the poor needs time (usually 10-15 years). Further research must be undertaken (*inclusive establishing current situation as a baseline and measuring impact to establish and validate results*). This research is expected to verify whether poor people were actually directly involved in the policy process (*one of the pre-requisites for the policy to be dubbed as pro-poor*), identification and formulation of programs and establishment of their methodology. It will then be possible to establish whether their nature and structure lead to pro-poor outcomes.

Furthermore, evidence should be established on whether MSME development approaches should have a growth bias – i.e. focus on supporting business owners regardless of their income and wealth status, or whether they must concentrate mainly on empowering *"the poor"* to benefit from economic growth as an indirect recipient. Also important is to respond to the question: *Does growth exacerbate inequality? And, which policies should be at the centre of a poverty reduction strategy?* With all ongoing programs to develop MSMEs, and particularly those that offer support and larger financing opportunities (inclusive technical assistance, high-quality training and capacity building, loans, grants and angel/venture capital), it is rational to state that *"the poor" are not identified, empowered and encouraged (and therefore not specifically eligible) amongst a broader target audience to benefit from the support offered by an enabling and empowering business environment. Amongst all other challenges to live a "decent life," and "being employable" venturing out into the business world, i.e. establishing and growing their own businesses remains a "far-fetched" dream for the majority of the poor.* Self-made *"rags-to-riches"* businesspersons remain rather unique phenomena in Jordan like the rest of the world.

PRE-EXISTING POLICY, LAW AND LINKAGES

Over the last decade, the GoJ has placed much emphasis *"on pro-poor growth"* and in conformity with global trends. As such, it has cooperated with multilateral and bilateral organizations, as well as regional and international development banks to design and implement strategies aimed at pro-poor growth. Within the framework of poverty reduction, pro-poor growth addresses income distribution and poverty. The concepts of growth and distribution are not necessarily contradictory and they are certainly not mutually exclusive. However, in the reality witnessed, all development programs must identify the conditions that will allow these components to complement each other.

Investments are directed at high value added projects aimed at: (i) creating new employment opportunities for Jordanians; (ii) Introducing and integration of clustering activities; and (iii) Enhancing export opportunities and opening new markets. The Fund would also invest in projects expected to generate moderate rate of returns on the Fund's investments. These investments are undertaken by mainly acquiring and holding investments through nontraditional financing tools tailored to meet the project's nature and needs, namely: Equity Stakes, Convertible Bonds, and Quasi-Equity. Minimum investment size in any project is JD 100,000 whilst investment share ranges from 26% to 49% of the project's total cost.

Advocating *Pro-Growth-Strategies*, meant that economic growth, based on a persistent development of the private sector, is the most important “weapon” in the battle against poverty. The modernization of the private sector and its integration in the global market continue to be seen as decisive prerequisites for economic growth. Only long-term growth can generate the necessary jobs for providing poor people with regular income. In principle, high growth rates of any kind could be turned into a pro-poor strategy if progressive taxation and targeted government spending on the poor were taken into account. Government spending on the poor could either promote their inclusion to benefit from economic growth and hence improve the direct linkages between growth and poverty reduction, or it could simply provide transfer payments to the poor people via a “safety net,” the volume of which could increase with the increase of the economic growth. The first type of government spending was clearly preferable to the latter, and some kind of a “safety net” was important for the poor as it can indeed ensure that they directly benefit from economic growth by allowing them to take greater risks and thus reap higher rewards.

The extent to which growth can be pro-poor also depends greatly on the amount of human capital among the poor. Empirical studies show that growth is highly contingent on the state of human capital in a country. As such, and with Jordan's focus on making education and health services a priority in its availability, accessibility and even affordability - to a certain extent, throughout the last decades, it has accumulated a sufficient amount of human capital to facilitate the generation of higher growth rates in all areas. This is also illustrated in human capital that Jordan has been exported to countries in the region and globally, as the Jordanian economy continues to rely on remittances in financing its growth, meanwhile Jordanian families – and particularly those in the less-advantaged and poor social strata rely on it as income to enhance its ability to live closest to a decent life as Jordan – and particularly Amman has been designated in 2011 as the most expensive Arab capital to live in.

It is emphasized that all the indirect mechanisms, which present potentially important elements of pro-poor growth, are in fact contingent on a policy process that actually affects such redistribution. It is impossible to exploit these opportunities if such a policy process is absent or lacking in the necessary political resolve. The indirect strategies mentioned are not automatic, but depend on contentious distributional battles over the resources generated by growth. Nevertheless, and despite impressive global and national economic growth over the last decade, the elimination of poverty (in all its forms and categories) remains an on-going challenge.

The Government – in alignment with global thought - has widely recognized that productive employment is a missing link between growth and poverty reduction. Without active policy interventions that promote MSME productivity, job-rich, pro-poor development, like other country experiences – it is demonstrated that growth alone is not sufficient for job creation and sustainable development. Moreover, the continuous challenge of high and persistent unemployment rates (average 13%), and a brain drain problem, in addition to a decreasing employment elasticity of growth [*jobless growth*] will maintain Jordan's dependence on remittances and foreign aid [around 25% of GDP during 2004-2011] for at least the next 15-20 years. The significant improvements in education indicators and the upcoming population (demographic) opportunity in 2030 must be harnessed towards the development of MSMEs and their real role enhancement in contributing to poverty reduction.

The *National Agenda 2006-2015* documented pre-existing policies, laws and linkages in the area of MSMEs development. The crucial directive within was the need to continuously implement a holistic, value-adding approach to development. Private Sector and particularly MSMEs were recognized as the *"future engine of economic growth and promoting equitable development."* The major advantage of the sector was its employment potential at low capital cost. Challenges and constraints to MSME growth and enhanced productivity listed and described in section 4 above were extensively discussed. This suggests that a number of good support initiatives already exist to promote and support entrepreneurship and MSME development at various stages of the business cycle. However, despite the large number of institutions and programs providing financial and business development support services to MSMEs, they suffer from limited funding, uneven and insufficient government support, and lack of coordination hindering their effectiveness (MoPIC 2006). Alongside the responsibility of tackling these challenges, the GoJ is further faced with stagnant non-growth factors that have been exasperated by micro enterprises not growing into small, and then the small enterprises not growing into medium, whilst the largest challenge is the fact that these medium enterprises rarely grow into large ones over prolonged periods of time.

The GoJ released its Executive Development Plan 2011-2013 with the objective of financing priority actions and programs to facilitate the emerging knowledge economy. Relevant actions included policies aimed at reducing administrative hurdles; responding to bureaucracy and system inefficiencies delaying the creation of start-ups and discouraging investment (inclusive the reform and enhanced competitiveness of Jordan's investment regime); upgrading the quality of the workforce through both introducing Centers of Excellence in vocational training and sourcing management and skills building best-practice programs from across the world. Failures of the financial system to meet the needs of MSMEs (e.g. limited venture capital, low response of commercial banks, high interest rates and extensive collaterals imposed and no long term financing) leaving few entrepreneurs with external financing options are being resolved via traditional and non-traditional access to finance tools.

The GoJ will imperatively focus on improving the investment environment, stimulating economic growth, take corrective action where market distortions have been identified, and developing

energy sources through renewable and possibly nuclear energy. It is noted that all cumulative changes in Jordan's business regulation as measured by the Doing Business indicators from Doing Business 2010-2012 (Table 3.18) reveal that the business

regulatory environment in Jordan has not changed so much as the other comparing countries in the region. Jordan's 111th rank out of 183 countries in the World Bank's Ease of Doing Business 2011 Index improved to 96 in the 2012 Report, however there is still a long way to go in this domain. Currently, albeit the different programs and inter-related initiatives that have existed, been completed, ongoing or in the pipeline, a coherent and integrated MSME policy (inclusive Strategy and MSME Law) does not exist and there is no central mechanism inside government for designing and monitoring the development of MSME policy. Policies affecting development of the MSME sector are embedded in other policy frameworks, such as the National Microfinance Strategy, the National Employment Strategy, the Industrial Policy, and the Services sector strategies, as well as in actions under the Guillotine regulatory review process.¹³²

Accordingly, what is needed is a national MSME strategy and empowering comprehensive MSME Law, based on identified policy needs, and guided by a set of goals, objectives, and targets that will lead to growth and strengthening of the MSME sector (*regardless what economic sector they are operational in*) so that it can meet its full potential for creating employment, adding value, innovating, and contributing to economic growth. These public policy efforts are expected to be more effective in the creation of productive jobs that would benefit those living in poverty. Still, any successful employment strategy will have to be anchored clearly in this country specific development context. This is the approach of ILO's Global Jobs Pact, which, since 2009, continues to promote employment-centered growth within a framework of related policies that can be adapted to national circumstances.¹³³

Table 3.18	2010	2011	2012
Ease of Doing Business Rank (out of 183)			
	100	111	96
<i>Source: The World Bank Group</i>			
Starting a Business	125	127	95
Getting Credit	127	128	150
Protecting Investors	119	120	122
Trading Across Borders	71	77	58
Enforcing Contracts	124	129	130
Closing a Business	96	98	
Corruption Perceptions Index (out of 178)			

¹³² Process initiated by the USAID funded SABEQ program. MoPIC is championing its implementation.

¹³³ Jordan has recently released its National Employment Strategy 2012-2020 in alignment to those principals.

Support of Small and Micro-Enterprises

The Ministry of Planning through its Program to empower poverty pockets provided loans (of 500-1500JDs) for individuals and households, with ideas to implement income generating projects. This program will provide more than 2,100 loans to the targeted groups of families and individuals in poverty pockets, by the end of 2013. The program also contributed to financing a number of initiatives aimed at enhancing the productivity of citizens and local entities in the various governorates, especially in poor areas. This included supporting the “Development and Employment Fund” to enable its target groups to obtain loans for the implementation of pilot projects in their own areas, and to benefit from the privileges related reduced interest rates (Murabaha), which does not exceed 5% in poor areas. This program also facilitates access of the poor to loans, especially for those who find it difficult to provide loan guarantees. An Entrepreneurial Projects Financing Risk Guarantee Fund was established to support projects that meet the qualifying requirements to benefit from the “Development and Employment Fund”, but are unable to provide loan guarantees. To promote implementing small income generating projects in the various governorates, the Ministry provided financial support to the “Development and Employment Fund” to facilitate giving loans to NGOs and Cooperatives with 3% interest (Murabaha)

POLICIES

Four main policy approaches have been agreed. These are:

Emphasize efforts to pursue national economic growth. The government’s target in the Executive Development Plan 2011-2013 is creation of 110,000 new job opportunities in 2013, as well as reduction in the number of immigrants in the workforce.¹³⁴ Various infrastructure and development projects as well as actions to stimulate private sector growth were outlined in the Plan as vehicles for generating this job growth in addition to these key policy actions and measures:

- Provide and expand support for MSME development, export development and promotion. Programs should continue to focus on increasing efficiency and productivity of enterprises, improving management practices of managers, promoting corporate governance and transparency, especially to family owned businesses, improving the quality of advisory services, developing the consultancy market especially in the rural regions and strengthening the existing infrastructure and contributing to the institutionalization of the business advisory market¹³⁵;
- Supporting larger agribusiness companies;

¹³⁴Many highly-educated Jordanians, unable to obtain jobs commensurate with their qualifications leave to take jobs in the Gulf, while many of Jordan’s low-skilled jobs are staffed by foreign workers.

¹³⁵ One of the conclusions reached in that the public sector will need to invest in enhancing the skills and capacities of individuals and enterprises in order to reverse the trend of declining competitiveness as well as increase its innovation capacity (YEA 2012). It will also be important to reduce the budget deficit and size of government debt so these do not have negative consequences for the future competitiveness of the economy.

- Promoting energy efficiency and water conservation interventions;
- Growing both FDI and domestic direct investment; and
- Take advantage of its supply of educated workforce and in particular women to contribute to economic development.

Reduce and/or contain poverty through improving the business environment that promotes and enables MSME establishment, development and growth. This policy is critical to the level of private sector development in a country. Since MSMEs play a dominant role in growth of the private sector, regulatory reform is an important area for attention in any MSME development strategy. If it is complex and costly to start a business from a regulatory perspective, both the dynamics of business entry and the level of formality in the business sector will be affected. Costly regulations and compliance regimes also affect the productivity and competitiveness of existing MSMEs, and thus, of the economy in general. As well, private sector and MSME growth is affected by the environment for investment and trade. The GoJ would focus on the following key policies and measures:

- Continue with its efforts in implementing the Roadmap to enhance Jordan's rankings in the 'Doing Business' and other international Reports initiated in 2010.
- Endorse and implement the currently being developed comprehensive National MSME Development Strategy (2013 – 2020);
- Submit the MSME Development Law (currently being drafted) to Cabinet of Ministers in preparation for its passing by the end of 2012;
- Better targeting/tailoring of MSMEs development programs to provide incentives for MSMEs establishing in poverty areas and employing, training and building capacity of the poor or marginalized segments of society – in particular those locating or emerging in rural and Badia areas;
- Greater outreach to rural and Badia areas: Consider establishing business development centers and units and facilitating linkages between entrepreneurial training programs, business support providers, and suitable finance providers (inclusive MFI's) and investors; and
- Business development services: Encourage providers to train clients on business-related skills such as accounting, budgeting, market analysis, and business plan development. Consider linking with relevant public and private sector organizations in this regard.

Emphasize efforts and desire to work through existing public institutions or private/civil society partnerships. The Government cannot do the job alone as such there is a need to cooperate with the private sector to provide the kind of sustainable solutions and make 'ending poverty' part of our day to day life business. In order to maximize efficiency this policy focuses on the following main measures:

- Encourage coordination and explore opportunities for collaboration and working with existing public and private/civil society partnerships in accordance to their mandates, functions and core competencies in order to deliver services to targeted audiences whether existing or potential MSMEs; and

- Ensure transparency and organize systematic coordination, brainstorming and evaluation meetings with relevant partners to ensure up-to date and accurate knowledge sharing.

Essentially, MSME development is a cross-ministerial issue, but the lack of a coordinating policy body has led to fragmentation of policy effort and program development. While Jordan Enterprise Development Corporation (JEDCO) appears to have a legal mandate as the implementing body for enterprise support¹³⁶, its primary focus is on delivering programs, many of which are dependent on donor funding and therefore structured, in some respects, to respond to donor interests and requirements.

To implement the MSME policy/strategy implementing body, a new structure is likely to be needed for implementation of the MSME strategy and ongoing policy development efforts. Experience in other countries suggests that oversight of the MSME policy and strategy is ideally led by one government body but in collaboration with all ministries and agencies whose mandates cross into the domain, such as the ministries for education, trade, finance, labor and employment, information and communications technology, regulatory review, etc. The lead body also has a role to play in advocating for the interests of MSME development in the policies of other ministries and agencies as they evolve. In the case of Jordan, what might make sense is establishment of a Higher Council on Entrepreneurship and MSMEs, chaired by the Minister of Industry and Trade, with JEDCO acting as the Secretariat and the lead body for policy implementation, but including other relevant ministries and agencies. It will be important to coordinate with other ministries and government agencies because components of the strategy will go beyond JEDCO's current mandate, such as in the areas of entrepreneurship education or further regulatory reforms where action plan items fall outside of JEDCO's remit.

In addition, good practices in other countries indicate benefits from creating an Advisory Council on MSMEs and Entrepreneurship comprised of entrepreneurs, business leaders and key representative associations that can provide ongoing advice to the Higher Council with respect to future policy directions and needs.

- **Enhance efforts to meet commitments in international conventions, royal decrees, existing domestic policy and matching donor country requirements.** The majority of donors (i.e. World Bank Group, UNDP, USAID and the EU) view poverty reduction in a multi-dimensional way, not only as an economic objective, but also taking into account its social dimensions. For example, ILO's principle is that "decent work" should be available for everyone, and this implies that basic conditions like freedom, equity, security and human dignity should also be present. The World Bank directly links the development of the private sector with poverty reduction. Private sector development contributes to poverty reduction by enhancing competitiveness, which also contributes to growth and creates jobs. Consequently, the GoJ can also make greater investments in the social sectors and infrastructure. The question that remains is whether or not particular private sector development interventions by donors are linked with poverty reduction. If donors are active in the field of

¹³⁶ Jordan Enterprise Development Corporation Law No. 33 – 2008.

creating an enabling environment for the private sector or in the field of encouraging investments, does this necessarily mean that doing so they are also considering a contribution to poverty reduction? The key policy to be focused on is that the GoJ should – wherever possible- ensure that engagement and consultation with the poor is undertaken and their contributions to the policy dialogue are evaluated and respected in order for their needs and priorities to be catered for through domestic policies and/or donor finances programs.

- Ensure donor coordination to maximize the utilization of scarce resources allocated to MSME development; and

MICROFINANCE

While microfinance (MF) has grown dramatically in recent years, its contribution to poverty reduction remains unclear. Most of the growth in MF has consisted of microcredit offered by specialized microfinance institutions (MFIs) on a cost-recovery basis. While MFIs have demonstrated impressive portfolio growth, high repayment rates, and financial self-sufficiency, the impact of their services on poor and low-income Jordanians remains the subject of debate. The evidence that does exist suggests that while clients value MFI services, these services have not yet achieved their full potential with respect to poverty reduction.

There are two microcredit models that are common in Jordan: (1) Microcredit that is offered on a cost-recovery basis, which is generally targeted at low-income and near-poor clients; and (2) Microcredit that is subsidized, which is generally targeted at poorer clients.

Cost-Recovery Microcredit Model: The cost-recovery microcredit model can trace its roots to 1994, when the NGO Save the Children established a group lending project following best practices in microfinance lending. By 1999, this project had grown so large that it was incorporated as a fully independent and financially self-sufficient MFI called Microfund for Women.¹³⁷ Since the late 1990s, government and donors have helped to establish other MFIs operating on a cost-recovery basis. Most of these MFIs target low-income and near-poor clients rather than very poor clients, and loans are generally offered at unsubsidized interest rates that allow the MFI to cover its operating and financial costs (Abbassi et al. 2009: Section 3). The cost-recovery microcredit model has grown very rapidly and now is by far the most common MF model in Jordan. In recent years, the industry has experienced very high growth. The industry has grown from approximately 77,000 active borrowers in 2006 to approximately 200,000 active borrowers in 2010, a compound annual growth rate of 33%. Furthermore, repayment rates are very high, with a Portfolio at Risk (loans delinquent more than 30 days) of only 1.3% as of 2009.

Subsidized Microcredit Model: Subsidized microcredit in Jordan goes back at least as far as 1959, when the Agricultural Credit Corporation began to offer subsidized credit to poor farmers (Abbassi et al. 2009: Section 3). Today, a number of NGOs and government agencies provide microcredit to poorer Jordanians, including the Noor Al Hussein Foundation (NHF), Jordan River Foundation (JRF), Ministry of Social Development, and Ministry of Agriculture, among others. Poor and very-poor clients are generally targeted, including recipients of National Aid Fund (NAF) support and other social benefits. MF funds are provided either as grants or as low- or no-interest loans, often with grace periods of up to one year. A variety of mechanisms are used, including subsidized community-controlled revolving funds, no-interest loans to families, and in-kind agricultural grants. In addition to credit, clients are frequently offered business development services such as assistance with business plans, marketing, registration, and licensing (NHF 2012).

Despite the subsidies, grace periods, and business development services support, repayment rates are generally lower than for MFIs; one such program reported average repayment rates of 75-80% (NHF 2012), while another estimated repayment rates of

¹³⁷ See http://www.microfund.org.jo/Public/English.aspx?Site_Id=1&Page_Id=491&M=5.

“more than 90%.” In addition, while several different government entities and NGOs are providing such services, the total number of clients reached is much lower than the 200,000 active borrowers of MFIs. For example, community-based revolving credit funds supported by the Noor Al Hussein Foundation’s (NHF) Community Development Program disbursed only 51 loans in 2011 and have disbursed fewer than 3,000 loans since 1989 (NHF 2012). Similar programs supported by the Jordan River Foundation have disbursed 1,885 loans since 2004. Likewise, the Agricultural Credit Corporation disbursed loans to 194,000 borrowers in the 50 years from 1959-2008 (Abbassi et al. 2009: Section 3), a number exceeded by the MFI Tamweelcom in the past 5 years alone.¹³⁸

Global Evidence of Effects of Microfinance on Poverty: For many years, the benefits of microfinance—and in particular, microcredit—with respect to poverty reduction have been highly touted. Anecdotal evidence of poor women using access to credit to build businesses, escape poverty, and improve their status within the community resulted in an influx of donor support and led the United Nations (UN) to adopt a resolution encouraging donors to use microcredit to reduce poverty and to declare 2005 the International Year of Microcredit.

Recently, however, claims that MF has large, measurable effects upon poverty have been subjected to closer scrutiny. In particular, researchers have focused upon the effects of microcredit, since the modern MF movement has been dominated by an emphasis on microcredit. In his recently-published book *Due Diligence: An Impertinent Inquiry into Microfinance*, David Roodman (2012) analyses decades of evidence on the effects of MF on poverty. Some of his key conclusions include the following:

Global evidence indicates that microfinance has succeeded chiefly as a tool for poverty *mitigation* rather than poverty *reduction*. With respect to poverty mitigation, there is ample evidence that access to well-designed financial services can improve low-income and poor people’s lives by enabling them to better manage low and intermittent income, mitigate risk, and mobilize relatively large lump sums for education, health, and important life events. In general, however, there is little reliable, indisputable evidence of MF (generally, microcredit) reducing poverty:

- Globally, Access to Microcredit has not led to a Demonstrable Reduction in Poverty: While some people benefit economically through ready access to credit, others are made worse off, as credit may be addictive and trap borrowers in a cycle of over-indebtedness. In addition, credit is often used for consumption rather than for productive purposes. Furthermore, many recipients of credit lack important business skills and access to training. As a result, the available evidence suggests that on average, global access to microcredit has not led to significant reductions in poverty.
- However, Targeted Microcredit may be More Effective: There is limited evidence that microcredit may help to reduce poverty when well-targeted to entrepreneurial types or to those who can use microcredit to maintain salaried employment. Therefore, tools such as psychometric analysis for identifying people most likely to benefit from microcredit may be useful.

¹³⁸ See <http://www.mixmarket.org/mfi/tamweelcom/report>.

- Microsavings May Help and Presents Fewer Risks: There is also some evidence that microsavings may help to reduce poverty. In addition, microsavings—particularly if products are safe and transparent—presents a lower risk to clients than microcredit, which can exacerbate poverty through over-indebtedness.
- Microinsurance is Still Developing: Evidence on microinsurance is lacking, as such products have only recently been developed.

Access to microfinance offers the potential to reduce deprivation by helping to expand a client's mobility, self-confidence, competence in public affairs, and status within the home and the community. These benefits result largely from economic success, although MF providers who focus on empowerment may make a greater contribution to reduction in deprivation than those that focus solely upon the provision of credit and/or other financial services. It is, however, important to recognize that MF services may also exacerbate poverty. For example, a failed MF project may reduce a client's self-confidence and status within the home or community. In addition, certain microfinance methodologies may have disempowering effects. For example, some group lending models use coercive methods for enforcing repayment, which may reinforce a poor woman's sense of inferiority.

A 2007 study surveyed over 1,300 former and current clients of such MFIs in Jordan. The study's major impact findings included the following (PlaNet Finance 2007: Chapters 6-8):

- **Poverty Impact:** There was no evidence that access to microcredit reduced financial poverty. Long-term clients (those who had borrowed from the MFI for over three years) did not have significantly higher levels of overall consumption or asset growth. Nor did access to credit translate into better education of children or improved housing conditions. Interestingly, most clients indicated that they perceived an improvement in their consumption of food, despite the lack of a documented increase in overall monthly consumption.
- **Deprivation Impact:** Access to microcredit appeared to offer greater benefits with respect to the deprivation of basic capabilities. A large majority of long-term clients (both male and female) reported greater autonomy as a result of participation in microlending programs. In addition, over half of long-term clients reported greater respect from their spouses and children.

Evidence of impact of subsidized microcredit and associated services targeted at poor clients is very limited. A study of the Productive Family Program¹³⁹ in Irbid determined that of 192 loans from 1992-2006, 58% of the businesses were still operating, while 42% of the businesses had failed (MoPIC & UNDP 2011: 129). The NHF's Community Development Program provides some self-reported indicators of impact, including a claim that the average beneficiary of the Women Business Development Incubator project increased her income by 39% between 2009 and 2011 (NHF 2012). In addition, the JRF estimates that about 85% of clients supported by its community-based revolving funds develop successful businesses. However, no sector-wide impact assessment by an independent third party has been conducted for subsidized microcredit (such as the PlaNet Finance impact assessment for cost-recovery MF discussed above).

¹³⁹ The Productive Family Program is a subsidized microcredit program targeting poor families that is implemented by the Ministry of Social Development.

PRE-EXISTING POLICY, LAW AND LINKAGES

National Policy Framework for Microfinance: The primary policy document governing the MF sector in Jordan is The Jordanian National Policy Framework for Microfinance: Towards Inclusive Finance, which was completed in June 2011. The vision of the Policy Framework is to “provide all Jordanians access to a range of high quality financial services that have the potential to enhance their economic well being and improve the quality of their lives”. The Policy Framework aims to support the following national policy goals enumerated in the Government of Jordan’s Executive Development Program of 2011-2013: (1) accelerated economic growth; (2) improved standards of living; and (3) poverty reduction.

The Policy Framework envisions MF contributing to poverty reduction by creating jobs/generating income for poor families, encouraging poor people to save, and helping poor Jordanians to manage risks. Provision of appropriate financial services should help poor people to “increase household income... build assets and reduce vulnerability... create demand for other goods and services...and stimulate local economies.” Savings mobilization should help in two ways: (1) Individuals and families can benefit by building assets (which can be saved or invested in a business) and reducing vulnerability to shocks; and (2) Surplus savings can be intermediated by banks (and possibly MFIs in the future) to provide micro and small businesses with greater access to capital.

The Policy Framework is based upon four core principles:

1. **Private-Sector Focus:** *“Private sector will be the main provider of financial services.”*
2. **Self-Sufficiency:** *“Market oriented financial and credit policies and pricing will dominate the market and gradually phase out subsidies.”*
3. **Government to Create Supportive Environment:** *“Government efforts will be focused on promoting an enabling policy framework and business environment for [micro and small enterprise] development.”*

The Policy Framework lays out three specific objectives:

1. **Increased Access to Finance:** *“Increase access to a range of inclusive financial services to all poor and low-income people in Jordan.”*
2. **Innovation:** *“Support innovation in new product development and alternative delivery channels.”*
3. **Efficient & Responsible Growth:** *“Ensure the efficient and responsible growth of the industry as part of the formal financial sector.”*

Finally, the Policy Framework identifies four strategic priorities:

1. Developing a Unified Regulatory Framework
2. Promoting Supportive Industry Infrastructure
3. Spurring Market Expansion and Innovation
4. Ensuring Sustainable Funding

Recently, the Steering Committee has implemented certain activities related to these strategic priorities. A donor-funded market demand study was conducted in early 2012 to identify client needs. In addition, the Steering Committee is providing the Central Bank of Jordan with exposure to good practices in MF regulation and supervision. Although microfinance-specific laws and regulations do not yet exist, developing such a regulatory framework was highlighted as a strategic priority in the Policy Framework.

In addition to the *National Policy Framework for Microfinance*, the *National Agenda for 2006-2015* highlights as key policy priorities the following issues related to access to finance for poor and low-income Jordanians: (1) increasing MF penetration in poor communities; (2) expanding the use of formal savings accounts by the poor; and (3) increasing the number of economically active women.

POLICY

Three policies are adopted.

Emphasize Efforts to Reduce Poverty through Improving the Provision of Microcredit. This policy would focus on improving the effectiveness of microcredit, which is currently the primary financial service aimed at low-income and poor Jordanians. Policymakers would support efforts to oversee and professionalize the microcredit sector. Providers would focus on improving product development, outreach, consumer protection, social performance, and business development services.

Key Policy Actions/Measures include:

- Better targeting/tailoring of microcredit by incentivizing providers to: Identify those most likely to succeed as entrepreneurs; distinguish between personal credit and productive credit; and conduct market research to develop more flexible products that better meet clients' needs.
- Greater outreach to rural areas: Incentivize and encourage providers to develop credit methodologies for offering sustainable and useful financial services to poorer clients in areas of low population density. Consider linking MFIs with providers and government entities offering financial services in these areas (DEF, NGOs, MoSD) to explore opportunities for collaboration.
- Regulation and supervision of microcredit providers: Assign a single regulatory body to oversee microcredit provision; establish regulatory requirements mandating improved disclosure and transparency of loan interest rates, terms, and conditions; strengthen credit information sharing systems to reduce risk of client over-indebtedness (such as credit bureaus); develop and monitor credit-related social performance indicators (to assess impact of microcredit on clients).

Business development services: Encourage providers to train clients on business-related skills such as accounting, budgeting, market analysis, and business plan development. Consider linking MFIs with NGOs to combine market-based credit provision with subsidized business development services.

Emphasize Efforts to Reduce Poverty through Expanding Access to Non-Credit Financial Services. This policy would shift the primary focus from microcredit to non-

credit financial services, including savings, insurance, transfers, and payments. Policymakers would create a conducive environment for innovation and product development through regulatory reform and monitoring of social performance indicators. Microcredit would continue to be offered, but savings would be emphasized as a means for reducing poverty through access to financial services.

Key Policy Actions/Measures Include:

- Regulatory reform to facilitate microsavings and microinsurance: Permit banks to use agents to facilitate deposit-taking; allow select MFIs to apply for a deposit-taking license; develop microinsurance guidelines that encourage collaboration between insurance companies, MFIs, and NGOs; promote use of technology (mobile phones, Point of Sale devices, etc.) to lower costs of providing savings and insurance services.
- Lowering costs of transfers and payments: Promote use of technology to lower costs of providing payment and transfer services (person-to-person transfers, salary and social payments, bill payments, remittances, etc.).
- Consumer protection and social performance: Develop and monitor social performance indicators for a broad array of financial services (to assess impact of various financial services on clients); ensure that financial services aimed at low-income and poor Jordanians are ethically marketed, transparently priced, safe, and reliable; provide customers with effective dispute resolution mechanisms.

Emphasize Efforts to Reduce Poverty through Empowerment of Women and Youth. This policy would emphasize the empowerment of groups whose development is a national priority, particularly women and youth. In addition to providing credit and business development services, this policy would emphasize the importance of overall empowerment. Women would be educated about their rights with respect to issues such as property rights (inheritance, dowry, etc.) and family law (domestic violence, divorce and desertion, etc.). On-time repayment of loans at unsubsidized interest rates would be deemphasized, while provision of credit and other microfinance services would be supplemented by an emphasis on empowerment-related issues such as mobility, self-confidence, widening of interests (beyond family obligations), competence in public affairs, and status within the home and the community (Roodman 2012: Chapter 7).

Key Policy Actions/Measures Include:

- Greater outreach to target groups (women, youth, etc.): Encourage providers to develop credit methodologies that are tailored to the needs of the target clientele (women, youth, or other target group).
- Business development services (BDS): Encourage providers to train clients on business-related skills such as accounting, budgeting, market analysis, and business plan development. Consider linking MFIs with NGOs to combine market-based credit provision with subsidized business development services (or allow MFIs to create a separate non-profit subsidiary for BDS and offer these services directly). Consider providing government/donor support for BDS, while requiring credit to be provided on a financially sustainable basis.

- Empowerment: Link MFIs with NGOs to combine market-based credit provision with subsidized empowerment-related services (or allow MFIs to create a separate non-profit subsidiary for empowerment-related services and offer these services directly).
- Regulation and Supervision of Microcredit Providers: Assign a single regulatory body to monitor microcredit provision; require MFIs to report on social performance, particularly with respect to non-financial indicators such as empowerment, autonomy, self-confidence, skills development, etc.

TAX REFORM

Tax policy is an important and visible symbol of the economic, social, political and philosophical choices of a government. Stiglitz argues, “no public policy is of more importance than the structure and level of taxes” (Stiglitz, 2011; p. 1). However, recent tax reforms in Jordan have not sufficiently contributed to increased tax effort¹⁴⁰, and have also failed to reduce inequality. Jordan must seize the opportunity, at this important moment in time and in the context of the “Arab Spring”, to assess the need for further reforms of the tax system. The symbolic importance, the potential for redistribution and the importance in generating revenue makes pro-poor tax policy an imperative part of the poverty reduction strategy.

Poverty and inequality—reflecting unequal distribution of income and assets—are the main structural challenges to sustainable, long-term economic growth in middle-income countries such as Jordan. For taxation to contribute to reduction in poverty and inequality, the tax system must be at least neutral, if not progressive (Roy and Heuty, 2009)¹⁴¹. Pro-poor tax policy is often associated with a progressive tax policy, as most studies do not examine poverty effects directly, but focus on broader inequality effects. More progressive taxes contribute to social justice, but are not by definition pro-poor. However, the desirable pro-poor tax system is one that shows some degree of progressivity with respect to income and one in which the poorest households pay little or no tax. However, there are several constraints to a fully-fledged pro-poor tax system due to implicit economic distortions imposed by taxes and the trade-offs between redistribution and efficiency. Making taxes more progressive can be harmful to the poor, if the distortions to behavior reduce efficiency causing revenue that finance poverty-reducing social expenditure to decline.

This has made many argue that expenditure policy might be a more efficient way of redistribution and poverty reduction.¹⁴² However, a fiscal system can only be pro-poor if the revenue system is pro-poor and the revenue base is growing to enable pro-poor expenditures. Taxation should therefore be assessed from the perspective of whether it contributes to a pro-poor policy context (UNRISD, 2008). Tax policy must be aligned with expenditure policy in order to ensure an overall pro-poor fiscal policy and what matters is the final distributional outcome, not the incidence of any particular piece of the fiscal puzzle (Bird and Zolt, 2005). This makes tax policy a crucial element for poverty and inequality reduction, and must therefore be an integral part of any poverty reduction strategy.

Tax policy consists of many different types of tax instruments, where the most common are: (i) taxes on consumption (value added tax, sales tax, excise taxes and trade taxes); (ii) taxes on labor income (wage taxes and social security taxes); (iii) taxes on business and investment income (corporate income taxes and taxes on income from capital); (iv) wealth and inheritance taxes; and (v) property and land taxes. The relative mix of taxes depends on several factors such as revenue estimates from each instrument (depending

¹⁴⁰ Tax effort is here defined as tax revenue as a percentage of GDP.

¹⁴¹ For the tax to be progressive the rich must pay a higher proportion of their income (not just more taxes), i.e. the tax rate rises faster than income, so tax as a percentage of income increases as income increases.

¹⁴² See Chu, Davoodi and Gupta (2000) for an overview.

on the economic structure and demographic profile of the country) as well as administrative, equity and political consideration in preparation and implementation. The mix of taxes has decisive implications for poverty because different tax instruments have different redistributive impacts. Most case studies show that personal income taxes, wealth and property taxes are often progressive, while consumption taxes often are regressive. Corporate income taxes have a u-shaped pattern (first regressive then progressive) (Gemmell and Morrissey, 2002).

The redistributive impact of taxes in low and middle-income countries is often limited for several reasons. First, the largest share of tax revenue is from consumption taxes that are often of a regressive nature. Second, weak tax administration, corruption and poor governance limit the effectiveness of taxes.¹⁴³ Third, little fiscal redistribution is achieved because little is attempted for political reasons.¹⁴⁴ Fourth, the tax base is smaller due to a larger informal sector, which is contributing to the reliance on consumptions taxes.¹⁴⁵

In Jordan, tax revenue has been increasing in absolute terms and as a share of domestic resources in the last five years (Figure 3.12a). However, a more suitable benchmark for the dynamic performance of a tax system over time is its ability to grow at the same rate as GDP, the so-called 'tax effort'. The tax effort, defined as tax revenue as a share of GDP, decreased from 20 percent in 2006 to 15 percent in 2011. Despite notable reforms, tax revenue has not been able to keep up with the growth in GDP and this has contributed to increasing fiscal deficits and the increasing debt level (Figure 3.12b). The Jordanian tax system is heavily reliant on consumption taxes (taxes on goods and services) that generated 66 percent of tax revenue in 2011 (Figure 3.14c). In the past five years, this reliance on consumption taxes over income taxes has been accentuated (Figure 3.14d). Income taxes (personal and corporate) are very limited and generated only 22 percent of tax revenue. Within the income tax, corporate income tax revenue is dominant. Other taxes, such as taxes on international trade and transactions and taxes on financial transactions (real estate tax) are limited.

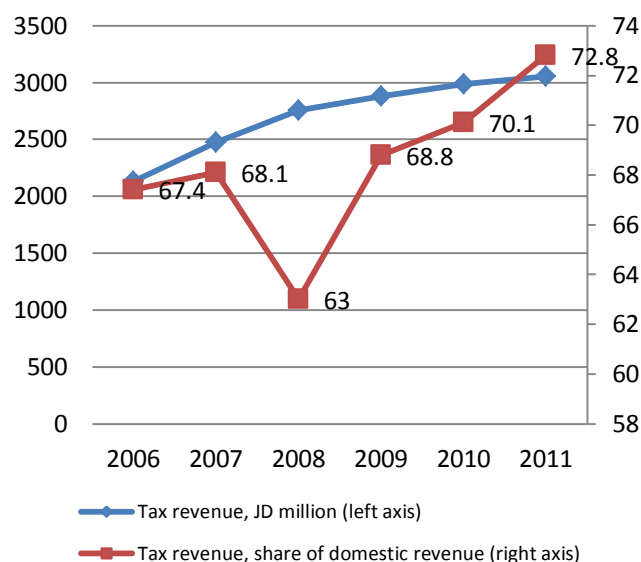
¹⁴³ Tax administration is important as even the best tax policy with ineffective administration amounts to nothing (Bird, 2010). A more legitimate and responsive state is an essential element for a more adequate level of tax effort. Societies' willingness to tax themselves depends on good government institutions (Bird, Vasquez and Torgler, 2008).

¹⁴⁴ Tax policy is not just about economics; equally important is politics. Political economy considerations are important. Tax reform ultimately depends on how different groups perceive the proposed changes.

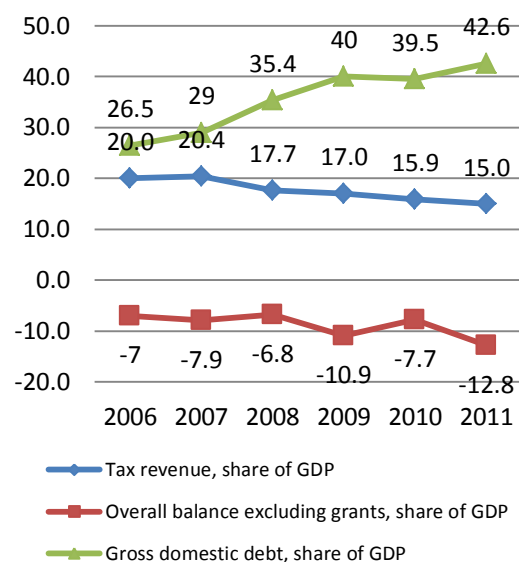
¹⁴⁵ The informal sector has important implications for the tax policy. It is important to take into account the existence of the informal sector not subject to taxation when assessing the equity effects of different tax policies.

Figure 3.12:

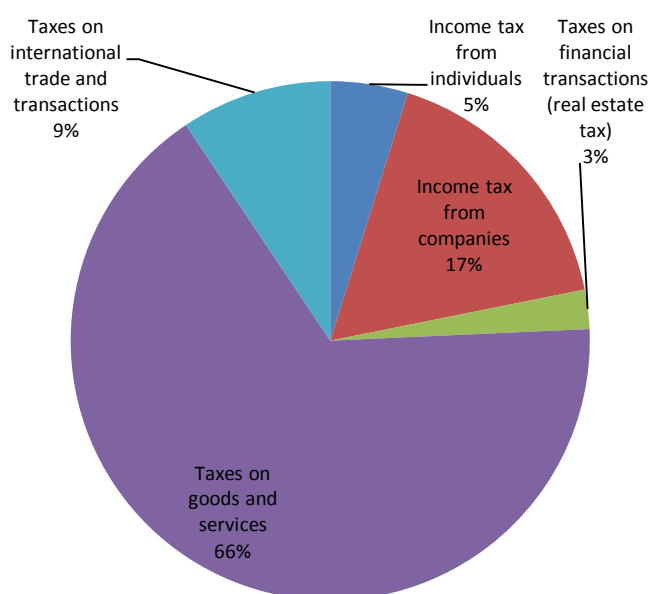
a: Tax revenue in Jordan has been increasing in absolute and as a share of domestic resources...



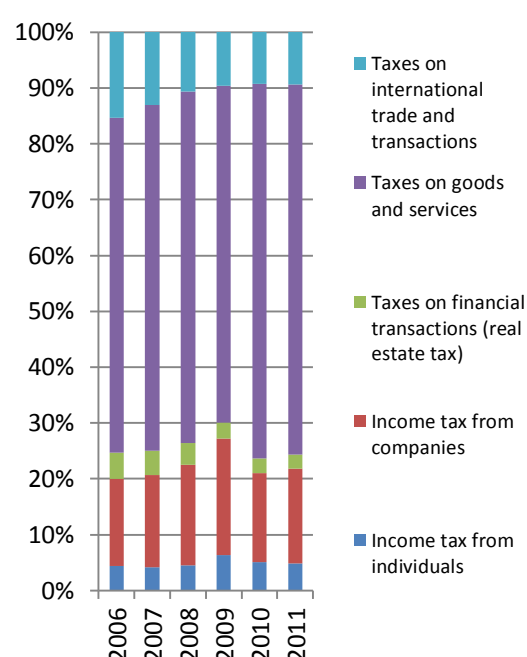
b: ...but as a share of GDP, tax revenue decreased which increased deficits and domestic debt.



c: Tax revenue is heavily reliant on consumption taxes (taxes on goods and services)



d: ...which has increased in recent years



There is no clear prescription from economic theory regarding the appropriate level of tax effort. A popular approach is to compare the tax effort to that of other countries, taking into consideration country characteristics. A panel data regression of tax effort

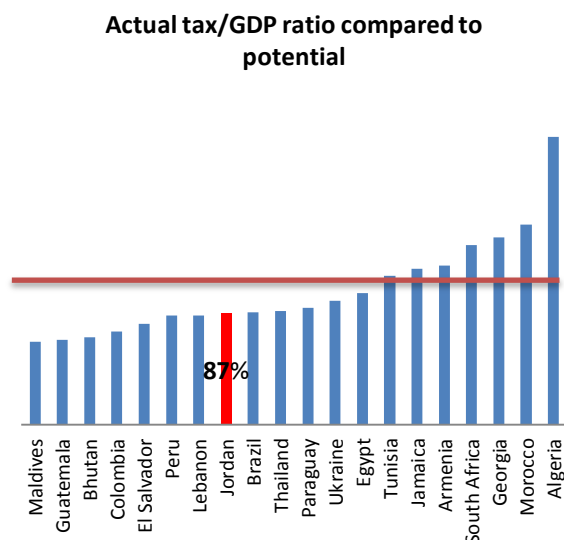
on the key country characteristics shows that overall tax effort in Jordan is 87 percent of potential (Figure 3.13a). If we disaggregate the tax effort by instrument, we find that taxes on income, profit and capital gain are 80 percent of potential (Figure 3.13b), while taxes on goods and services are 95 percent of potential. This demonstrates that there is a fairly substantial gap in tax effort in Jordan, and taxes on income, profit and capital gain are particularly far below potential.

From a revenue productivity perspective, Jordan shows mixed performance (Figure 3.13c). Corporate income tax revenue productivity is slightly above the worldwide average, but lower than the MENA region. GST productivity is comparable to regional and international averages. The personal income tax productivity is extremely low. Other tax indicators show that the tax-wedge in Jordan is low, which indicate that the tax system is “labor-friendly”.¹⁴⁶ Another major factor is related to tax administration productivity. One issue is the staffing of the tax department that is very low in Jordan (Figure 3.13d). In Jordan there are 0.27 tax administration personnel per 1,000 inhabitants, compared to around 0.51 in the MENA region and 0.48 in low-middle income countries. However, strangely, the number of active taxpayers per tax administration staff is very low at 56, compared to 389 in the MENA region and 260 in low-middle income countries.

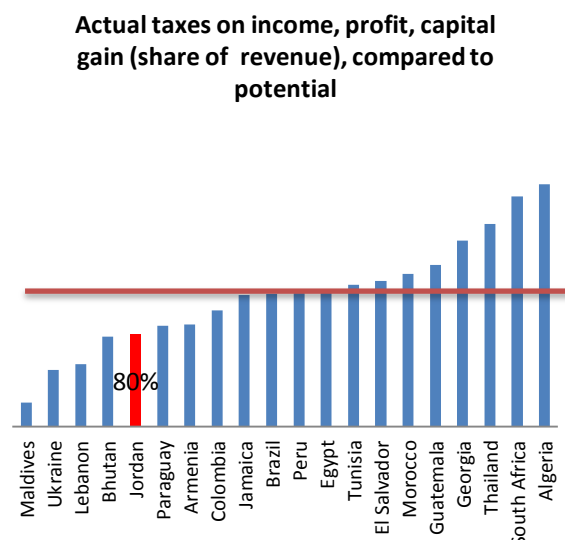
¹⁴⁶ The tax wedge, which comprises mandatory social security contributions (employer and employee) and the personal income tax imposed on average working salaries, is a widely accepted indicator of the tax burden on labor.

Figure 3.13:

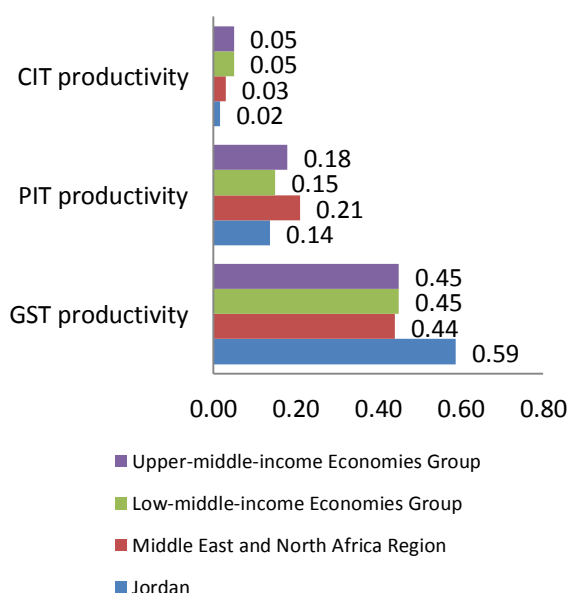
a: Results from a simple panel regression shows that Jordan's tax revenue is 87 percent of potential...



b: While taxes on income, profit and capital gain is only 80 percent of potential



c: Tax productivity is high in GST, comparable to the region and world in CIT and low in PIT.



d: Tax wedge is low which indicate that the tax system is “labor-friendly”. There is a low share of tax staff per population, but not many active tax payers per staff.

	Jordan	MENA	Low-middle-income	Upper-middle-income
Tax wedge	14.5	16.5	14.9	17.6
Tax staff per 1,000 population	0.27	0.51	0.48	0.86
Number of tax payers per staff	56	389	260	275

PRE-EXISTING POLICY, LAW AND LINKAGES

The National Agenda 2006-2015, in the section on Financial Services and Fiscal reform, makes a commitment to fiscal reform. In particular, two targets are relevant. The

National Agenda aims to reach a 1.8 percent budget surplus by 2020 and that tax revenue as percentage of government revenues, which was 54 percent in 2005, should reach 75 percent by 2020. This will be reached through a “review of the tax system to simplify procedures, ensure fairness and equal treatment, widen the tax base, improve revenue collection procedures, reduce the possibility of tax evasion and increase its cost” (National Agenda 2006-2015; p. 24)

Legal linkages: The income tax law for the year 2009, which was effective from January 1, 2010, is currently directing the Jordanian income tax. The law states that the individual income tax rates are progressive up to 14 percent. The tax rate on the physical person taxable income is 7 percent for each JD of the first 12,000 JD and 14 percent on each JD over.^{147,148} To reach the taxable income, the 12,000 JD shall be deducted from the gross income of a physical resident person (24,000 JD for those with dependents).¹⁴⁹ The generous tax-free threshold for personal income has removed all but the top 2 to 4 percent of income earners from income tax.

The tax rate for legal persons’ (including corporations and partnerships) taxable income is 14 percent.¹⁵⁰ There are some exceptions to this rate, i.e. a 24 percent tax rate on main communication companies; financial companies (including exchange companies); and financial intermediation companies; insurance companies; and legal persons carrying out financial lease businesses; and a 30 percent tax rate on banks.

It is important to note some of the items that are exempted from tax such as capital gain other than profits from assets subject to depreciation; income for physical person derived from trading in dividends and stocks, bonds, equity loans, treasury bonds, mutual investment funds, currencies, commodities; and income for physical person from trading immovable properties.

The 2009 General Sales Tax law is also relevant. The law states that goods and services shall be taxed at 16 percent, on the supply or importation of said goods and services.¹⁵¹ However, the law provides tax exemptions for a range of products (260 products) that represent a large part of the consumption basket of poor households, or are important for industry.

¹⁴⁷ Prior to the Income law of the year 2009, there was a five-rate regime, with progressive rates from 5 to 25 percent.

¹⁴⁸ The top marginal tax rate of 14 percent in Jordan is far below the global average of 30 percent.

¹⁴⁹ This tax-free threshold is equal to 5 times per capita income (10 times for those with dependents); while globally the threshold is at the level of per capita income.

¹⁵⁰ This rate is way below the average corporate income tax rate both globally and in the Arab region, which is around 26 percent.

¹⁵¹ This is at par with GST/VAT rates around the world.

Box 3.1: Stylized Facts of Jordan's Tax System

- The Jordanian tax system has a relatively low and falling tax-to-GDP ratio;
- The structure of the tax system is characterized by a predominance of consumption taxes;
- The general sales tax raises large revenues in a productive manner;
- Income taxes are limited and dominated by corporate income tax revenue;
- Taxes on income, profit and capital gain is below potential;
- Personal income tax is characterized by low productivity;
- The tax-wedge is low, so the tax structure is relatively "labor-friendly";
- Low number of tax staff per capita, but few active taxpayers per staff, which indicate a low number of active taxpayers;
- The income tax law provides Jordan with a competitive tax system;
- The high tax-free threshold reduces the tax base to a small number of high-income individuals;
- The personal income tax is slightly progressive, but the top marginal tax rate is low;
- Capital gain is largely exempted from taxation; and
- The corporate income tax rate is low which reduces potential revenue generation.

OBJECTIVES

The above analysis has demonstrated that there is considerable room to broaden the tax base and bring Jordan's tax system closer to international standards. While the general sales tax is relatively productive, income taxes suffer from low productivity due to the low tax base. Given the increasing debt and deficit, a new tax reform in Jordan, while pursuing gains in efficiency and equity, must aim to increase the level of tax effort. The tax revenue should at least keep pace with growth of the entire economy, in order for the government to increase, or at least maintain, the current level of social spending. We have demonstrated that the tax effort is currently below potential. According to our panel data regression, tax revenue, which was 15 percent of GDP in 2011, is only 87 percent of its potential. Fulfilling the tax effort potential in Jordan implies an increase in tax to GDP ratio to 17.2 percent.

When considering pro-poor tax policy reform, it is crucial to spell out clearly the objective(s) to be achieved by such a reform, be it a major tax reform, technical changes to the current tax structure, or a tax-related administrative reform. According to Devarajan and Panagariya (2000), all taxes and tax reforms should be judged according to public finance principles. That is, on their ability to: (i) raise revenues (to finance expenditure); (ii) alter the distribution of resources; and (iii) minimize administrative costs. An efficient tax system is one that achieves these objectives whilst minimizing the distortions to behavior, thereby maximizing social welfare.

Ultimately, tax reform must be evaluated in terms of its impact on revenue generation and in terms of its impact on employment, as Jordan must address its chronic employment problem. Although it is not clear if a better tax system will increase growth and employment, it does seem clear that a bad tax system may stifle it. Past tax reforms failed to reduce poverty and inequality, which has increased in recent years. This increase in inequality coincided with the last tax reform in Jordan in 2008 and might indicate that the last tax reform was not necessarily conducive to inequality reduction. Given the context of the "Arab Spring", it is crucial to communicate clearly the objectives with the public to minimize social unrest during the reforms.

Balancing between these objectives depend on the weight policymakers put on each of them as well as the social, economic, and political realities that influence policymakers. Within the country there are powerful interest groups with often contradictory interests. The rich elite will fight to avoid paying more taxes in a more progressive tax system. The business community will voice their concerns about how corporate tax rates stifle private sector growth. The poor and the middle class will raise their concerns about increasing inequality. Given the recent events in the Arab world, the poor and middle class have a much stronger voice in the public arena and their concerns about rising inequality and unfairness must be taken into account to minimize unrest. This will require careful thought concerning which taxes should provide the additional resources. Tax reform should enable Jordan to raise higher revenue without adversely affecting the poorest households.

To conclude, the direct objective of tax reform must be to: (1) stimulate increased government revenue, while at the same time (2) promoting employment generation. However, policy makers will have to consider many other objectives when selecting from the policy options. As mentioned, given the fear of social unrest, it is important that the tax reform is perceived as fair in order to (3) minimize the social unrest caused by tax reform. Last but not least, powerful interest groups affect the policy makers, and therefore (4) the government must consider the impact on the elite and on corporations as this might reduce the support of the government from these groups.

POLICY

Jordan has, to date, had relatively frequent tax reforms. As such, the next round of tax reform must be thought out carefully so that the resulting tax system can be in place for the longest period of time possible. For success, it is important to gain consensus from all major stakeholders such as tax administrators, the business sector, labor unions and the public at large. There is a national consensus about the need to improve and increase the provisioning of public services, and tax reforms must capitalize on this consensus. If people trust that the government will deliver such services, they are more likely to support efforts to raise taxes. Without adequately representing the interest of the people being taxed, taxes will be not easily collected. Political economy and administrative considerations are extremely important in Jordan. Three policies have been agreed as follows:

1. Increase Tax Revenue from Income Taxes (Personal, Corporate and Capital).

It is often argued that consumption taxes are preferred to income taxes for their efficiency. However, even with numerous pro-poor tax exemptions, consumption taxes remain regressive. It is claimed that consumption taxes are more efficient. Yet, in middle-income countries it is not always the case. Moreover, they can contribute to lower growth and increased unemployment as they favor the informal over the formal sector and the rural over the urban economy (Stiglitz, 2011). Income taxes more closely reflect the citizen's ability to pay and revenue will be more elastic. The elastic and progressive nature of income taxes is appealing. Firstly, to finance expanding expenditure; and secondly, to increase the degree of perceived fairness and trust in government.

As demonstrated above, the Jordanian tax system is heavily reliant on consumption taxes and the revenue from income taxes is limited. Jordan should aim to increase the share of revenue from income taxes, which is today far below potential. The personal income tax is unproductive, capital income remains largely untaxed and corporate tax rates are low. By addressing these issues, the tax structure in Jordan could be more balanced, more progressive and thereby more pro-poor. However, both the economic impact as well as the administrative implications must be taken into account and balanced against the redistributive impact.

Making personal income tax more progressive: There are a number of arguments for making income tax more progressive. Progressive income tax is an important and visible symbol of concern with the distributive outcomes of the market system. All members of the middle class and the poor unambiguously benefit from an increase in tax progressivity, whereas for a rich person her utility might also increase if she is sufficiently averse against inequality (Doerrenber and Peichl, 2010). Tax compliance is higher in progressive tax systems than in linear ones (Heinemann and Kocher, 2010). Progressive taxation contributes to less tax evasion and higher perceived fairness and equality (Doerrenber and Peichl, 2010). However, it is not costless to have a more progressive income tax. Reform administrative, economic and political costs. More progressive taxation could also be anti-poor if it creates distortions to behavior that reduce efficiency and cause revenue that finance poverty-reducing social expenditure to decline.

Personal income tax (PIT) is probably the most significant progressive element for redistribution as taxes on land and property only play a minor role. The rate structure of PIT is the most convenient and visible policy instrument to underscore a commitment to social justice. In Jordan, the number of nominal rate brackets was reduced from five to two in the 2009 income tax law. This simplified the tax system, but reduced its progressivity. A third bracket could be re-introduced, without jeopardizing efficiency and increasing the administrative burden. At the moment the top marginal PIT rate is 14 percent, which is very low by international standards (average 30 percent). It is agreed to raise it in an ascending manner to reach the international average of 30%.

Reviewing the personal income tax-free threshold to increase the tax base: The income tax-free threshold is politically popular as it exempts low-income individuals from income tax liability. It encourages people to participate in the labor market without incurring any income tax liability. However, it provides some incentive to tax evasion by splitting income by shifting it to related people. It can also provide a disincentive effect of jump from the tax-free threshold to the first positive income band (marginal tax rate could be above 100 percent). This can act as a disincentive for people to enter the workforce. As mentioned, in Jordan, the tax-free threshold is extremely high compared to most countries, which dramatically limits the tax base. Therefore, in order to develop a more broad-based tax base, the threshold needs to be reviewed. It is proposed to reconsider the ceiling of tax exemptions on the income of individuals and reducing it from JD 24,000 to a lower level in order to achieve tax efficiency and employ the revenue generated in programs to support the poor. This would increase the tax revenue to maintain social spending and reduce the fiscal deficit, which is of crucial importance in Jordan at the moment.

Introducing a dual income tax to tax capital income: Typically, income taxes include labor and capital income to a varying degree in different countries. Such a system would distort the labor-leisure decision and the saving decision as well as incentive to invest in human capital.

In Jordan, capital income is treated preferentially to labor income and there are tax exemptions for several types of capital income. However, from an equity perspective, the rationale for capital taxation is strong as capital income as a proportion of total income rises with income. Another argument for taxing capital is that there might be limits to the progressivity of the income tax as highly progressive tax rates are difficult to administrate and might induce avoidance and evasion. Taxing capital income may be a way of obtaining greater progressivity (Boadway, 2005).

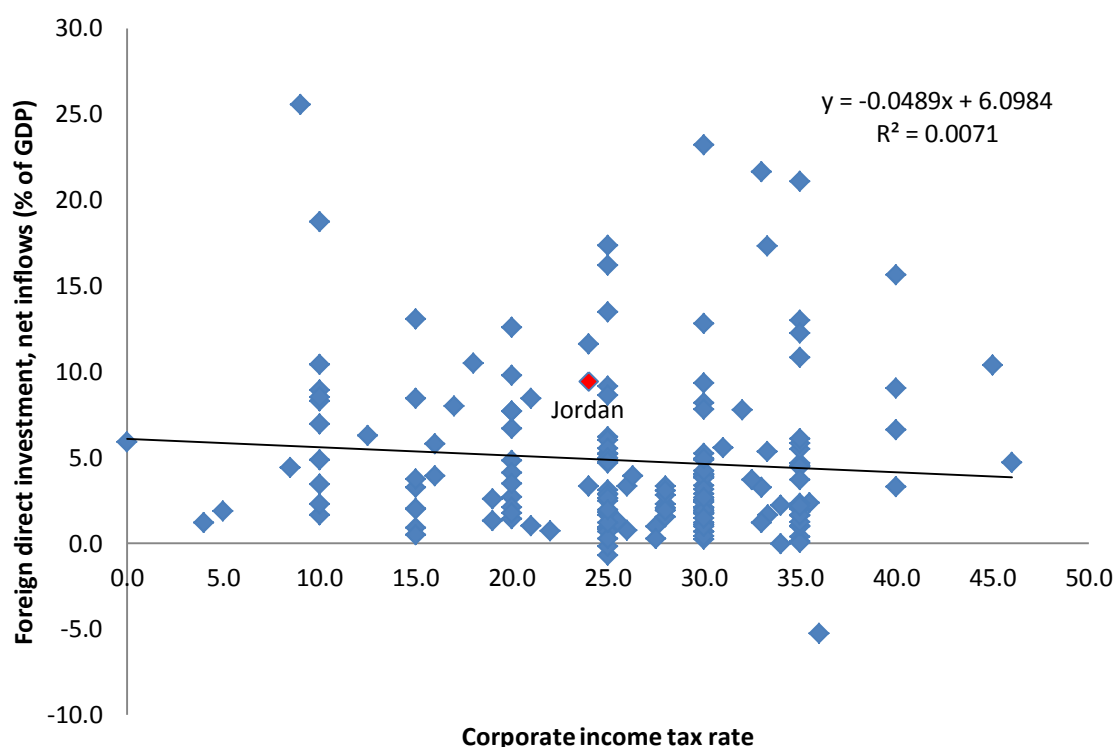
If capital should be taxed, then the question is the preferred rate structure. Capital income can be included in a comprehensive income tax and taxed similarly to labor income. However, the trade-off between equity and efficiency is likely to differ among the tax bases. Research shows that labor income should be taxed more progressive than capital income (Boadway, 2005). Capital income is also easier to evade than labor income, which supports the argument of a less progressive capital income tax.

In Jordan where there is a need for economic efficiency and policymakers have equity concerns, a dual income tax might be a good solution. The dual income tax system separates the tax bases between capital income and labor income, and imposes separate rate structures on the two tax bases. This will enable Jordan to meet the international competition on capital while avoiding a uniform rate on labor income. In addition to a progressive tax on labor income, Jordan can impose a flat, uniform tax rate on capital income. The literature argues that the tax on capital should be close to the lowest positive rate for labor income (7 percent at the moment).

Introducing a uniform and higher corporate income tax rate: It is agreed to introduce a uniform corporate income tax rate, which could be higher than the standard tax rate in the current income tax law. As mentioned, a 14 percent corporate income tax rate is amongst the lowest in the world and could therefore be augmented without jeopardizing investment. A simple correlation shows that there is a very weak relationship between the corporate income tax rate and inflows of foreign direct investment (see Figure 3.14 – see below). The new CIT rate will be similar to the top marginal rate on personal income as discussed above.

Figure 3.14:

There is a weak correlation between corporate income tax rate and foreign direct investment



2. Improve the Private Sector Tax Environment to Stimulate Job Creation.

Two policy measures—dealing with the provision of tax incentives and the relaxing of tax requirements—are presented under this policy.

Providing tax incentives to hire disadvantaged workers: The government can provide tax incentives to employers who hire additional low-income or otherwise disadvantaged workers. The criteria to select such workers needs to be discussed and assessed based on data. The criteria could be based on income, geographical location or other socio-economic criteria. Tax incentives to encourage investment in specific regions with high rates of poverty and unemployment could be another option. Even if they might have political appeal, it is not sure that it is the most efficient way to reach these objectives. However, it should be further investigated and the potential should be evaluated.

Easing tax requirements for micro, small and medium enterprises: Many small businesses in Jordan face high costs of complying with the corporate income tax law. Similarly to large businesses, they are required to comply with many detailed requirements. The compliance cost is a much heavier burden for micro, small and medium enterprises (MSMEs) relative to their size. This disproportionate tax compliance burden can hinder the growth of MSMEs, which are a crucial driver of growth and employment generation. Simplified tax requirements for MSMEs can encourage registration of new enterprises and spur job creation. A new article in the

income tax law could state that MSMEs pay a small tax on revenues instead of a tax on profit. This would facilitate tax payment and reduce compliance cost.

3. Develop Administrative Efficiency and Tax Research Capacity.

Even the best tax reform is worth little if it cannot be effectively implemented (Bird, 2003). How a tax system is administered affects its yield, its incidence and its efficiency, and tax reform cannot neglect the importance of tax administration. There is a consensus among tax experts that “how a tax system is administered affects its yield, its incidence, and its efficiency” (Bird, 2003; p.4), and “changes in tax policy must be compatible with administrative capacity” (World Bank, 1991; p. 51). Bird (2003; p. 13) argues that there are three ingredients for effective tax administration: “the political will to implement the tax system effectively, a clear strategy as to how to achieve this goal and adequate resources for the task at hand.”

Improving tax collection efficiency: Some of the tax reforms proposed above might increase the burden on the tax administration. As such, it must be accompanied with a focus on tax administration reform and ways to improve the tax administration efficiency. By improving the administration of the tax system, government can increase the revenues it collects consistent with the applicable laws, while enhancing the fairness of the system and reducing the compliance costs for taxpayers. Jordan could possibly substantially increase government revenue through better compliance and higher collection, without reforming the existing taxes. Especially the use of modern technology and information and communication technology is important for a more modern and efficient tax administration. There are many benefits of computerization of tax administration, for example it can contribute to reducing corruption. In parallel to improving the use of modern technology, capacity building of tax administration personnel is crucial to handle a more developed tax system.

Building capacity for tax related research: An important contribution to tax reform could be to improve domestic research in taxation by encouraging think tanks and university studies in related fields. Fostering data gathering and analysis both within and outside the government can be critical in establishing institutions that may be able to provide ideas and studies that will shape tax systems in the future. Such an institute would take the lead and the coordination role in terms of tax research. In order to assess the redistributive and poverty impacts of tax reform, Jordan needs to establish and build capacity related to tax research. Fostering stronger tax research are not likely to contribute to the current reform program, but will be a long term project that will provide evidence-based research for future policy discussions related to tax reform. There are several different tools that have been developed globally that can enable an in-depth assessment and simulations of different policy options. These tools could be applied to Jordan in order for policymakers to take decisions based on evidence-based research. The most relevant type of model is the Computable General Equilibrium (CGE) models, which can examine a variety of incidence assumptions and include behavioral

assumptions. Because of the multi-sector nature, CGE models might be best suited to examining the implications of major tax restructuring.¹⁵²

¹⁵² United Nations Department of Economic and Social Affairs (UN-DESA) and Economic and Social Commission for Western Asia (ESCWA) are currently developing a CGE model for Jordan, which can be used to evaluate different tax policy options.

3.3 INCLUSIVE HEALTH AND EDUCATION SERVICES

According to poverty assessments low levels of education and skills are an important determinant of poverty; on the contrary, living standards normally increase with education. That is why one of the strategic pillars of PRS includes key policies and measures needed for investment in the human capital of the poor and below middle class. Poor health is also an important correlate of poverty; therefore equitable access to health services is another important component of PRS.

The key policy and technical issues related to the design of the inclusive education and health pillar of PRS include assisting the poor to overcome the specific spatial and socio-economic constraints they experience when accessing education and health services, particularly in poverty pockets and areas with a high incidence of poverty; enhancing the skill base of the poor and below middle class, particularly of the young people, to increase their employability and competitiveness in the labor market and to promote their career and business entrepreneurship. The scope of PRS also includes actions for further improvement of child, maternal and reproductive health to alleviate poverty and meet MDGs.

HEALTH

Although successive governments over the last 15 years have tried to reach universal coverage, the most recent National Health Accounts (NHA) Survey¹⁵³ estimated that around 78% of the populations have some form of health care. Major steps have been made to include poor and vulnerable populations; such as the inclusion of those under 5 and over 65 in the government Health Insurance Scheme, and a National Aid Fund-linked program to support the poor. However, NHA 2010 data shows that health-related costs account for approximately 40% of expenses for households across the Kingdom. A 2010 WHO study¹⁵⁴ showed that 7% of households experienced catastrophic health expenditure (i.e. contributing to or creating poverty). Moreover, the provision of medicines in peripheral health centers is deeply lacking. Challenges still remain in relation to accessing health services in Jordan, and these are most strongly felt by the poor and vulnerable.

Jordan has one of the most modern health care infrastructures in the Middle East. Jordan's health system is a complex amalgam of three major sectors: public, private, and donors. The public sector consists of two major public programs that finance as well as deliver care: the Ministry of Health (MOH) and Royal Medical Services (RMS). Other smaller public programs include several university-based programs, such as Jordan University Hospital in Amman and King Abdullah Hospital in Irbid. The extensive private sector includes 61 hospitals and many private clinics. Over 1.6 million Palestinian refugees in Jordan have access to primary care through the United Nations Relief Works Agency (UNRWA). Each of the health care sub-sectors has its own financing and delivery system.

The MoH provides primary, secondary and tertiary health care services. Primary Health Care (PHC) services are mainly delivered through an extensive PHC network, consisting

¹⁵³ NHA, 2010.

¹⁵⁴ WHO, 2010.

of 84 comprehensive health centers, 368 PHC Centers, 227 Village Clinics 422 Maternity and Child Health Centers and 369 oral health clinics.¹⁵⁵ The MoH owns and operates 31 hospitals in 10 governorates, with 4,372 hospital beds accounting for 37.1% of total hospital beds in Jordan. In terms of utilization, 38.2% of inpatients care, 44.7% of deliveries and 45.4% of outpatients care occur within its hospitals. The bed occupancy rate in MoH hospitals was 68.2% during 2010. The MoH employs 25% of all practicing physicians in Jordan.¹⁵⁶ The Royal Medical Services (RMS) mainly provides secondary and tertiary care services. It has 11 hospitals (7 general and 4 specialist), 2131 beds representing 18.8% of hospital beds in Jordan. The two public university hospitals operate 1169 hospital beds and the private sector has 60 hospitals with 3888 beds. UNRWA operates 25 health centers. The Jordan hospital bed ratio per 10000 populations is 18.

Regarding human resources for health, Jordan has 26.5 physicians, 38.5 nurses, 15 pharmacists and 9.3 dentists per ten thousand populations. During the last four years the number of all health professions and their percentages to population has been increasing. Physician to population ratio is higher than most of MENA region and other lower middle-income countries¹⁵⁷.

Problems related to accessibility, equity, duplication of services, and poor coordination among major providers, unregulated private sector, and low utilization rates in the private sector, limited quality improvement programs, inefficient use of available resources, poor management and inappropriate health information system are the main challenges facing all providers of health care in Jordan.

The MOH hospitals face several constraints that hamper their ability to contribute more effectively to providing proper health care to the poor and the uninsured. In addition to the centralized management practices, the lack of incentives to promote efficiency and quality, and inadequate information and communications systems are contributory factors. Hospitals and their staff lack incentives and the basic information on costs and evidence-based medicine to implement standardized treatment protocols or to operate efficiently.

Health care in Jordan is provided through a variety of public and private mechanisms, the largest programs for health services coverage are the Civil Health Insurance (CHI) program administered by MOH and RMS. Together, in 2009, they provided coverage for 3.6 million individuals, daily workers, military and their families (CHI: 1.9 million and RMS: 1.6 million) this represent about 62% of the population. In 2010, CHI provided a total of over 123.8 million to public and private facilities. The CHI program covers public employees, the categorically eligible due to diseases specified by the Prime Minister's Office, and the poor. The CHI Program at MOH is the largest health insurer which covers 34% of the population, mainly all government employees and their dependents, the poor, the disabled, children below six years of age, senior citizens over sixty-five years of age, pregnant women, and blood donors. Jordanians who fall under the poverty line are entitled by law to health insurance coverage via CHI-MOH. The

¹⁵⁵ MOH, 2010.

¹⁵⁶ MOH, 2010.

¹⁵⁷ NHA, 2010.

military insurance program MIP-RMS covers 27% of the population, mainly military personnel and their dependents. UNRWA provides free primary health care to eligible Palestinian refugees in Jordan, and contributes to the cost of inpatient care. UNRWA is reported to cover 9% of the population. Private health insurance covers 8% of the population and it's administered either by private insurance companies or by self-insured firms. Insured population pay fixed premiums in addition to co-payments whenever services are used.

Health System Challenges: The following challenges to the Jordanian Health System have been identified¹⁵⁸:

- The demographic changes representing increase in population and higher life expectancy;
- Considerable changes in lifestyles favoring the development of determinants and risk factors for chronic diseases, accidents, and injuries;
- The epidemiological transition and changes in the pattern of disease characterized by a progressive increase in the magnitude of non-communicable diseases;
- Inefficiencies observed in the provision and financing of health services;
- The lack of a rigorous appraisal (and reorientation) of the current state of human resources development in health;
- The negative impact of poverty on accessibility to quality health care particularly in view of the high proportion of uninsured people;
- The increasing demands and expectations of the public for effective and accessible health care;
- The rapid advances in technology and rising health care costs;
- Inadequate coordination between the public sector and the increasingly significant private sector and the lack of effective systems for monitoring and auditing clinical practice;
- The emerging environmental health issues; and
- Ineffective health information systems.

Social Determinants of Health¹⁵⁹: The social determinants of health are the conditions in which people are born, grow, live, work and age, including the health system. These circumstances are shaped by the distribution of money, power and resources at global, national and local levels. The social determinants of health are mostly responsible for

¹⁵⁸ WHO, 2010.

¹⁵⁹ Ajluni, 2006.

health inequities - the unfair and avoidable differences in health status seen within and between countries. SDH challenges in Jordan which are likely to contribute to adverse health outcomes include:

- High rates of unemployment and poverty;
- Unplanned urbanization: about 50% of the population lives in Greater Amman;
- The rapidly growing youthful population requires an investment of significant resources in education and health services;
- The elderly population is growing and has increasing demands for health care;
- High rates of immigration, especially of migrants who are poorly educated and have few skills; Jordan has about 450,000 - 500,000 legal and illegal foreign workers; and
- Scarcity of water resources affects domestic water supplies that are essential for the maintenance of health.

The MOH introduced the WHO Community Based Initiative Healthy Villages Program (CBI/HVP) in 1992 to improve health and living conditions of the poor. The CBI/HVP is a community based initiative joint effort between the MoH and WHO based around the PHC centre or village clinic within the community. Its purpose is to help develop the health, economic, social and environmental status of these villages, and develop and promote PHC services. The program began in 1996 in two villages and expanded to 12 villages in 1998, one village from each governorate. Currently, the program incorporates 46 villages from across the country with a total population of 71,674 villagers. It is based on the principle of voluntary participation within the communities and villages used for the purpose of determining their basic needs. As a condition, the HVP is only in villages that are disadvantaged in terms of social, health, and economic services with a population of 800 – 2000 people. Overall, its actions will improve the health situation and protect the environment and combat pollution¹⁶⁰.

The HVP includes the following components: development basic requirements such as primary health care, basic education, healthy living places, income generation, food safety, clean water, hygiene and drainage; self-care including a family health guide; village data centre to keep regularly updated information on the people, health and economy of the village; child friendly houses; child friendly community; women empowerment; safe motherhood in the community; social, cultural, sports and entertainment centers; supporting local creative and skilful members; and community based schools. HVP focuses on public participation in planning and implementing a health program.

Health Indicators: Jordan has a population of approximately 6.1 million people (2010). The average annual population growth rate is 2.2% (down from 4.4% and 2.5% during the period 1979 to 1994). Eighty two per cent of the Jordanian population is below the

¹⁶⁰ WHO, 2005.

age of 40 years and 49% is below the age of 20, and around 6% above the age of 60 years old.¹⁶¹

TABLE 3.19: INDICATORS OF HEALTH STATUS BY GENDER AND BY RESIDENCY, 2010

Indicators	Urban	Rural	Male	Female
Life Expectancy at Birth:	N/A	N/A	71.6	74.4
Healthy life expectancy (HALE)	N/A	N/A	N/A	N/A
Neonatal mortality rate	20	13	22	15
Infant Mortality Rate:	27	21	30	22
Under five mortality rate:	32	24	32	29
Maternal Mortality Ratio:	N/A	N/A	N/A	19

Sources: - DOS, 2009 Jordan Population and Family Health Survey; Second National Millennium Development Goals Report Jordan 2010; and WHO, Core Health Indicators (<http://www.who.int/whosis/database>)

Child mortality and under-five mortality rates are a good indicator of socio economic status in a community, in Jordan the results of the Jordan Population and Family Health surveys show that under-five mortality rates have declined steadily between 1990 and 2002 when it reached 27 per 1,000 live births. The rates then continued to decline to reach 21 per 1,000 in 2007 and 2008, and then to increase again to 28 per 1,000 in 2009 and 2010, a thorough analysis is needed in this field to tackle the social determinants of health and inequities. Along the same trend, infant mortality rate (death before the first birthday) declined from 82 deaths per 1000 live births in 1976 to 37 in 1990, 22 in 2002, and slightly increased to 23 per 1000 in 2009. Regional variations of infant and under-five mortality rates are observed.¹⁶²

Jordan, like other middle-income countries, is witnessing an epidemiological transition, which is characterized by a vivid increase of non-communicable diseases, particularly cardiovascular diseases, cancer, diabetes and chronic respiratory conditions. The major cardiovascular diseases are hypertension, coronary heart disease and stroke. As indicated before, these health problems are now becoming the leading causes of mortality in Jordan with cardiovascular diseases and cancer alone responsible for more than half of all deaths. Among the factors contributing to a high prevalence of non-communicable diseases are the increasing numbers of the elderly in the population as well as the lifestyle changes including unhealthy food consumption pattern, smoking and sedentary life lacking manual work and physical exercise.

Health Sector Expenditure: In NHA 2010 report, the total health expenditures—both public and private was estimated at 1.6 billion JD or 269.3 JD per capita. This is

¹⁶¹ MOH, 2010.

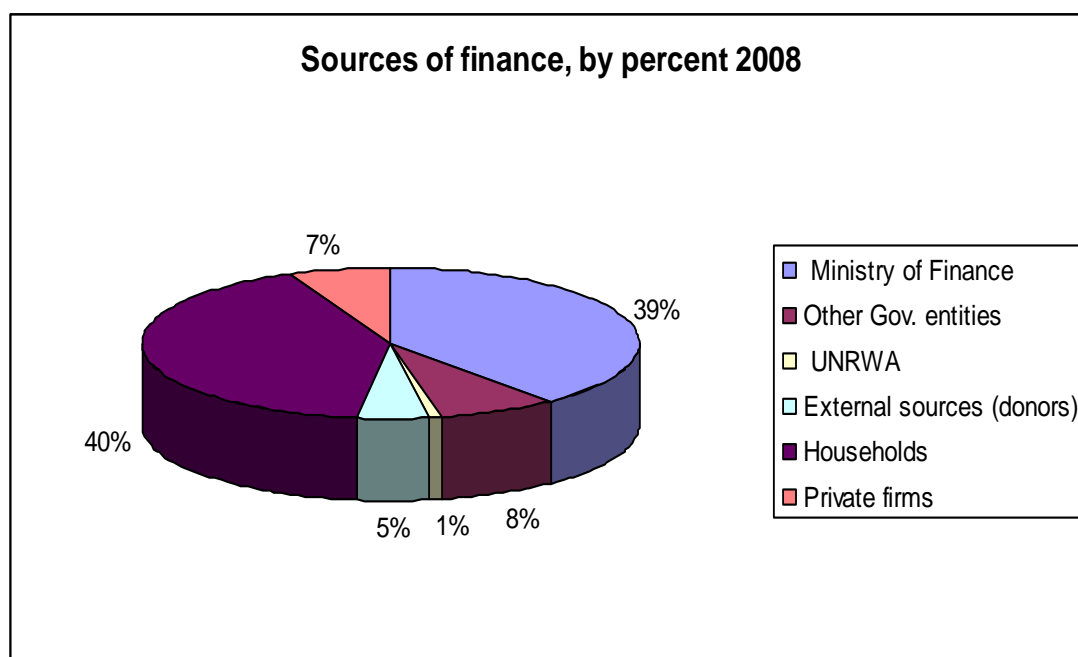
¹⁶² WHO, 2007.

equivalent to 9.56% of GDP. The public sector is the largest source of health funding at 65.7 % followed by the private sector with 29.47 % and donors 4.77%.

Health spending in Jordan is high when compared to other MENA and middle-income countries. Overall spending has increased in nominal terms over the past six years and has grown slightly more rapidly than GDP. Spending has also increased more rapidly than medical specific inflation. Nevertheless, Jordan's health spending, whether measured in per capita U.S. dollar terms or as a share of GDP, is high compared to countries of comparable income levels.¹⁶³

Currently, an estimated 78% of Jordanians have some form of health insurance (civil, military, UNRWA, and private). Those who are uninsured do not necessarily lack access to health care. Any individual can utilize MOH services and pay subsidized charges (15 - 20% of cost). In this sense, MOH provides a safety net for Jordanians who require health care and have no insurance¹⁶⁴.

FIGURE 3.15: SOURCES OF HEALTH FINANCING, 2008



Current Shortcomings of the Health Sector: Jordan has made significant progress over the years on a number of important health indicators; such as the life expectancy, child mortality rates, maternal mortality ratio, child immunization and others. A number of challenges have been highlighted in a paper developed by USAID¹⁶⁵, these include: (i) Curative Care: individual hospital size efficiency, bed-occupancy rates, and average length of stay; (ii) Primary Care: distribution of health centers, distribution of

¹⁶³ World Bank, 1997.

¹⁶⁴ GoJ, 2007.

¹⁶⁵ Zafra, 2011.

human resources, total average time spent with patients, average number of visits; (iii) human resources development and incentives; (iv) efficiency in medicines supply chain management and prescribing practices; and (v) equity in premiums and privileges in the Civil Health Insurance Program for civil employees. The paper suggests a number of strategies to respond to these challenges.

Linkages between Health and Poverty in Jordan: A national household survey on healthcare utilization and expenditure undertaken in 2000 indicates that the financing sources of the major social insurance schemes in Jordan (Civil Insurance Program-MOH, and Military Insurance Program-Royal Medical Services) are a mixture of proportional and regressive health financing arrangements. Obliging the poor to pay disproportionately more than the rich on health is perceived by many health reformers as undermining the inherent "fairness" of a health care system¹⁶⁶.

A recent study on Fairness in Financial Contribution in Jordan conducted by the High Health Council and Department of Statistics¹⁶⁷, found out that the following households are more likely to face catastrophic health expenditures:

1. Households living in urban areas in comparison to rural areas;
2. Households that have greater number of members;
3. Households headed by women are more likely to face catastrophic health expenditures in comparison to households headed by men;
4. Households headed by persons who are not enrolled in education in comparison with those who are enrolled;
5. Households that have a greater number of senior members over 60-years-old in comparison with those do not have or have less;
6. Households headed by persons with higher educational level;
7. Households who have employed members in comparison with those who do not have employed (income-earning) members; and
8. Households with higher ranking of expenditure quintiles are more likely to face catastrophic health expenditures in comparison with households with lower ranking.

In the pharmaceutical sector, a recent WHO survey based on facilities and households data showed that average availability of medicines in public health facilities was nearly 74% for 15 WHO key medicines. The peripheral health centers has only 5 out of 50 medicines, while in the private hospitals and private pharmacies were 92% and 96% respectively.

¹⁶⁶ Daniel, 1996.

¹⁶⁷ GoJ, 2010.

When considering cost, a patient visiting a private pharmacy is paying on average eight times more for his medicines than a patient obtaining medicines from a public facility. In the same study the catastrophic health expenditure was around 7% (catastrophic expenditures are payments that push people into poverty).

PRE-EXISTING POLICY, LAW AND LINKAGES

The Government of Jordan is committed to making health services available and accessible to all. The Ministry of Health (MoH) adopts the Health for All (HFA) policy that considers “health as a basic right for every citizen”. There is continued government support for primary health care towards HFA, and a commitment to expand health insurance coverage.

The national health strategy (2008-2012)¹⁶⁸ aimed at creating a comprehensive health care system, utilizing both public and private service providers covering all levels of care and improving the quality of health services by implementing a national health services accreditation program.

The National Agenda focuses on health care as part of social welfare development of Jordanians. The NA is targeting universal health insurance coverage by the year 2012. The general Health Policy in Jordan is set by the Higher Council for Health (HCH)¹⁶⁹. Recently, discussions are underway by the HCH to create an independent national health insurance commission¹⁷⁰. Implementing universal social health protection is considered to be a milestone for achieving the Millennium Development Goals (MDGs) by 2015¹⁷¹.

The National Aid Fund’s objectives include: recommending to the Ministry of Health to issue Health Insurance Cards to the financially incapable, who are beneficiaries of the Fund’s services, according to the provisions and conditions stipulated in the current Civil Health Insurance (CHI) system. However, these groups are limited, and the mentioned above populations subjected to catastrophic expenditure on health care services and medicines are wider, including households, for example: (i) headed by women, (ii) with more than one senior member, (iii) located in rural areas, and (iv) with large numbers of members.

The MoH is the major financier and provider of health care services in Jordan. It is the largest in term of the size of its operation and utilization as compared to RMS, Jordan University Hospital, King Abdulla Hospital, or to the private sector. According to the new Public Health Law No. 47, issued by a Royal decree in 2008, the MoH is responsible for all health matters in the Kingdom. The MoH undertakes all health affairs in the Kingdom and its tasks and duties include:

- Maintaining public health by offering preventive, treatment and health control services;

¹⁶⁸ GoJ, 2008.

¹⁶⁹ GoJ, 1999.

¹⁷⁰ WHO, 2007.

¹⁷¹ ILO, 2007.

- Organizing and supervising health services offered by the public and private sectors;
- Providing health insurance for the public within available means; and
- Establishing and controlling the management of health educational and training institutes and centers according to relevant provisions of the legislations enacted.

Article 4 of the Law defines areas of work for the MoH, including: health promotion and healthy lifestyles, disease control, prevention of nutritional deficiencies, MCH, school health, health of the elderly and prevention and control of non-communicable diseases.

The Law contains provisions on the practice of medical and health professions, private health care institutions, MH and drug addiction, communicable diseases, immunization, pharmaceuticals, water and sanitation.

POLICY

Four policies have been agreed.

Reform primary health care adopting a family practice approach, which ensures access for the poor to a comprehensive essential services package and essential medicines. This essential services package (ESP) incorporates a range of primary health care services including: maternal and child-health, family planning, communicable and non-communicable diseases, mental health, health promotion and disease prevention, basic emergency services guidelines for diagnosis, treatment and follow up care. The ESP would apply cost effective Standard Treatment Guidelines that are obliged by a policy to make all resources available at PHC facilities including the essential medicines list. The ESP should be available and affordable or free of charge for all people at public health facilities; resources should be allocated to achieve access to all, especially to the poor, vulnerable groups, disabled, and people with special needs.

Jordan has been adopting service standards, guidelines and clinical practice protocols for the last 10-15 years, however, it is time now for the government to decide on a primary health care service package that is essential in preventive and curative care and made available for all population, in all regions in good quality and affordable or free of charge.

Key policy measures/actions include:

- A national technical committee using multi-sectoral, multi-disciplinary approach to be formed by a decree from the Minister of Health;
- The committee should take into consideration the cost, the benefit and the appropriateness in selection;
- The selected package of services should match with the national agenda goals and MDG's and international conventions;

- Clear detailed description of services, diagnosis, treatment and care taking into consideration the cost and quality in selecting the standard treatment guidelines (best – least cost medicine of choice); and
- A policy to oblige all facilities providing the ESP.
- JD 180 was adopted as the family income for a health insurance card

Review and update codes of ethics and conduct in health sector civil service contracts so as to enhance the ethics of the profession. Ensure equity in access to health care services, and promote human rights such as respect, dignity, access to information and services, comfort and privacy should be reassured within the HRH code of ethics, code of conduct, value system and performance appraisal for all civil servant employees including Human Resources for Health. Favoritism, nepotism, and giving privileges and free access to certain privileged groups should be addressed for monitoring and control, activating a system of integrity. Whistle blowing mechanisms should be established to support the right of the poor to timely access to services.

Key policy measures/actions include:

- Decrease the practice of nepotism and favoritism in the health care system;
- Add these measures to performance evaluation forms for all staff;
- Give awards for staff contributing to helping people and ‘going the extra mile’ in helping poor and less advantaged patients; and
- Set a monitoring system for staff compliance linked to the incentives system.
- Focus on medical syllabuses for students of medicine, particularly healthcare programs applied in Jordan

This policy would change the culture of the health system especially in public facilities where human consideration is rarely given importance and appreciated; these measures will take time to be part of the system. It would reflect positively on people appreciation and access to services.

Reform in the health sector functions to improve efficiency, accountability and effectiveness of the programs. In Jordan, the governance of MOH hospitals is highly centralized. Senior level executives at headquarters in Amman decide all significant managerial, personnel, budgetary, and procurement matters. It is believed that hospitals may be more efficiently operated and the quality of care enhanced if greater independence was granted them.¹⁷² A number of key challenges to MOH governance functions include utilization and distribution of health facilities, human resources retention and efficiency in the supply chain and use of medicines, in addition to equity

¹⁷² WHO, 2006.

in privileges and premiums in the Civil Health Insurance programs.¹⁷³ The following actions respond to these challenges.

Key policy measures/actions include:

- Decentralize budget process and program administration;
- Better use information to enhance management accountability, effectiveness and efficiency;
- Better utilize the capacity of hospitals;
- Review number and location of health services centers;
- Create more patient-friendly hospitals;
- Reform incentives to attract and retain health professionals;
- Introduce better pharmaceutical prescribing practices; and
- Make the Civil Health Insurance program more equitable and efficient.
- Raise the efficiency of primary health centers or merging them to provide superior quality

The preparation and allocation of budget items are highly centralized at MOH, reviews of the two main health service delivery programs: secondary and primary health care suggest that the quality of budget preparation and the day to day management of budget allocations could benefit from decentralization. These two MOH programs alone represent 55% of MOH budget in 2011, excluding Civil Health Insurance. This process eliminates to a large extent, incentives for managers to manage their units in an effective and efficient manner, thereby depriving the system of potential savings to augment service level.

Together with the decentralized reformed budget development, review and management procedures, the Information Technology Directorate should be expanded to include individual hospital and centre expenditure data as well as productivity data.

The differences in bed occupancy and average length of stay among the hospitals and the likelihood tighter budget resources in the coming years suggests that opportunities need to be explored of these differences in order to make provision of MOH hospital care more efficient and more effective.

Retention and attraction of MOH qualified health professionals is an uprising serious issue, and needs innovative and long term measures and plans, assessing the feasibility, desirability and cost of alternative initiatives to increase recruitment and retention of clinical physicians and other health professionals needed at MOH.

¹⁷³ Zafra, 2011.

The Civil Health Insurance covers public employees, and other categories identified and approved by Prime Minister Office. All employees pay the same 3% of total compensation, up to JD 30 Monthly, for CHI coverage, but have different entitlements. Moreover, there is no direct relation between the premiums collected and the costs of services received by public employees in MOH facilities or other public and private facilities, taking into consideration that the CHI is subsidized by MOH through general funding because CHI makes no payment to MOH facilities for that care. Revisiting the CHI program organization and fairness in contribution would give GOJ opportunity to make it more equitable and efficient.

Improve women's nutrition

The mean BMI of women in Jordan is 25.8 (26.1 among the poorest women), higher than the normal BMI range of 18.5-24.9. Half (48.6%) of women fall in the normal BMI category (46.1% of the poorest women). Four percent (3.9%) of women fall below the cut-off of 18.5 (4.9% of the poorest women), indicating that the level of chronic energy deficiency is relatively low in Jordan. However, a very high proportion of women have a BMI of 25.0-29.9 and can be considered overweight (27.4 percent of all women and poorest women) or have a BMI of 30.0 or more and can be considered obese (20.1 percent of all women and 21.6% of the poorest women). In total, almost half of the poorest women are either overweight or obese¹⁷⁴.

Policy Action:

- Leverage with national programs working on promoting healthy lifestyles and reducing obesity.

REPRODUCTIVE HEALTH (RH)

In the last decade, Jordan continued to face a number of population/RH/FP-related challenges that were detrimental to its economic, social, environmental, and human development. Both the population growth and fertility rate leveled-off. There was also stagnation in the child dependency ratio and unemployment rate with a subsequent increase in poverty and pressure on basic social services. However, Jordan's population and RH scenario offers both opportunities and challenges. Today, aside from net migration, the estimated natural population growth rate is 2.31 percent per year. If this rate remains constant, Jordan's current population of about 6.3 million will reach 12.6 million by 2040, straining the country's educational, health, and social support systems as the projected population increase will mainly occur in number of children.

Jordan has made great strides in improving family health, as nearly all children are fully immunized, all mothers are receiving antenatal care and skilled health workers attend almost all deliveries. Yet, more work needs to be done to reduce maternal deaths ¹⁷⁵ and

¹⁷⁴ Ibid, Department of Statistics [Jordan] and ORC Macro. 2008. p. 144.

¹⁷⁵ Maternal deaths are 19.1 per 100,000 live births while infant deaths are 23 per 1,000 live births.

morbidity, infant deaths and more importantly fertility rate.¹⁷⁶ Further, the contraceptive prevalence rate (CPR) has leveled off, with about 42 percent of married women of reproductive age (37% of the poorest couples) currently using modern methods. Thus there are ample opportunities for increasing contraceptive use and helping poor families achieve their desired family size and overcome their living hardships.¹⁷⁷

Despite the tremendous expansion and improvement of government-run health care systems over the last decade, RH programs often failed to address social and economic determinants of access and utilization of RH services and their links to operational service delivery policies. Significant social and policy barriers to ensuring sustainable access to high-quality RH services still exist in Jordan and are detailed in the coming pages.

RH issues are inextricably linked to gender relationships and inequalities, as a social determinant of health; to a woman's ability to access services with or without the permission of her husband; to the wife-husband relationship and the decision making process; to other members of the extended family who may have a say in issues related to childbearing; and also to the attitude of service providers (often males) toward women seeking RH advice and care.

PRE-EXISTING POLICY, LAW AND LINKAGES

In response to current and anticipated population and RH challenges associated with unfavorable features of the growth and structure of Jordan population, the GoJ established a National Population Strategy (NPS) in 1996. The overall strategic objective of the NPS is to restore the balance between population and national resources of Jordan by reducing rate of natural increase and directly and indirectly influencing population variables, which determine conditions that are more favorable for sustainable development and improved RH in Jordan. The National Agenda recognized the need for reducing total fertility rate to 2.9 in 2012 and 2.5 births per woman in 2020.

In the last decade or so, Jordan has pursued additional actions to improve the country's reproductive health (RH) status and family wellbeing. These actions included enacting new policies and laws such as: RHAP I and II, contraceptive security plan, premarital exam, maternal leave, marriage age law, divorce law; National Agenda; and expanding and improving the quality of available family planning (FP) services through applying QA measures. Several RH services have become increasingly available in Jordan through state free services, NGO's nominal fees and the private fee-for-service. RHAP II (2008 – 2012) emphasized increasing awareness of RH/FP issues; removing barriers to high-quality services; building the capacity of healthcare providers; ensuring contraceptive security; promoting NGO and private sector involvement; and using up-to-date

¹⁷⁶ Jordan's current TFR is 3.8, which is higher than most countries in the Arab East and North Africa region.

¹⁷⁷ One third of all births (38% among the poorest families) are very shortly spaced (born within less than two years after their siblings), an estimated 26.4 percent of current pregnancies being unintended (with 15.6 percent mistimed or wanted later), 1.3 child per poor women unwanted and 11.2 percent of married women (13.3% among the poor) having reported an unmet need for FPT.

information for decision-making and monitoring. The current challenges to RHAP II include strengthening implementation and monitoring of RH/FP services; ensuring that the government, civil society, and others have the capacity and are working together to foster a sustainable RH/FP program; and promoting widespread acceptance of the small family norm.

POLICY

In this section, Jordan RH issues and their relevant policy approaches are now presented.

Raise awareness of reproductive health issues

Total Fertility rate (TFR), total wanted fertility rate, completed fertility rate, unmet need and proportion pregnant are higher among the poorest segment of the population compared to the national average and wealthiest segment. The poorest women have more children than any other group of women. Moreover, the intention to have more children is also higher among the poor. Statistics indicate that the gap between wanted and actual fertility rates is higher among women in the lowest wealth quintile (1.3 births) than among women in the highest wealth quintile (0.4 births) who also have the lowest fertility.

Table 3.20: Fertility Rates and Preferences by Household Wealth Status, 2009

Group	TFR (births per woman)	Wanted TFR (births per woman)	Completed FR (births per woman)	Unmet Need (%)	Desire to Limit (%)	Average Birth Interval (months)	Percent of all Women Currently Pregnant
Poorest Quintile	4.9	3.6	5.5	13.3	44.0	28.0	8.8
Wealthiest Quintile	2.7	2.3	4.0	10.4	54.1	38.0	3.5
Jordan	3.8	3.0	4.9	11.2	47.0	31.3	6.6

Source: Department of Statistics [Jordan] and ORC Macro. 2010. Jordan Population and Family Health Survey 2009. Calverton, Maryland: Department of Statistics and ORC Macro.

The percentage of married women 15-49 years (MWRA) who or their husbands are currently using modern contraceptives increases as their economic status increases. Forty-two percent of all MWRA in Jordan use modern contraceptives, varying from 37 percent in the bottom economic quintile to 49 percent in the top quintile. This indicates that a considerably higher proportion of the married poor (63%) do not use an effective FP method, despite the fact that FP services are provided free at all public sector and UNRWA facilities.

Previous use of modern methods in Jordan is high. The 2009 JPFHS reported that 83 percent of women ages 15–49 have ever-used a method and 75 percent have-ever used

a modern method. This high “ever-use” does not fit with CPR of 42 percent for modern methods. Jordan is a country of high discontinuation and repeated acceptance of contraception. First-year contraceptive discontinuation rate in Jordan is higher than in other countries despite its decline from 48.9 percent to 45.1 percent between 1997 and 2009. Even the IUD, a long-term and popular method in Jordan, shows an exceptionally high termination rate (15% in 2009).

High discontinuation is combined with a high contraceptive failure rate and the lack of clear policy on treating side effects. Other than the desire to get pregnant, switching to other methods (including traditional ones) and method failure is the most common single reason behind 1st year contraceptive discontinuation. Other discontinuers abandon the use of a method even though they need to use contraception to avoid having an unplanned pregnancy. Method failure, untreated side effects, husband disapproval and health concern were reasons behind contraceptive discontinuation and switching behavior among users. High discontinuation rates inhibit the sustained increase in CPR to the targeted level. If more couples use their methods longer, prevalence will jump to a higher level. Discontinuation feeds into the non-use status and this requires new users to replace discontinuers to prevent CPR from further decline.

The newly married, adolescents, and unmarried youth (the future parents) are often excluded from awareness-raising and counseling programs. RH information and care are considered the domain of the married. The consequences of this are lack of knowledge.¹⁷⁸ To date, RH information, education, and services for Jordan’s young unmarried adults have been limited. Most young persons tend to equate RH with maternity care and do not spontaneously associate it with FP. Young people are critical of the teaching of RH in school curricula and complain about insufficient response by the teachers to their questions. Although young people are eager to learn about all matters concerning their sexual and reproductive lives, these matters have been covered minimally in school and in the media. Such matters often are not addressed within families or by parents.

Youth demonstrate a tremendous gap in their knowledge of and interest in learning about sexual and RP issues. Most young persons don’t feel free to talk to their parents about RH/FP or puberty and the maturation process, and many teachers are reluctant or feel uncomfortable when approaching these subjects, so they choose to skip them. On the other hand, an increasing number of educators and school social workers recognize the need for youth to be informed about RH.

Policy Actions:

- Raise awareness among the poor communities of the many benefits of small family in order to change their childbearing behavior and help them achieve their desired number of children.

¹⁷⁸ Although nearly 86 percent of Jordanians (15–24) heard about HIV/AIDS, only 14 percent of ever-married (10 percent of the poorest women and 12 percent of women 15–19) have a comprehensive knowledge of HIV/AIDS that can protect them from this disease. Department of Statistics [Jordan] and ORC Macro. 2008. P. 152

- Reach out to married women in poor communities with information on modern contraceptives and benefits of FP through home visits by social workers or any other proper means.
- Provide more information about all modern methods to combat false rumors the couples may have
- Ensure that all providers working in RH/FP facilities are knowledgeable about modern methods
- Improve counseling about all methods regarding side effects
- Increase informed choice, since continuation tends to be higher when clients get the method they want
- Include husbands in counseling sessions.
- Advocate for the discouragement of such practice by targeting the religious leaders as well as parents.
- Improve access to RH services for young people

Reform marriage and cohabitation practices

In 2001, the government amended the Personal Status Law of 1976 - by raising the legal age at marriage for both sexes to 18 years. Nevertheless, the number of girls who got married below the age of 18 years totaled to 24,640 in 2003, 2008 and 2010 consisting 16 percent of first-time brides in these three years. Girls are more likely than boys to marry as adolescents. In fear of delayed marriage and increased communication technology and cohabitation between unmarried youth of both sexes, many religious leaders called upon parents to ease marriage conditions of their children a/o polygyny to protect them from engaging in sexual activities before marriage a/o consensual or “*orfi*” marriage. *Orfi* is illegal in Jordan and is penalized by the Penal Code since it jeopardizes the wife’s rights. Poverty and early marriage of females are interrelated. While early marriages reduce the number of female adolescents in the family of origin and be a means to escape from poverty, they usually result in having many births in the newly formed families as well as fewer years of schooling and employment, if any.

Polygyny is more prevalent among the poorest quintile of families where 9.3 and 11.9 percent of currently married women are in a polygynous marriage respectively, compared with the national percentage of 5.2. Although the relationship between polygyny and fertility is quite complex and not easily understood, polygynous families are more likely to be large and have a higher number of children and difficulties in providing them with basic needs and consequently falling into poverty.

The poorest segment of women has the least educational attainment in terms of number of years of schooling, illiteracy rate, and proportion completed higher education. One of the main reasons cited by youth for dropping out of school is early marriage. Approximately 54 percent of females aged 15-24 dropped out of the educational system

because of early marriage. In addition, educational attainment is strongly associated with early pregnancy and motherhood.

Several reports have linked kinship marriage with inherited diseases such as sickle cell anaemia, thalassemia and other negative health outcomes. Kinship marriage is common in Jordan.¹⁷⁹ Statistics also show that there is an inverse relationship with household wealth quintile and kinship marriage, i.e., women in the poorest households are more likely to marry relatives than those living in the wealthiest households.

Actions

- Enforce the law that intended to prevent child marriage by only allowing engagement before the age of 18 years and postponing marriage until the bride and groom reaches this age.
- Advocate for the discouragement of such practice by targeting the religious leaders as well as parents.
- Investigate the motives of poor and low-income men who intend to marry a second or third wife and counsel them accordingly
- Get information from NAF on the relationship between poverty and polygyny and counsel potential polygynous men accordingly.
- Responsible staff in public schools should follow up with female students and work closely with their parents to prevent early drop-out of school due to marriage or other reasons.
- Integrate the consequences of kinship marriages into school curricula
- Integrate the consequences of kinship marriages into the premarital exam program

Reform patterns of parenthood

Once married, young couples are under social pressure to begin childbearing immediately. There is a great emphasis placed on couples to prove their fertility. Although recent information on first-order birth intervals is not available, it is believed to be the shortest since median birth interval for mothers aged 15-19 years is the shortest (19 months) compared to older mothers (24 months for women 20-29 and 36

¹⁷⁹ The most recent available statistics indicate that 40 percent of women aged 15-49 reported that they are related to their current husband (or last husband for divorced or widowed). Statistics indicated that 5 percent were dual first cousin marriages (i.e., both father's and mother's sides).

months for women 30-39 years).¹⁸⁰ Married adolescents are also less likely to use FP methods compared to older couples.¹⁸¹

The interval between getting married and having the first child is too short in Jordan. Newly married couples are rushed to have their first child before finishing college or before being economically and psychologically ready. They do so to prove their fecundity, to avoid family pressure, or because of the denial of FP services by service providers. Two-thirds (66%) of the newly married have their first child or first pregnancy within a year and half from marriage. Early transition to first child by young wives may encourage them to leave their jobs early since they haven't yet accumulated many working years.

Couples who want no more children or want to delay their next child but are not using any method to avoid new pregnancy are said to have an unmet need for FP services. Unmet need for FP in Jordan is high.¹⁸²

The 2009 JPFHS also found that actual fertility (3.8 births) still exceeds wanted fertility by 0.8 births per woman. The wanted fertility rate describes what the fertility rate would be if all unintended births were avoided and the need for FP was met. As a result of unmet need, 26.4 percent of births in the past five years were either unintended (10.8%) or mistimed (15.6%). Based on these figures, we can say that more than 50,000 births in any given year are unplanned. This will have an adverse effect on all family members involved.

Although there are no data on induced abortion, some in the health sector have the impression that illegal abortions are taking place since nearly 11 percent of total births and pregnancies in the last five years are not wanted at all. In addition, 16 percent of these births and pregnancies are mistimed. This situation is the result of greater reliance on traditional FP methods, which usually have higher failure rates. Over 40 percent and 28 percent of currently married women aged 15-19 and 20-24 respectively who currently use FP rely on traditional methods and 32 percent of the poorest women who are currently using a contraceptive method rely on traditional method.

As a result of short duration of exclusive breastfeeding (the median is less than one month) and low proportion of mothers who rely on LAM for avoiding pregnancy, newly-delivered mothers resume their monthly menstrual period soon after delivery. That makes them susceptible to a new pregnancy within less than four months. This implies a health hazard for mothers and deprives infants of their right to sufficient care.

¹⁸⁰ In fact, 68 percent of births to mothers 15-19 years are born within 24 months from their previous siblings, Department of Statistics [Jordan] and ORC Macro. 2010. p.42

¹⁸¹ Only 16 percent of married women aged 15-19 years are currently using a modern FP method, compared to 30 percent and 41 percent for married women aged 20-24 and 25-29 years respectively, Department of Statistics [Jordan] and ORC Macro. 2010. p.50

¹⁸² It was estimated at 11.2 (13.3 among the poorest families) percent of all MWRA according to Jordan's 2009 JPFHS, not including an additional 2.4 percent of women who need a better contraceptive method, since the one they were using failed. Department of Statistics [Jordan] and ORC Macro. 2010. p.73

Promoting exclusive breastfeeding and LAM not only reduces the incidence of postpartum unintended pregnancies but significantly raises the early use of modern contraceptive methods in the extended postpartum period. Short duration of exclusive free breastfeeding and early unjustified resort to expensive infant formula and other supplementation have negative economic and health influences especially on the poor families. It is also worth mentioning that post-miscarriage pregnancy takes place within a shorter period compared with a pregnancy following a full-term birth. This means that women who have miscarriages should seek help from service providers to avoid early pregnancy and reoccurrence of fetal death.

Policy Actions:

- Advocate among RH service providers for providing newlywed couples with safe FP methods.
- Jordan FP program should target poor couples in their own communities focusing on those who have high unmet need for modern FP methods.
- Counsel poor married women who rely on traditional FP methods to shift to more effective modern methods
- Enforce the WHO eight optimal breastfeeding practices
- Apply UNICEF baby-friendly hospitals initiative in both public and private maternity wards
- Enforce the international codes governing the marketing of human milk substitutes.

Reduce maternal mortality and morbidity

Throughout the world, miscarriage and other complications of pregnancy are major causes of maternal mortality and morbidity. In Jordan, hospital admissions due to complications associated with spontaneous abortion (not induced abortion or miscarriage) constitute a high proportion of overall health care in hospitals. Maternal morbidity, including incomplete miscarriages, is the second leading cause for female admission to hospitals (delivery care is the leading reason), according to the Ministry of Health (MOH).¹⁸³ This situation may require the initiation of a post-miscarriage program to reduce pregnancy wastage and health expenditures and protect mothers' health.

Hospital stays for miscarriage are generally longer than for childbirth. Post-miscarriage care improves health outcomes for women because less invasive treatment procedures are used; that care also results in financial savings for the health system because women have shorter hospital stays and general anesthesia is not necessary. Post-miscarriage

¹⁸³ Unpublished results derived from Jordan's 2002 JPFHS showed that 36.9 percent of ever-married WRA have had a miscarriage (32%), an abortion (2.6%), or a still-birth (2.3%) at least once in their lifetime.

care, moreover, is an excellent time to immediately reach out to women with FP counseling.

The World Health Organization (WHO) has determined that the rate of Cesarean section (C-section) delivery should not be less than 5 percent, indicating the availability of health care for pregnant women. However, the available information shows that the rate of C-section deliveries in Jordan is well above 5% and has increased in the past few years.¹⁸⁴

Women in Jordan generally (75%) prefer to visit female physicians for health care and receive FP services from female providers.¹⁸⁵ However, there are not enough female physicians engaged in FP to meet this demand. Therefore, service delivery points (SDPs) with no female providers offer fewer choices to their clients. The underutilization of such services may partially be attributed to the unmet preference for female service providers among women. Midwives are more available and acceptable, but they are not allowed to insert IUDs—the most popular and preferred method in Jordan. A provision in the Public Health Law is interpreted by the MOH and the medical syndicate to mean that only licensed doctors of medicine may insert an IUD, although no explicit prohibition exists on insertion by midwives.

Although antenatal and obstetric care is universal in Jordan, neither baseline nor ongoing data were collected about the percentage of women delivering at hospitals who subsequently accepted FP. This is due to lack of continued efforts to collect information about women who return to get service during the postnatal period after hospital delivery. Furthermore the acceptor data that are available are contaminated by the fact that some FP clients served by the centers were not postpartum.

In general, postpartum care and follow-up is weak in Jordan. Policies are biased toward antenatal care compared with postpartum care.¹⁸⁶ The postpartum period is crucial for FP use. Unfortunately, only one-third of those who returned for postnatal care received FP counseling during their visit. Most women in Jordan feel that there is no need for a postnatal checkup. Therefore, we should not be surprised about high susceptibility to early postnatal pregnancy and short birth spacing.

Policy Actions:

- Initiate a post-miscarriage program focusing on the poor to reduce the costly incidence of repeated miscarriage and resort to C-section deliveries.
- Train enough midwives/nurses on IUD insertion and FP counseling and expand their medical license to include these services.
- Encourage women during antenatal period to return for postnatal checkup

¹⁸⁴ 18.5% of deliveries (15.4% among the poorest women) are delivered by C-section, Department of Statistics [Jordan] and ORC Macro. 2008. p. 104. Rates above 15 percent indicate unnecessarily high reliance on a major surgical procedure with numerous risks, higher cost and longer hospital stay.

¹⁸⁵ Commercial Market Strategies Project. 2002. "Client Preference Regarding Provider for IUD insertion."

¹⁸⁶ 99% of women receive antenatal care vs. 68% who receive postpartum care and 60% of the poorest quintile, Department of Statistics [Jordan] and ORC Macro. 2008. p. 107; 28% according to MoH et.al. 2005 Communication Partnership for Family Health Baseline Survey: Key Results

- Integrate postnatal care information and FP with antenatal care
- Introduce phone or home follow-up visits and counseling for newly delivered mothers in the community.

Improve access to RH services

Many different factors can prevent women from getting medical advice or treatment for themselves. The 2007 JPFHS showed that 73 percent of women reported having at least one problem in accessing health care for themselves. However, women in the lowest wealth quintiles reported more frequently than others (81%) that they have at least one problem in accessing health care, i.e. eight of ten women living in the lowest wealth quintile faced at least one problem in accessing health care. These problems include: getting money for treatment (58%); distance to health facility (50%); having to take transport (51%); not wanting to go alone and concern no female provider available (48% each); not knowing where to go and getting permission to go for treatment (27% and 17% respectively)¹⁸⁷. These problems have a cost and cultural element and may result in a delay of health care onset that may aggravate illness especially among the poor. Several opportunities for awareness and service are missed in the education and health care system in Jordan. One is within the premarital exam that recently became mandatory. This exam can be a golden opportunity to educate young couples about family life in general and FP in particular before entering into marriage and parenthood.

The second is associated with postnatal care. Although antenatal care is universal in Jordan, only 30 percent of antenatal care attendees return for postnatal care. Regrettably, only one-third of postnatal returnees are counseled for FP during their postnatal visit.¹⁸⁸ These missed opportunities for counseling on FP are confirmed by data from two other sources. These sources show that only one-fifth to one-fourth of non-users of contraception who visited a health facility (for child vaccination or other reasons) in the past 12 months discussed FP with service providers¹⁸⁹.

Another opportunity is lost at the hospital level. No immediate postnatal IUDs insertions are taking place at public or private hospitals, where most of the deliveries take place. Service providers either lack skills for such service or believe that immediate postnatal IUDs insertion is associated with a higher rate of expulsion. Studies in other countries showed lower expulsion rates than in earlier periods when the procedure was first introduced.

Finally, another lost opportunity of providing information and counseling exists at religious gatherings and daily lessons at mosques. Youth at all levels of schooling and men could receive information in this setting if religious leaders were willing.

Policy Action:

¹⁸⁷ Department of Statistics [Jordan] and ORC Macro. 2008. p.108

¹⁸⁸ PHCI Project. 2000. p. 3

¹⁸⁹ Department of Statistics [Jordan] and ORC Macro. 2003. p. 64. Family Health Group and PHCI Research Team. 2004. p. 2

- Consider home visits or similar program that can increase access of the poor to RH services.
- Expand the scope and objective of the premarital exam to include additional RH components.
- Include RH information in high school curricula and train teachers to cover it without being embarrassed
- Include RH in the Ministry of Awqaf preaching strategy, if any
- Include RH awareness raising in youth and summer camps activities

Include RH awareness in social work activities in local poor communities.

Improve health services for specific RH-related issues

Knowledge of ever-married women of reproductive age (MWRA) of symptoms, consequences and ways of preventing anaemia among pregnant women is quite high. Levels of anaemia among mothers are associated with parity and birth spacing, according to worldwide research. Iron deficiency anaemia is a major threat to safe motherhood as it contributes to the baby's low birth weight, lower resistance to infection, poor cognitive development, and decreased work capacity. Among all MWRA in Jordan, the prevalence of any anaemia is 25 percent (30 percent among the poorest women) and among children 6-59 months is 34 percent (43 among children in the poorest families).

The percentage of menopausal women increases with age. Almost one-third of women 48–49 are menopausal. The percentage of menopausal women is certainly higher among women age 50 or more. More important, according to a local study, is that the majority of women in this age group are unaware of the health symptoms and hormonal and psychological changes associated with menopause.

Information on the prevalence of osteoporosis among women in older ages is scarce for Jordan. However, bone surgeries are costly major surgeries and such surgeries among women constitute 9 percent of overall surgeries for women carried out in MOH hospitals in 2002. In addition, preliminary results of recent assessment of the disease in Jordan found out that bone mineral density varies with skeletal site and age. Bone fractures resulted from osteoporosis can have serious and long-term adverse effects on health especially for the poor who usually have less resources to deal with the problem.

No direct estimate of infertility is available for Jordan. However, demographic and health surveys provide indirect estimates which indicate that the level of infertility in Jordan is increasing. Families especially the poor ones whose husbands, wives or both are sterile bear tremendous health, financial, and psychological burdens in their efforts for having children.

Breast cancer is a leading disease and killer of women in Jordan. Although breast cancer ranks first among cancers in women - responsible for one-third of cancers among Jordanian women- only 19 percent of women have had a breast cancer exam in the past year (14% of women in the poorest families) and only 18 percent have ever had a Pap

smear to detect cervical cancer (9 percent of women in the poorest families). Early detection of reproductive cancers is associated with a higher survival rate and lower cost especially for the poor.

However, Jordanian women fear this disease and it is difficult to convince them to take early necessary measures to detect and manage this disease. Women are self-conscious about performing a self-exam; therefore, most of the cases are discovered at a very late stage, which makes management difficult, chances for cure very slim and cost very high, especially for the poor families. Mammography is expensive in the private sector and unavailable in many areas. The public sector facilities have few machines, far too few to meet the needs of high-risk groups or to provide regular screening.

Policy Actions:

- Discourage the inappropriate dietary habits in poor families that contribute to anemia
- Continue the program of iron and vitamins supplementation in health facilities and schools in poor communities.
- Launch a national campaign that promotes an early detection and treatment of menopausal symptoms and osteoporosis.
- RH care programs should meet the needs and respond to the rights of the childless poor.
- Focus on the poor in awareness campaigns aiming at encouraging women to use BSE and free clinical exam.

EDUCATION

In recent years, the Government of Jordan has gained substantial ground in improving access to education and educational outcomes in the country. However, despite such gains, access issues to education and training for certain groups represents one of the most significant obstacles to inclusive human development and poverty reduction in Jordan. As such, reform of the education sector to enhance and improve access for these groups represents an opportunity to enhance the outcomes of previously marginalized groups and thus support all Jordanians in achievement of better lives.

In Jordan, about one-third of population, was enrolled in education in 2009 and this ratio includes students in kindergarten through university to doctoral studies. 165,000 people were employed in the education sector; both public and private in 2009. The latest study (2011) using World Development Indicators data maintained by the World Bank indicated that in comparison with the Middle East and North Africa (MENA - benchmark), Jordan provides many options for education, although the quality and standard of education need improvement.

Two million students were enrolled in 2009 in the Jordan's education system:¹⁹⁰

- 5,853 schools (3,600 public; 2,253 private providing kindergarten through grade 12 education (k-12);
- 49 community colleges (25 of which receive support from Jordan's annual budget; and
- 31 universities (10 public, 21 private).

Over 70% percent of total enrolment is supported through the national budget. The lowest public support is for kindergarten with only 12% of kindergarten students at public schools, while 88% of them enrolled in the private educational sector. The Millennium summit major goal in 2000 (MDG) was directed to improve education worldwide in order to be attained in 2015. The main goal was to achieve universal basic education to ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of basic education. Indicators as follows:

- Net enrolment ratio (NER) in basic education;
- Proportion of pupils starting grade one who reach the last of basic education; and
- Literacy rate of 15- 24 years olds.

Regarding the first indicator, Net Enrolment Ratio (NER) in basic education, NER is the number of children of official age (6-15 years) enrolled in basic education as a percent of the number of children of official basic school age. Basic school NERs indicates substantial increases since 1990 from 87 percent to 98 percent. This demonstrates that considerable progress has been made in providing universal basic schooling and ensuring completion of full course of basic education.

¹⁹⁰ Issues concerning vocational training are dealt with in section 000 above.

Regarding the proportion of pupils starting grade one who do successfully complete grade five, the “persistence rate” shows remarkable improvement, from 92 percent in 1990/ 91 to 99 percent during 2007-08.

Regarding literacy rate among (15-24) year’s olds, Jordan reduced illiteracy with well-defined policies and effective literacy education and reduced school dropouts. Despite its decline, illiteracy is higher among females than males and in rural over urban areas.

In spite of this progress, the budget appropriation for publicly funded education programs is still low with total of JD 836.5 million in 2011, or 12.7 percent of the total government budget. This share is a smaller allocation provided to education by the Middle East and North Africa (MENA) countries, which spend between 18 to 20 percent of their budget on education, moreover at 3.8 percent of gross domestic product (GDP), Jordan public education spending is less than one – half its allocation of military spending. This 3.8 percent figure is also below the worldwide average (4.6 percent) as well as that of Organization for Economic Cooperation and Development (OECD) member countries (5 Percent) education. The main education programs in Jordan are as follows:

	2011 Budget Law (JD)	% of Education Budget
Ministry of Education		
1. Administration and support services.	49.1 million	5.9 %
2. Kindergarten Education	9.8 million	1.2 %
3. Basic Education	5.35 million	63.9 %
4. Secondary Education	9.3 million	11.1 %
5. Special Education	3.6 million	0.4 %
6. Illiteracy and Elderly education	601.000	0.1 %
7. Social Sport Educational Activates	6 million	0.7 %
8. Vocational Education	23 million	2.8 %
Dept. of Defence Education services		
9. Educational and Social services	18.6 million	2.2 %
Vocational Training Corporation		
10. Administration & support services	2.1 million	0.3 %
11. Training and Habilitation	9.6 million	1.2 %
Ministry of Higher Education		

12. Administration and support services	4.1 million	0.5 %
13. Government colleges, Universities	70.7 million	8.5 %
Ministry of Planning & International Cooperation		
14. Basic Education	10.5 million	1.3 %
15. Higher Education Accreditation Commission (3 Programs.)	1.3 million	0.2 %
16. Government Colleges and Universities	108.000	<1 %
Total Education	836.5 million	100 %

Notably, the Ministry of Education (MOE), Ministry of Higher Education and Scientific research (MOHESR), Armed Forces Department of education (AFDE), Vocational Training Corporation (VTC), Higher Education Accreditation Commission (HEAC), and Ministry of Planning and International Cooperation (MoPIC), MOE Consumes by far the largest share of the education budget (86 percent), followed by MOHESR (8.9 percent), with the remaining 5 percent appropriated to the AFDE education services program, VTC, MoPIC and HEAC.

Despite of the financial problems (which will not be solved by raising the allocations but with other measures discussed later) facing some of the educational programs, but we found that the Ministry of Education (MOE) has achieved great progress in recent years, the Ministry has registered numerous accomplishments, including enhanced decentralization to the Directorate and school levels, adopting results – oriented budgeting methodologies, developing the education management information system, and providing the international “Computer Driving License” credential to all teachers. In quality assurance, MOE participated in International Studies, such as the Program of International Student Assessment (PISA) and Trends in International Mathematics and Science Study (TIMSS).

In pre-school education, MOE conducted workshops and courses to enhance parental awareness and participation and to provide kindergarten teachers with pre-school education courses. The Ministry also made strides in connecting to strengthen compulsory education and increase basic education enrolment rates. In basic and secondary education, the main accomplishments are within the framework of the education reform for knowledge economy projects (ERFKE I and ERFKE II).

These accomplishments have been in the areas of education and education governance reforms, transforming programs and practices to meet the needs of the knowledge economy, providing safe school buildings and improved learning environment and early childhood education. MOE also strengthened vocational education by improving administration, curricula, and employment after graduation, and enhancing teacher and trainer capabilities.

Despite this, education is facing challenges which if overcome will improve the situation of our graduates and indirectly improve the efforts exerted for reducing poverty in Jordan, From the challenges educational system face in Jordan the following:

- (a) Low levels of enrolment in public pre-school education (KGI, and KG II) remains

both an educational and an equity issue particularly for poor and rural areas. More attention should be given, since the benefits of the pre-primary education are significant, especially for disadvantaged children, whose kindergarten participation is associated with future higher level verbal and mathematics achievement, less grade repetition, and higher graduation rates. The enrolment rate is only 36 percent which is lower than the average of the 56 lower Middle Income Countries (MLC) and is less than half the OECD rate;

- (b) The dropout rate needs to be decreased and the percentage of students attending two shifts, basic education schools to be reduced. The Ministry's program performance indicators for 2011 include keeping the basic education dropout rate at 0.6 percent and reducing the percentage of students attending two-shift schools at 7.6 percent;
- (c) Jordan has a low student – teacher ratio that places a great pressure on the education budget. Pupil – teacher ratio in Jordan is 16-18 students for each teacher and this rate is less in secondary education, while in Middle East & North Africa countries the ratio is about 25-1;
- (d) Despite increasing demand for vocational and technical skills, Jordanians still tend to prefer academic education over vocational education, as a result secondary vocational enrolment as a share of total secondary enrolment has declined over the years;
- (e) New laws and legislations need to be adopted and old laws need to be revised in order to make further improvements in a number of issues, such as education – related revenues, decentralizing, hiring the staff of the MOE; and
- (f) Still Jordan faces the problem of “quality more than quantity” in education whether in the basic, secondary and tertiary education.

PRE-EXISTING POLICY, LAW AND LINKAGES

Student – Teacher Ratio: The relatively high number of teachers is accompanied by relatively low levels of teacher salary. Data available through UNESCO's Institute of Statistics, showing that Jordan's teachers earn salaries that, on a purchasing power parity basis, are less than half of the level of OECD countries. At the same time, as 92 of the recurrent budget spent on salaries, this has not allowed for spending for non-salary items necessary for quality education, for example:

- Educational materials for classrooms;
- Teacher in- service training;
- Incentives for teaching in remote areas; and
- School maintenance, renovation, and construction.

The same 2008 teacher utilization study analyzed three alternatives as to levels of teacher employment: A stringent policy; a moderate policy; and the existing liberal policy. The moderate policy was recommended and called for student teacher ratio of:

- 29 – 1 in kindergarten;
- 25-1 in basic education; and
- 20-1 in secondary education.

Community Colleges: Community Colleges are essential for economic diversification and the growth of economy. However, they have struggled to restructure their traditional academic programs in a way that contributes more positively to labor market productivity. The policy priority in this area is to produce skills more relevant to the labor market and capture increased economic and employment benefits from the community college system. Currently the country's 14 public community colleges are organized as part of Al-Balqaa' Applied University. Past reports have pointed a wide range of community college problems, including:

- Frequent changes in leadership.
- Absence of clear policy objectives.
- Lack of commitment to building required institutional infrastructure.
- Weak linkage with the employer community.
- Academically oriented faculty with low levels of practical experience.
- High numbers of students transferring to traditional academic university programs; and
- Large and growing numbers of redundant administrative staff.

Higher Education: Public sector financial support for the 10 universities and 14 public institutions is declining. Higher education expenditures as a percent of Jordan's total budget dropped from 2.5 percent in 1991 to 1.3 percent in 2011. At the same time, enrolment growth at private universities has exceeded that of public institutions putting Jordan among the countries with very high private financing of higher education.

The public budget trend is to reduce direct support that subsidizes Jordan's institutions of higher education. The public policy trend is to plan for tuition and fees to recover the total cost of higher education and at the same time, that government will increase the availability of financial assistance for financially disadvantaged students. About 28.000 grants and loans are planned for 2011.

Quality of Education: One of the government's policy priorities is to achieve the status of a knowledge-based economy; the most compelling challenge at hand is the quality of education. The factors that contribute to low academic performance are: non – or late enrolment age appropriate children in school. Lack of resources for educational materials and teacher training; overcrowded classrooms; and teachers with than appropriate qualifications. An additional factor that may contribute to students' relatively low performance may be its very low rate of repeating grades.

The General Education Framework Policy: This policy issued in July 2008 included a policy aimed at the development of kindergarten in coordination and cooperation of local community and the strategic aims of this policy were as follows:

- Increasing the rate of children enrolled in kindergartens belonged to the government to become 30% especially in rural and poor areas (2008- Educational Policy Document);
- Expand and promote early childhood care and development in poor areas is highly important for poverty reduction. Providing day care for children in a learning environment has strong gender implication as it enables women to work and participate in development activities, while their children are cared for itself, it is a significant source of employment for women in rural and has long term development implication as it prepares children for school;
- Government support is still needed to have more centers in rural and poor areas, not only in curriculum development but also in providing the poor communities in remote areas with buildings and enough budget to open new kindergartens, and to meet the target of the government which was aimed at, covering (50%) of all areas in Jordan with pre - school education in 2012;
- Promoting the competencies of staff working in child care centers to reach (100%) of staff (educational policy, 2008);
- Applying the governmental curriculum in all centers (100%);
- Feeding the children in poor areas within the care centers to reach (70%) of such centers;
- Applying the system of quality assurance among the entire government child-care centre; and
- Ensuring integration of children with special education needs in child-care.

Pupils with Special Needs: This issue was one of the options of the strategic Educational Policy (SEP) issued in 2008. The goal was to empower pupils with special needs, especially the disabled pupils to reach access to education with high quality and according to their needs. This goal was proposed to be achieved through the following policies:

- Developing the school curricula to accommodate pupils of special needs;
- Training the staff who are working with pupils of special needs;
- Developing a system of quality assurance for the education of special needs;
- Building a database and knowledge network for evaluations the actual situation of the pupils in the special education programs; and
- Providing the schools with basic infra- structure, equipment and all the facilities needed to take care of pupils with special needs.

POLICY

Four policies have been adopted.

Expand the public provision of pre-school for poor areas. Presently, most kindergarten education is provided by the private sector. In 2003-2004 school years, 95% percent of kindergarten enrolment was in private sector schools. By 2007 -2008, this was reduced to 90% percent, with the MOE signification increasing its emphasis on early childhood education which is still below the expectations. Public kindergartens are virtually all for KG2 (age 5). The GoJ will expand the public provision of pre-school services, particularly in remote areas.

Key policy measures/actions include:

- Additional classrooms are needed (which are available in rural areas) to increase kindergarten and primary grade enrolment rates;
- Provision of transportation between home and schools will increase enrolment; and
- Connecting the National Aid Fund (NAF) with the conditions that age appropriate family members be enrolled in kindergarten and basic education.

Improve the education and training provided to persons with disabilities. People with disabilities remain at a significant disadvantage in accessing and benefitting from education and training.

Key policy measures/actions include:

- Integrating students with disabilities in all stages of education
- Improving the prospects of people with disabilities to receive education by working to provide an appropriate environment (physical and informational)
- The Vocational Training Corporation is supported to enhance employment-oriented trainings;
- Taking into the consideration persons with disabilities and special needs students; and
- Establish centers for training in the fields of pharmacy, food, industry, tourism, environment, energy, engineering and electronics.

Improving the quality of education outputs. A program for international student assessment (PISA) in reading, mathematics and science and the ranks were 55 (for reading), 56 (for mathematics), and 51 (for science), which means that Jordan is very good in quantity of education, but with unsatisfactory level regarding the quality of education.

Key policy measures /actions include:

- Increase the rate of very low 1 percent repeating grades to 3 percent to ensure that low performing students will not be pushed into the next grade and perform poorly

at higher level;

- The Ministry of education should supervise the process of appointment through a system of selection and appointment of staff.
- Providing qualified teachers, particularly for poor areas ;
- Revise and improve the teaching syllabus;
- address the issues of dropping out from school and school violence;
- Create incentives system to retain good teachers and slough off those who are not up to standard; and
- Implement a solid annual assessment system for all professional staff of MOE that includes dismissals of unsatisfactory staff.

Having a low repetition rate is not in and of itself, a negative factor in attaining education excellence. If, however, the low repetition rate is caused by simply passing failing students on from one school years level to the next, without remedial assistance (which is not really available so far in the public school), then this would be the schools rather than the children who fail. Selection of teachers according to standards set by the Ministry of Education will improve the quality of teaching staff in the public education sector, while incentives and strict annual assessment for retention or dismissal of teachers will improve the quality of education. Providing teachers with in-service training relevant the prescribed curricula will also considered a factor for improving the quality of education.

Reduce expenditure by adopting effective management standards and effective laws and legislations. This issue deals with the efficient utilization of school facilities, including overcrowding and under utilization in 2010 – 2011 school years, almost 60 percent of country's 3,400 schools were classified as small (300 students and less) and they enroll 25 percent of students. The cost per student demonstrates the inefficiency of these small schools – between double and triple the cost per student of large schools.

A teacher utilization study, sponsored by the education reform for knowledge economy project (ERfKE), was issued in September 2008. The study recommended that the student teacher ratio of 17.7 to 1, be increased to improve both efficiency and education results, since then the situation has deteriorated.

The student teacher ratio has dropped further to 16.2 to 1. This includes a kindergarten and basic education (through grade 10) ratio 15 to 1. As a result of low – student teacher ratio, teacher salaries represent an overwhelming 92 percent of the recurrent budget.

Key policy measures/actions include:

- Adopt moderate policy for student teacher ratio (29 to 1) in kindergarten; (25 to 1) in basic education and (20 to 1) in secondary education;

- Adopt program of multi-grade teaching when the student teacher ratio are going to be lower than the above-mentioned standards in the rural and remote areas; and
- Amend education law number 3 (1994) that would be needed for developing comprehensive initiative for managing education-related revenues.

By adopting a moderate policy for student teacher ratio this will reduce the teaching staff number during the coming 5 years by 16.000 and would yield an annual saving of about JD 85 million, which could be better invested in areas that can improve the access to education of poor, excluded and disabled people. Moreover, this saving will improve the quality of education in KG and basic level.

3.4 PRO-POOR AGRICULTURE, ENVIRONMENT AND RURAL DEVELOPMENT

The rural population of Jordan faces a higher risk of poverty compared to urban residents due to limited employment and business opportunities and inadequate access to social services. They are also more susceptible to the mounting effects of climate change compared to urban populations. Poverty is particularly acute in rural pockets of poverty. A pillar of PRS therefore focuses on rural development, in particular by supporting productive use of land, water and fuels as key assets available to rural small holders, for increased agricultural and food production and improved livelihoods of the rural poor.

This pillar includes food and agricultural production, agro-processing and value chains as a source of livelihood and income generation for the rural poor, particular in rural pockets of poverty, food security, climate change adaptation, rural development, and preservation and sustainable use of natural resources.

The key policy and technical issues related to the design of the pro-poor agriculture, environment and rural development pillar of PRS include creating productive employment and income generation opportunities for the rural poor, especially small holders who need support in farming their land by microfinance and extension services, development of agro-processing value chain that will create new jobs and increase local food production for consumption by rural residents and for food supplies to Jordan's urban population and for its tourism industry. This pillar also includes measures and activities encompassing climate change adaptation.

AGRICULTURE

The agriculture sector in Jordan suffers from mounting challenges. Poor resource management, negligence, and a lack of legislation by successive governments have compounded the fragmentation of land ownership and increased degradation, and have accelerated urbanization. Furthermore, limited land and water resources, growing population, and the increasing hazards of expected climatic changes are real constraints to the sector.

Jordan's rural economy is constrained by limited arable land and scarce water resources. Jordan is classified among the 10 most water-scarce countries in the world. Water demands in Jordan exceed sustainable supply that results in serious over extraction of groundwater (170 m³ per capita). Moreover, only 4.3% of the country's 8.9 million ha land area is cultivable.

The agriculture sector (AS) provides earnings for approx. 20% of the population and employs approx. 7%. The AS contribution has been declining through the years—from 8% of GDP in 1990—with rising urban incomes producing a significant population shift towards urban areas. Although the sector is small in relation to the overall economy—contributing approx. 3.4% of GDP and 2.7% of the economically active labor force—official statistics relating to formal employment do not take into account, for example, casual agricultural work, home-based income generating agricultural activities, and back yard livestock keeping. Moreover, the AS in most countries is a key driver of

development in rural areas and offers good growth opportunities, if properly approached with sustainable innovative management practices.

Jordan imports around 90% of its cereal requirements and 80% of its animal fodder requirements¹⁹¹. Jordan's self-sufficiency in meat and dairy products amounts to 68%¹⁹². Nevertheless, AS contributes an estimated 28% of gross domestic product (GDP). Agriculture potential is not only limited by severe constraints of land and water resources, in marginal rain fed areas where the rural poor are concentrated. Land fragmentation and absentee owners living in cities (for whom farming is a part-time job) is also another constraint. The sector also faces the challenge of a continuing over-extraction of groundwater in the highlands (the government is forced to control groundwater over-extraction), the increasing use of wastewater in the Jordan Valley, and a dramatic increase in the demand for water for domestic use to meet the needs of an increasing population.

Agricultural exports, to neighboring Gulf countries, make a significant contribution to exports (12-15% of total exports in recent years). However, most of the agricultural exports are water-intensive fruits and vegetables which face uncertain future because of extreme and growing water scarcity in Jordan.

Farming Systems: Agriculture is primarily practiced in three distinct agro-climatic regions: (i) the predominantly rain fed highlands, which produce mainly wheat, barley and some pulses, in addition to fruit; (ii) irrigated farmlands in the Jordan Valley and southern Ghors, which produce fruits and vegetables for the local and export markets; and (iii) the remaining low rainfall semi-desert areas (the Badia) in which livestock-rearing is practiced. Livestock-rearing, mainly of sheep and goats, is an important activity in this latter region. It contributes to a reduction in the vulnerability of the rural poor and accounts for 55% of agricultural GDP).

Approximately 149,500 hectares (ha), or 1.7 %, of Jordan's land area is cultivated¹⁹³. Approximately 900,000 ha or 10% of the total land area is the area of the land outside the Badia region. The Badia, which represents some 90% of the land in Jordan, has an average rainfall of 30 - 200mm, and is used extensive for grazing. Recently about 20,000(ha) were cultivated with cereals in this region. The population of the Badia has become increasingly settled in recent years, to the point where only an estimated 5% are still nomadic. The intensification of various non-agricultural activities, along with increased crop production, poses an environmental threat to this region.

Irrigated land in the Jordan Valley and the dry land parts of the Highlands is about 78,000 ha. However, the future of water availability for irrigation is uncertain given the very low availability of water and growing competition from municipal and industrial demands. The share of water consumed in agriculture has been declining over the last two decades, from 70%, in 1990, to 55% in 2010. Further decline in water available for AS is expected to meet the demands of domestic consumptions, in addition to government efforts to reduce the high rate of over-extraction of ground water (estimated on average at 66% above replenishment). This means the Jordan Valley will

¹⁹¹ FAO (2011) Online food security statistics.

¹⁹² FAO (2011) Online food security statistics.

¹⁹³ This sections draws on MoWI (2008).

be the only area with significant agricultural potential. However, this area faces future environmental hazards that will result from the increasing use of treated wastewater.

The rainfed areas, with an average annual rainfall of 200 - 400 mm, cover 800,000 ha of the semi-arid to semi-humid zone. Wheat is grown in the higher-rainfall areas and barley in the lower-rainfall areas. Yield is often low because of the irregularity of rainfall. Fruit trees, mainly olives, grapes, almonds and stone fruits, are grown. This area has some limited potential for agricultural expansion with water harvesting, but faces increasing threat from urbanization, land fragmentation, declining rainfall trends and increasing drought incidents. According to available data from 1975 and 1997, the area of smallholdings (less than 0.5 ha), increased by 19%, while those of 0.5 – 1 ha by 182%, that of 1-2 ha by 101%¹⁹⁴. The three categories of holdings that suffered the most from fragmentation were those of 1 – 20 ha which decreased by 42%, those of 20 – 50 ha, which decreased by 48%, and those of 50 – 100 ha, which decreased by 43%.

Livestock plays a significant role in poverty reduction in rural areas. It is one of the main constituents of AS where it contributes about 60% of agricultural outputs, and employs about 250,000 people. Sheep rearing is of special importance in the low rainfall and Badia regions because of its social significance, where about 48% of pastoral populations depend on this sector for living. Moreover, women assume an active role in production as they help in management, nutrition, milking, and processing. It also has the highest added value. Goat rearing is important in high rainfall rangelands, while poultry and cow milk production depend on imported feed and foreign labor.

The numbers of sheep and goats had doubled since 1950 as a result of the government policy of subsidizing livestock feed. This also led to an increase in the annual export value of live animals. This sector is constrained by a decline in the production of natural rangelands and their contribution to providing livestock feed since 1950. In 1950 the rangelands were declared as open access government lands. This increased land fragmentation and degradation due to sloughing, heavy traffic movement, and increasing human activities. Moreover, newly acquired rangeland entered the land market as a trade commodity rather than being used for the production of animal feed. Therefore, the production of livestock feed did not improve and Jordan remained dependent on imports.

The Rural Poor: The incidence of poverty is higher in rural areas in Jordan, at 19%, compared to urban areas, at 12%¹⁹⁵. However, only one third of all poor Jordanians live in rural areas, reflecting the country's high urbanization. While the majority of the poor are urban, the highest incidence of 'poverty pockets' is found in sub-districts of rural areas. Some are in isolated and remote areas while others are merely in areas with a poor resource base and a low population density. Furthermore, according to FAO the number of under-nourished people in Jordan fell from 200,000 in the period 2000-2002 to being statistically insignificant in 2005-2007¹⁹⁶.

¹⁹⁴ Taimeh (2012).

¹⁹⁵ DOS (2010).

¹⁹⁶ FAO (2011) Online food security statistics.

Three main groups can be distinguished amongst the rural poor: (i) small-scale herders in the Badia, who are negatively affected as a consequence of reduced range for their animals due to mismanagement and overgrazing, which in turn has resulted from overstocking, increasing drought, and the removal of subsidies for fodder in the late eighties; (ii) smallholder households, who in the past relied on mixed farming, but today have a few livestock and derive a part of their income from cereal cropping. Their holdings are small due to increasing land fragmentation and increasing land prices around the main urban centers had tempted many of these small holders to sell their land to support their living needs; and (iii) the landless rural poor, who essentially rely on wage labor, state assistance, pensions, or small businesses.

The poor in Jordan derive their incomes from diversified sources, comprised of wage employment (49% of total income), income transfers from public and private sources (28 %), and self-employment (10%)¹⁹⁷. Disaggregated information about the patterns of income of the rural poor is not available but is considered to be broadly similar. Agriculture accounts for only a small part of income of the rural poor, likely because of the small size of agriculture particularly in the marginal areas that have the largest proportion of the rural poor. According to a recent study by the Department of Statistics (DOS) and jointly conducted by the World Food Program (WFP) and the Jordanian Alliance Against Hunger (JAAH), only 12% of households in rural areas were involved in agriculture production¹⁹⁸.

PRE-EXISTING POLICY, LAW AND LINKAGES

National Strategy for Agricultural Development (NSAD, 2002-2010)¹⁹⁹: The NSAD was adopted in 2002 to put the AS on sustainable bases, optimize the use of and protect land resources from degradation, and to increase the contribution of AS to national GDP. The strategy sets out three main pillars to support and develop rural areas: (i) achieve sustainable agricultural development; (ii) achieve food security and reduce poverty in rural areas through the optimum use of natural resources; and (iii) providing rural financial and marketing services to farming households. The strategy emphasizes the economic, social, and environmental dimension of agricultural development.

Regarding poverty alleviation, the strategy suggests policies which included: (i) job creation in rural areas; (ii) diversification of high value crops; (iii) integration of plant and animal production; (iv) protect rangeland and improve the production and development of rangelands based on local community participation; (v) adoption of water harvesting technologies; (vi) combat desertification; (vii) develop animal feed resources; (viii) improve the productivity of livestock; and (ix) promote family-level animal production projects in rural areas.

National Framework to Mitigate Drought²⁰⁰: The MoA prepared a preliminary study in 2007 on steps needed to mitigate drought in Jordan. Suggested mitigation steps included: (i) defining the duties and responsibilities of different stakeholders; (ii)

¹⁹⁷ DOS (2009).

¹⁹⁸ WFP/JAAH, (2008).

¹⁹⁹ MoA, 2002.

maintaining an inventory of previous programs available to respond to drought emergency; (iii) identifying most drought-prone areas and vulnerable economic sectors, population groups, or environments; and (iv) identifying mitigation actions that address vulnerabilities and reduce drought impacts.

Jordan National Agenda 21²⁰¹: The Agenda outlined several key areas directly related to natural resources, and issues related to dry land. The Agenda called for promoting participatory approach at all levels to ensure success and sustainability, also reflected the integrated approach to environment and development and converged with objectives of poverty alleviation and sustainable human development. The Agenda identified combating desertification as a national priority and promotes its integration into the national policy and called for the involvement of all stakeholders in the implementation of proposed programs and actions. The agenda proposed number of specific policies regarding combating desertification and rangeland development.

National Strategy to Combat Desertification²⁰²: The strategy was adopted in 2006. The action plan included five main programs: (i) Desertification Information System; (ii) Drought Prediction and Desertification Control; (iii) Capacity Building and Institutional Development, (iv) Restoration of Degraded Ecosystems of Rangelands and Forests; and (v) Watershed Management.

National Biodiversity Strategy and Action Plan²⁰³: The strategy was prepared in 2002. The Strategy document focused on some strategic goals related to combat desertification. These goals focus on: (1) Conservation of biodiversity and use biological resources in a sustainable manner, and (2) Managing natural resources necessary for human growth and survival. The Strategy proposes a series of priority objectives and actions that are presented according to themes involving most sectors of society; most of these are related directly to combat desertification.

POLICY

Six policies have been agreed. These are:

Improve the livelihoods of poor rural women and local communities. This policy suggests that agriculture and related activities can improve the availability of food and economic conditions of rural families through the active participation women households in the production activities, and implementation several available on and off-farm interventions can achieve this goal.

Key policy measures/actions include:

- Production systems using treated wastewater as supplementary irrigation.
-

- Production system based on integration of harvesting techniques with treated wastewater as supplementary irrigation
- Provision of effective extension services on agricultural production inputs.
- Introduction of organic farming for the production of vegetables, medicinal and herbal plants and olives (Zone 1)
- Production of animal feed using intercropping production system of barley with forage legumes, bushes or cactus, integrated with water harvesting (Zone 2).
- Introduction of high-value crops suitable for small and medium size land holdings.
- Establishment of livestock markets within low rainfall zone.
- Provision of refrigerated trucks, or stations for safe milk storage and marketing.
- Diversification of agricultural production systems in watersheds integrated with water-harvesting.
- Evaluation of rangeland areas to identify promising areas for development
- Construction of rainfall water storage system and on-farm water harvesting structure (use varies from one rainfall zone to another)
- Develop rangeland on water ways (Locally called Marabs) widely distributed in dry land for grazing purposes.
- Management of rangeland reserves on public lands by cooperative of local livestock owners.
- Improvement of rangeland production by integrating water-harvesting techniques.
- Introduction of spineless cactus in the agriculture production systems (Zone 1, 2) as farm fences and as feed.
- Production of green forage crops using treated wastewater.
- Processing agricultural by-products (as a source of animal feed).

Enhance resilience of families and local communities against current or expected threats of climatic changes. This policy addresses interventions, which enable rural families and local communities to sustain reasonable livelihood satisfaction and withstand variation of seasonal rainfall, increasing drought incidents, increasing food price, and threats of unexpected climatic changes, and land degradation.

Key policy measures/actions include:

- Introduction of high value crops suitable for small land holdings, and drought tolerant.
- Provision of marketing services for products (show room, exhibits)

- Provision of incentives to encourage farmers to use land according to its productive capacity and protect it from degradation.
- Control urban encroachment on agricultural land.
- Provision of incentives for farmers to implement and maintain soil conservation measures, and improve soil fertility.
- Promoting the use of drought-tolerant fruit trees in reclaimed steep land with suitable soil.
- Diversification of crop with drought tolerant varieties, and introducing crops suitable for canning.
- Preparation of a drought management strategy to deal with the impact of recurrent droughts on producers.
- Establishing a special Agricultural Development Fund (or emergency assistance programs) to provide financial support to farmers in emergencies and natural disasters, and to encourage them to implement new farming techniques.
- Conservation of native plants in their original habitats in cooperation with local communities,
- Construction of small earth dams and *haffees* for the production of forages and as water points for livestock (Zone 1, 2)
- Improving the natural vegetation in areas through the introduction of water-harvesting techniques.
- Adoption of watersheds management using an integrated approach based on diversified activities, focusing on water-harvesting measures and cultivation of crops that provide greater opportunities for livestock feed production.
- Introduction of drought resistant forage crops such as spineless Cactus, Acacia, and *Atreplex*, using water-harvesting techniques.
- Construction of small earth dams in selected areas for the production of forages and for use as livestock drinking points.
- Developing flood areas through growing suitable grazing plants or fodder shrubs.
- Rehabilitation and expansion of construction of water collection structures (cisterns, pools).

Increase the added values of rural agricultural products. This policy advocates the needs to increase the value of rural farm products, by processing, better packing and marketing, reducing losses of farm and livestock products, which improve their competitiveness and provide higher family income, more efficient production, and create new opportunities for rural families.

Key policy measures/actions include

- Promoting the introduction of organic farming in the production of vegetables, medicinal and herbal plants.
- Provision of marketing services and improving post-harvest operations.
- Encouraging the private sector to invest in the production and processing of medicinal and herbal plants.
- Provision of soft and long-term loans and incentives for farms specialized in the production high value crop suitable for export.
- Establishing an accredited organization to grant certificates of quality-
- Establishing of special markets to facilitate sales of rural fruit, vegetables, and animal products.
- Provision of incentives for establishing small companies specialized in packing and marketing of rural products.
- Improving the quality and packaging of rural products to increase its value and competitiveness.
- Allocation of a site, at the Amman wholesale market, for the sale of rural product exempted from sales taxes
- Abolishing sales tax on production inputs, marketing services for high-value crops produced using small -size holdings suitable for processing.

Create opportunities to increase job availability and accessibility. This policy suggests that generating complimentary activities within rural areas to provide additional support to family households and local communities is necessary since agriculture production alone may not meet the various needs of rural families.

Key policy measures/actions include:

- Reclamation and development of rocky lands with suitable soils (**Zone one**).
- Provision of incentives and soft loans for the implementation of small income-generating agricultural projects to support income of small farmers, using water harvesting techniques, plant high-value cash crops, organic farming, and animal husbandry(Three zones).
- Promotion of processing of agricultural products such as freekeh (green dry wheat), and dairy products (Zone 1, 3).
- Implementing programs for training of rural families, youth and rural women, on organic farming, methods of production, processing, packing, storage, and marketing.

- Provision of suitable incentives to encourage private sector to establish training companies to secure job opportunities for technically qualified rural agricultural laborers.
- Establishing new livestock wholesale markets and improving existing ones to organize and facilitate sale of rural products.

Enhance accessibility of rural poor to finance credit to enable them to improve their farms and conserve land resources. This policy advocates the need to mandate one entity supported by proper legislation to enable rural families an easy access to financial credits or soft loans they need to protect their land resources from degradation, improve farm production, off-farm activities, introduction of modern farm production, and initiate small businesses.

Key policy measures/actions include:

- Provision of funds for land reclamation.
- Improving access of farmers and owners of lands to soft loans they need to establish small enterprises based on processing of by- products (plant, livestock) from ACC, as part of a nation scheme for development in rural areas.
- Provision of incentives and soft loans for the implementation of small income-generating agricultural projects.
- Establishing an “Agricultural Development Fund to sustain provision of financial support of various developmental activities.
- Provision of soft loans to finance the construction of water-harvesting measures (use as suggest in different Eco regions) and the construction of *haffeurs* for livestock drinking and rangeland development.
- Limiting government-financed rangeland development projects, to projects that integrate water harvesting structures in the development plans.
- Establishing and sustaining special programs to finance small animal production projects at family level (Al-hakourah project model)

Formulate a national legal framework to optimize and coordinate the provision of poverty reduction activities. This policy raises the need to formulate a legal framework, an entity, or a committee to coordinate interventions of different stakeholders involved in poverty reduction to improve efficiency and optimizes provision of all services, support, and associated activities to reduce poverty of rural families.

Key policy measures/actions include:

- Establishing a mechanism to encourage the private sector to participate in the production of improved seeds and fruit tree seedlings,
- Training and of extension agents to provide timely information to rural households.

- Establishing a training centre for farm households and laborers on the use of modern farming practices.
- Establish a Chamber of Agriculture
- Amending Agriculture law No 40 with a provision to entail MoA to license private sector organizations working in rural areas.
- Establishing commodity farmer associations, as a part of farmers Union to defend and organize production.
- Provision of Rural Financing and Agricultural Credit.
- Amending the Law of Municipalities to allow NGOs working in rural areas to own or manage wholesale markets.
- Amend the Law of Municipalities to entrust the MoA with the technical aspects of wholesale markets operations, and to enforce quality requirements and packaging of products.
- Amending the by-laws of the wholesale markets to allocate part of market revenues to the Agricultural Development Fund to be used as a financial tool in rural development.
- Establishing a National Committee from the relevant public and private sector organizations, headed by the MoA mandated with poverty reduction in rural areas
- Studying the socio-economical background of pastoral communities to formulate their need, and improve targeting of rural poor.
- Establishing an associations or councils for milk production and marketing.

CLIMATE CHANGE

Climate change is expected to have a detrimental impact upon human development and poverty in Jordan. This will occur by increasing the severity of resource scarcity, which in turn makes access to natural resources more difficult. The poor are expected to be the most vulnerable to the impacts of climate change as they possess the least assets and resources to adapt to its impacts. Increasing the ability of the poor and local communities to adapt to climate change, in the coming years, is extremely important. To date the Government of Jordan has little policy or programming in place to do this.

According to Jordan's Second National Communication (SNC) report to the United Nations Framework Convention on Climate Change (UNFCCC) released in 2009 (but based on emission inventory statistics from 2000) Jordan contributed only 20.14 million tons of CO₂ equivalents of Greenhouse Gas Emissions to the atmosphere. The main sectors contributing to the emissions were energy (including transport) (74.0%); followed by wastes (13.5%); industrial processes (7.9%); land use, land use change and forestry (3.7%); and agriculture (0.9%). This contribution is meager and represents less than 0.01% of global GHG emissions. Although not a culprit, Jordan is highly vulnerable to the impacts of climate change and needs to respond in an organized and effective manner.²⁰⁴

A comprehensive analysis of available climate data (1961 - 2005) published in the second national communication has revealed clear trends in temperature and rainfall. Both maximum and minimum temperatures in selected meteorological stations have shown significant increasing trends between 0.3°C - 2.8°C. This is parallel to an observed 5 - 20% decrease in precipitation in the majority of meteorological stations across the country. Only 2 out of the 19 stations show an increase of 5 - 10% in precipitation. Climate change projections for Jordan show an increase in temperature of less than 2°C, by the year 2050. Warming was found to be stronger during the warm months of the year while less warming is projected to occur in the cold months of the year.

Impacts of Climate Change - The *Adaptation to Climate Change in Jordan* (2011) document prepared within the context of the MDGF states that, "Jordan is seriously concerned with the possible impacts of climate change, such as:

- Water stress and reduction in the availability of fresh water due to potential decline in rainfall.
- Threats to agriculture and food security, since most of the agricultural activities are rainfed agriculture in most governorates.
- Threats to biodiversity with adverse implications for forest-dependent communities.
- Adverse impact on natural ecosystems, such as Jordan Valley, grasslands and mountain ecosystems.

²⁰⁴ Ministry of Environment, 2009.

- Impact on human health due to the increase in vector and water-borne diseases
- Increased energy requirements and impact on climate-sensitive industry and infrastructure.”

Results of the vulnerability assessment contained in the Second National Communication report anticipate detrimental impacts especially on water and agriculture. On water resources, the impact of climate change is expected to be significant as a result of reductions in precipitation and projected changes in its spatial and temporal distribution. The analysis of the incremental scenarios had shown that changes in precipitation and temperature would highly affect the amounts of monthly surface run-off in the Yarmouk and Zarqa River Basins. It was found that the most vulnerable scenarios to climate change impacts on water resources are those when temperature will be increased by more than 2°C and precipitation will not be increased. Even in some scenarios, the increase in precipitation by 20% does not compensate for the 2°C increase in temperature.

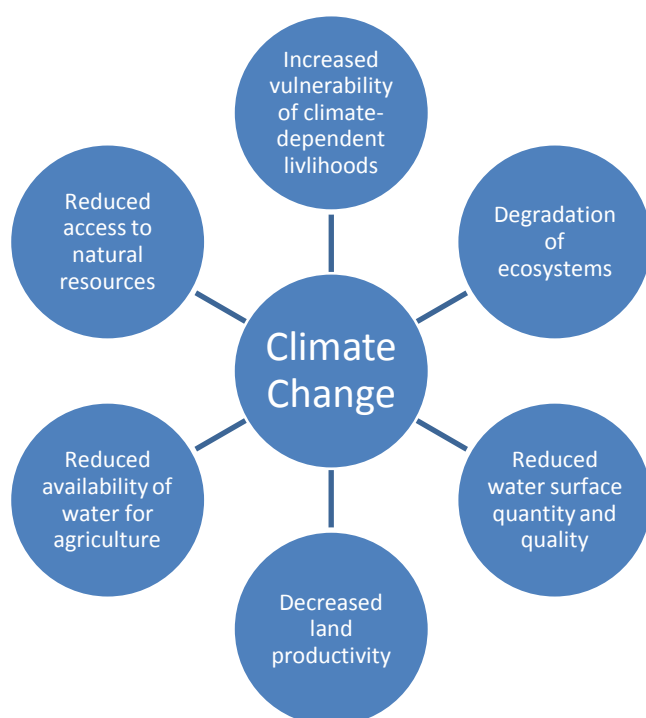
For the agriculture sector the results showed that climate change could have significant impacts in particular on rainfed agriculture. The livestock sector and overall food production in the country were identified as most significantly impacted through climate change impacts on rainfed cultivation and on arid and semi-arid rangelands. The report also identifies some expected impacts on health conditions, including physiological disorders, skin rashes and dehydration, eye cataracts and damage of public health infrastructure, and deaths and injuries.

The UN-implemented joint program on climate change adaptation identified potential impacts of climate change on food security. The research estimated that a 1°C increase in temperature and 10% decrease in precipitation would result in yield reductions of 7, 18, 5, 5 and 5% for wheat, barley, vegetables, apple and olive, respectively. While the 2°C increase in temperature and 20% decrease in precipitation would decrease yield by 21, 35, 10, 10 and 10% for wheat, barley, vegetables, apple and olive, respectively. The average net irrigation requirements for the different crops would also increase by 6 and 12% in years 2030 and 2050, respectively. Trends of water demand and supply were analyzed and showed that water share for irrigation would decrease in the future, as more water would be prioritized for other sectors. Under normal trends water deficit would be 215 million cubic metres (MCM) and 248 MCM in 2030 and 2050, respectively. Due to climate change, surface water would decrease and water demand would increase. Without adaptation, the expected deficit under these conditions would be 488 MCM and 769 MCM in 2030 and 2050, respectively.²⁰⁵

Figure 3.16 represents an illustration of the main impacts of climate change on natural resources and livelihoods in Jordan. Existing studies in Jordan do not yet indicate a possible future of extreme events (i.e. floods), but does anticipate droughts in many prone areas across the country. One of the major potential climate risks that should be explored further are the impacts of extreme weather events in urban areas.

²⁰⁵ MDGF Joint Program on Climate Change, 2011.

Figure 3.16: Main impacts of climate change on natural resources and livelihoods in Jordan



The adaptive capacity of the poor and local communities to climate change -

Adaptation to climate change is becoming one of the major driving forces for modifying sustainable development plans to accommodate the threat of climate change. According to the Intergovernmental Panel on Climate Change adaptation is defined as “Adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities”²⁰⁶.

Climate change threatens local communities through magnifying the current difficulties they already face (in relation to the natural resources they depend on) including drought, rainy season delay, pollution of fresh water springs, and disappearance of natural vegetation cover etc. Moreover, poor communities and poor households are likely to suffer the most from climate change due to their geographic location, low/limited incomes based on climate dependent sectors such as agriculture, and weak institutional capacity in terms of governance and natural resources management. Therefore, poor communities are considered the most vulnerable to climate change and lack adaptive capacity.

Adaptive capacity is defined as “the ability of a system to adjust to climate change (including climate variability and extremes) in order to moderate potential damages, to take advantage of opportunities, or to cope with the consequences”. Adaptive capacity to climate change is a measure of community readiness/preparedness to act against the changing environment they face in their properties. Adaptive capacity is influenced by economic development and technology as well as by social factors including human capital and governance structures. At the same time local and national policies influence

²⁰⁶ <http://www.ipcc.ch/>

people's adaptive capacity; people are influenced by policies directly (e.g. fodder subsidies) or indirectly (e.g. the impacts of adaptation development projects on local communities).

Development and climate literature identifies major impacts of climate change on livelihoods and poverty through the examination of current documented cases throughout the world. Climate change is expected to reduce the capacity of poor to cope with social and environmental pressures and degrade developmental gains especially related to the achievement of the MDGs. The impacts are also expected to be gender-based with roles of men and women impacted in a way related to climate change. Women will be obliged to exert more effort in securing and managing scarce natural resources while men will be pressured to seek additional/alternative income sources that may see them migrating from rural to urban areas.

The main areas of poor households' vulnerability to climate change include:

1. Dependence on natural resources that are vulnerable to climate change;
2. A lack of assets which hinders effective adaptation;
3. Settlements in high-risk areas (i.e. drought prone); and
4. Low levels of education and professional skills that prevent members of poor households for shifting to climate-resilient sources of income.

Notwithstanding the information outlined above there is a considerable gap in our collective understanding of the details of social vulnerability to climate change in Jordan. A comprehensive impact assessment study should be conducted to identify the major direct and indirect climate change impacts on poverty and socio-economic factors in Jordan, with special focus on geographical areas most prone to climate change impacts. An informed judgment can be derived at this stage, based on national climate assessment studies and international case studies that the following social groups can be most affected by climate change. These include:

- Farmers depending on rainfed agriculture;
- Farmers depending on small scale irrigated agriculture;
- Families dependent on livestock management;
- Populations more prone to heat waves; and
- Population suffering from the lack of proper access to safe and affordable drinking water.

PRE-EXISTING POLICY, LAW AND LINKAGES

Jordan does not have an "umbrella" policy document on climate change. The Ministry of Environment and UNDP are expected to develop such a policy through the activities of the project entitled "Developing policy-relevant capacity for implementing Global Environmental Conventions in Jordan-CB2". The policy document is expected to be

published by the end of 2012. At the higher level of policy formulation, the main document for current public planning in Jordan is the National Agenda that was endorsed in 2005. Environmental protection is categorized under the infrastructure development” section and includes 4 major programs: Waste management, natural resources management, pollution prevention and institutional framework.²⁰⁷ In 2011 a process for the review and modernization of the National Agenda was launched in which two new environmental programs were included: the Green economy and climate change. The consultation process has not resulted in the finalization of the updated National Agenda yet.

The policies included in the sector on Environment within the Executive Development Program 2011-2013 include:

- Enhancing environmental monitoring and inspection.
- Sustainable management of solid, hazardous and industrial wastes.
- Conservation of ecosystems and biodiversity
- Enhancing adaptation capacity to climate change.
- Moving towards a green economy.

In this context the National Communication (SNC) reports provides the major policy/measures tool for guiding Jordan’s climate change position and planned activities. In the past four years Jordan has made steady progress in its formulation of mitigation and adaptation plans in response to climate change challenges. The amount of knowledge and data created in relation to climate change projections during the development of the Second National Communication has led to the enhancement in policy options for both mitigation and adaptation. The major opportunity and challenge lies in the area of adaptation where Jordan is strategically required to develop sound adaptation plans and policies especially in the water sector. Moreover, the majority of adaptation analyses have been conducted in the sectors of water and agriculture.

According to the SNC, the viability of socioeconomic adaptation to climate change is determined by: (i) the strength of the economy, (ii) the quality and coverage of health services, and (iii) the integrity of the environment. Societies with relatively greater economic resources and robust adaptive mechanisms suffer less severely from the unexpected impacts of climate change. Improvements in access to basic health care, clean drinking water, and sanitation facilities will increase the population's resistance to climate change and reduce the impact of disease vectors spreading into new areas. The SNC recommended the following:

1. Establish a Climate Information System;
2. Enhance the knowledge of the poor in adaptation methods to face the climate change through community participation;

²⁰⁷ GoJ, 2006.

3. Follow up some adaptation measures in agriculture and food security, such as dam construction, soil fertility maintenance, and educational and outreach programs on conservation and management of soil and water;
4. Provide the necessary resources to establish a "Climate Change Watch and Early Warning System" for the timely alert and preparedness of the country;
5. Accord due attention and consideration to the socio-economic dimension of drought within the framework of the "Preparedness and Mitigation Plans";
6. Establish a "National Disaster Fund" for farmers; and
7. Institutional capacity needs boosting through provision of better equipment and more personnel training.

More focus and comprehensive vulnerability studies must be conducted in poverty-related sectors. Jordan's Third National communication to UNFCCC project, which has been recently launched by the Ministry of Environment and UNDP, will target many adaptation sectors with special emphasis on health, socio-economy and gender mainstreaming.

In 2010 a major program for adaptation to climate change was launched and supported by four UN agencies (UNDP, WHO, FAO and UNESCO) and implemented by five ministries. This joint program entitled 'Adaptation to climate change to sustain Jordan's MDG achievements' seeks to enhance capacity to adapt to climate change by addressing Jordan's long-term adaptation needs.

The resulting policy recommendations in the four sectors analyzed (water, health, agriculture, education) should serve as building blocks for the much needed comprehensive national adaptation policy/plan/strategy. In the water sector, the program research identified the main adaptation measures as prioritized by stakeholders. They include the need to: (i) develop a drought management plan; (ii) develop a public awareness campaign on water consumption; (iii) adapt by using different cropping patterns; and (iv) enhance monitoring systems and protecting surface water from point and non-point pollution sources.

In the agriculture and food security sector, proposed autonomous adaptation included the: (i) enhancement of adaptive capacity of farmers to be more involved in decision-making; and (ii) diversification of farmers' sources of income to minimize sensitivity to climate change and to enable the adoption of water conservation measures. The cornerstone for adaptation in Jordan was identified as agricultural water management (AWM), which would lead to the improvement of crop water productivity by: (i) plant breeding for water-efficient and stress-tolerant crops; (ii) water-saving farm practices; (iii) management of water supply based on field water requirements; and (iv) policies and institutions. In addition, the adoption of technology for water saving and for the use of marginal water resources was emphasized.

The adaptation for rainfed agriculture included: (i) the improvement of soil water storage to maximize plant water availability; (ii) the application of conservation agriculture to minimize soil degradation; (iii) the improvement of soil fertility; (iv) the

management of crop residue and tillage to conserve soil and water; (v) the modification of planting and harvesting dates for field crops; (vi) the selection of drought-tolerant crop varieties; (vii) the expansion of rainwater harvesting and management (RHM) schemes; (viii) encouraging farmers to adopt and apply in-situ water harvesting systems (micro-catchment); (ix) developing strategies and plans for capacity building; (x) the empowerment of research and improvement of extension services; and (xi) the adoption of a food security policy.²⁰⁸ The Government of Jordan is currently working with UNDP on formulating a Food Security Strategy.

The UNDP is currently supporting a project to “strengthen synergies between governance of disaster risk reduction and climate change adaptation in Jordan with a view to reduce poverty”. The project focuses on integrating climate change adaptation in poverty reduction through increasing institutional and public resilience in disaster-prone areas and sectors. The project will result in a framework of action and a detailed 3 years action plan to promote linkages between climate change adaptation and disaster risk reduction efforts with the objectives of increasing resilience. The findings and outcomes of this project will fill a major gap in the national efforts to enhance resilience to climate change, especially within the disaster risk reduction context.

The Royal Society for the Conservation of Nature (RSCN) has recently started to assess the adaptive capacities of local communities around protected areas regarding the impacts of climate change. For the first time in Jordan the RSCN has developed an Adaptive Capacity Index produced from results of both a literature review and semi structured interviews. The Adaptive Capacity Index was generated based on several factors formulated from specific indicators and determinants including human, social, physical, environmental and economic indicators. The RSCN recommends some adaptation interventions including: (i) supporting water harvesting practices; (ii) water collecting wells; (iii) infrastructure restoration; (iv) best agricultural practices; (v) encouraging changing current crops to more feasible drought tolerant crops; (vi) encouraging the use of gray water for irrigation; (vii) enhancing market access of local agricultural and traditional products; (viii) raising awareness regarding climate change; and (ix) providing assistance and guidance to local communities in addition to improving governance systems while considering gender.²⁰⁹

POLICY

The following policies have been agreed. These are:

Enhance knowledge and information about the impacts of climate change upon urban and rural poor households. The objective of this policy is to generate knowledge-based vulnerability assessments of the major expected impacts on the poor in both urban and rural areas as a tool for proactive planning to increase their adaptive capacity.

Key policy measures/actions include:

²⁰⁸ MDGF Joint Program on Climate Change, 2011.

²⁰⁹ RSCN, 2012.

- Identification of the major impacts of climate change at the national level in relation to poverty-climate linkages by mid 2013;
- Identification and mapping of the most vulnerable social groups and geographical areas to the impacts of climate change by 2014;
- Social assessments of the local economies and livelihoods factors in the identified vulnerable groups/areas and how they are related to climate change by mid 2014;
- Creating an open-access platform of information related to impacts and response measures to climate change at the local level, with main focus on enhancing resilience by 2013;
- Initiating a 6 month public campaign on the current and expected impacts of climate change and how they relate to everyday life and the need for adaptation measures by 2013; and
- Incorporate climate change vulnerability in urban planning, especially at urban centers witnessing rapid expansion.

Develop the technical capacity of local groups and development practitioners in identifying vulnerability and developing adaptation plans in areas highly vulnerable to the impacts of climate change. Capacity development for local groups and development practitioners on the necessary technical steps in identifying vulnerability and developing adaptation plans to support the poor in highly vulnerable areas. Training in adaptation to climate change can be integrated into already-existing training programs conducted by various development organizations.

Key policy measures/actions include:

- Development of a flexible capacity-building module on climate change adaptation and poverty reduction with the technical support of major donors by 2013;
- Incorporation of climate change resilience and adaptation in capacity development initiatives conducted by the government and its development partners by 2014;
- Capacity development modules made freely available for users by mid 2014;
- Incorporation of climate change concepts in national curricula by mid 2014; and
- Develop knowledge and skills related to climate-resilient practices in all relevant sectors on a continuous basis.

Provide technical, social and financial services to support highly vulnerable poor households and community to increase their adaptive capacity and resilience. Such services can take the form of loans, social safety nets, financial resources mobilization, strengthening local institutions, etc.

Key policy measures/actions include:

- Modify current strategies for sectors providing services for the community (water, energy, transport, health, social development, etc...) to include policy measures that respond to climate change and target the most vulnerable groups/areas by 2013;
- Maintaining subsidies that provide a safety net for services most impacted by climate change until 2016;
- Introduce new financial and social incentives for most vulnerable groups to help them employ climate-resilient response measures by 2014;
- Give priority to assistance for the poor and most climate-vulnerable groups/areas in water and agricultural services; and
- Promote diversification of livelihoods from climate-dependent sector to climate neutral sectors such as small services and industries and local cultural tourism.

Implement pilot adaptation projects to generate best practices and lessons learned for replication and scaling-up to national levels. Implement pilot adaptation projects to generate lessons learned and best practices that can be scaled up and replicated in other areas. Through existing or new aid programs, pilot projects in climate change adaptation that adopt suitable technologies and technical interventions can be applied in several areas. Lessons learned could help in increasing the scope of such interventions.

Key policy measures/actions include:

- Develop and maintain an adaptation national committee/council that oversees the coordination and implementation of adaptation measures in all climate-related sectors across the public sector by 2013;
- Develop a resource-mobilization strategy to attract aid and technical assistance targeting pro-poor adaptation measures by mid 2013; and
- Collect a compendium of adaptation programs/projects/measures that are suitable to local conditions and most cost-effective in delivering tangible results that increase local resilience by 2014.

Introduction of new legal provisions to support pro-poor climate-resilient development

The legal framework for environmental management and climate change adaptation in Jordan should be reviewed and modified to accommodate for the new factors and drivers that need to be regulated to enhance resilience to climate change impacts. The main justification for any modifications of the current legal structure is the aim to enhance preparedness and resilience to climate change impacts by regulating negative impacts and supporting positive legal drivers for sustainable and climate-resilient measures and policies. This should be an extensive process that would entail

modifications to many legal instruments in sectors such as water, agriculture, environment, transport, health, land use, disaster management and others.

Key Policy measures/actions:

- A review of the current legal framework to identify gaps hindering proper adaptation preparedness.
- Identification of what laws/bylaws have to be modified and development of suggested modifications.
- Compilation of a master legal modification document that includes suggested new provisions to be discussed with stakeholders and institutional partners.
- Ensuring institutional buy-in and facilitating the process of integrating suggested provisions in all future modifications of the relevant sectoral legislation.

3.5 TRANSPORT AND HOUSING FOR THE POOR

The fifth pillar of PRS includes development of transport systems, and housing and utilities, with a focus on ensuring access to public services for the poor. Provision of essential infrastructure and services to poor and disadvantaged communities is required to improve their living conditions and contribute to human development. Access to affordable housing for the poor will require targeted measures for the rural pockets of poverty as well as for overcrowded urban areas. Better transportation is crucially needed for the development of poor localities in order to link them to markets and thus create better economic opportunities.

TRANSPORT

Key issues relating to poverty and transport include:

Complex and Uncoordinated Land Transport Sector. The vast majority of issues pertaining to poverty in the transport sector fall within the sub-sector of land transport. The land transport sector in Jordan has a number of stakeholders: (i) the Ministry of Transport (MoT), responsible for setting transport policy; (ii) the Land Transport Regulatory Commission (LTRC), responsible for overseeing land transport policy, ensuring efficiency, and regulating tariffs and conditions; (iii) the Ministry of Public Works and Housing (MoPWH), responsible for expansion and upkeep of the road network; (iv) Greater Amman Municipality (GAM), responsible (amongst other tasks) for land transport within Amman; and (v) the Aqaba Special Economic Zone Authority (ACEZA), responsible (amongst other tasks) for land transport in Aqaba. This complex sector suffers from a lack of coordination, a lack of integrated planning, a lack of integrated IT systems, and suffers from a duplication of roles (particularly in terms of regulation of the sub-sector).

Lack of Awareness of Interlinkages between Poverty and Transport. The land transport sector is mainly focused on two activities. Firstly, there is a focus on road expansion and regulation to deal with congestion and a growing urban population. Secondly, a focus on railway and maritime development to foster connectivity between Aqaba, Amman and neighboring countries, in a bid to promote trade and economic growth. There is little awareness and no specific policy or programming aimed at addressing poverty-related issues.

Lack of Capacity and Knowledge of LTRC. The LTRC, as the body responsible for overseeing land transport policy and regulation, lacks significant capacity and resources to fulfill their role. Staff education and training opportunities are low. Moreover, LTRC lacks an integrated Management Information System (MIS) and had limited data on transport usage, client requirements, and other important information. An annual Passenger Satisfaction Survey is undertaken, however.

The Intelligent Transport System (ITS). The ITS is a transport system that—through the application of integrated IT systems, vehicle tracking, and smart cards for passengers—will allow for improved fleet management, traffic management, electronic ticketing, and fare subsidization (amongst other benefits). It is envisaged that the establishment of ITS will take one to two years in Amman, and four-years nationwide. It

is currently costed at 7.5 million JD. The LTRC has, for the third year running, launched a call for bids for the establishment of an ITS for Jordan and has been unable to find a contractor. This lack of success has been attributed to an underestimation in costs, which means the private sector sees no value in bidding for the contract.

Scarcity of Formal Operators Serving Remote and Impoverished Areas. The LTRC, on behalf of the MoT, commissions private operators to establish public transportation services across the Kingdom. Currently, few of these operators manage services in remote or impoverished areas (i.e. poverty pockets). As a result, informal services operate in these areas, although not enough to cater for demand. One reason for the limited number of formal services is the large ‘start-up’ costs associated with establishing and registering such a small business. This lack of regular, scheduled, and affordable public transport limits access from these areas to basic services and employment opportunities.

POLICY

The following policies have been approved.

Raise awareness of land transport sub-sector stakeholders regarding the relationship between poverty and transport. It is important to raise the awareness of stakeholders in the land transport sub-sector regarding the importance of mainstreaming poverty reduction into their planning processes. Moreover, the design and implementation of dedicated projects aimed at addressing poverty should be encouraged.

Support LTRC to lead in the coordination of pro-poor initiatives in the land transport sector. LTRC have recently begun to successfully facilitate inter-sectoral working groups to coordinate regulation (e.g. yellow taxi regulation in Amman). LTRC will be further supported to lead on the coordination of pro-poor land transport initiatives. Support could be in the form of advisory support, including assistance with identifying, prioritizing and action planning for initiatives.

Support LTRC to develop a suitable MIS, to undertake required quantitative and qualitative assessments, and use decentralized participatory methods to determine transport users needs and priorities. For LTRC to be able to function more effectively—and be able to contribute to poverty reduction in the land transport sector—the installation of a suitable MIS, at LTRC, is required. Furthermore, LTRC will be supported, financially and technically, to collect pertinent quantitative and qualitative information to better oversee the land transport sector. Furthermore, decentralized planning efforts should be employed that, adopting participatory methods, could provide a better understanding of passengers needs and priorities. This could ultimately lead to more appropriate public transport provision and greater passenger satisfaction.

Expedite the implementation of the ITS and ensure subsidies for members of poor households. The ITS system allows for a feasible way to establish a means to subsidize members of poor households to travel. This could be done by reducing tariffs through smart cards issued to all public transport users (as is suggested in the ITS project). As such, the commissioning of ITS implementation should be expedited (including

reassessment of projected costs), the logistical details of providing subsidies to the poor should be planned, and subsidies guaranteed.

Offer incentives to private operators to establish gender sensitive transport services serving remote and impoverished areas. It is essential for poverty reduction that regular, scheduled and affordable services are provided to men and women in remote and impoverished areas, to enable access to basic services and employment opportunities. LTRC will play a lead role in this regard. It is important that such services are appropriate for the use of female passengers to contribute to improved female health and education outcomes, and increasing female labor force participation. Incentives could include the provision of 'start up' costs, business advisory services, or tax breaks of the type currently offered to encourage the establishment of Micro, Small and Medium Enterprises (MSMEs) across the Kingdom. Moreover, connecting LTRC with institutions providing support to MSMEs, such as JEDCO, could be advantageous.

In order to implement these policies, GoJ will support the LTRC to carry out a survey of transport need and availability so as to form an assessment of poor areas and populations that have insufficient transport in terms of quality and quantity.

HOUSING

Jordan has reached a turning point in housing policy.²¹⁰ It has been innovative in housing policy development for many years but has not performed very well in the recent past in spite of a strong political will at the highest level of the Kingdom. Indeed King Abdullah II declared 2008 the Year of Decent Housing and launched a Royal Initiative ("Decent housing for decent living") to improve public housing delivery on that occasion. But this initiative faced a number of obstacles and could not meet its promises. Now it is time to review the national strategy and engage in a broad policy reform, but taking into account the new context and the current social, economic and financial situation of the country.

The first elements to be considered in designing any housing policy are the demographic parameters and the socio-economic data (income groups) which together define the demand side of the housing sector. The most relevant figures are as follows:

Total Population: According to the most recent UN statistics the total population of Jordan will increase from 6.25 million in 2011 to 6.957 million in 2015. This suggests an annual growth rate of a declining 2 %.

Urban population: The urban population is about 80% of the country total giving a total figure of 5.2 million. This represents a very high rate of urbanization, similar to the rate of Norway and higher than the rate of Germany.

²¹⁰ This section draws on UNHABITAT (2011).

The average household size of 5.4 persons in 2010 is declining and will soon be below 5. On this basis it could be assumed that the number of households is increasing by 26,000 each year (+130.000 persons), including 21,000 in urban areas.

The income ladder by deciles (2008 survey) shows that 20 % of the population had a monthly income below JD 298, 20 % between JD 298 and 407, 20 % between JD 407 and 545, 20 % between JD 545 and 854 and 80 % above JD 854. From these figures one could derive a rough overview of the social stratas in 2011 (based on a 10 % income increase over 3 years). This overview could be summarized as follows:

- (i) first and second quintiles: below middle class up to JD 450 third quintile: middle-class between JD 450 and 600.
- (ii) fourth and fifth quintiles: above middle-class above JD950.

While this classification does not take assets into account, it provides a useful basis for assessing the housing demand and for designing housing policy targets and support mechanisms.

Housing units are relatively large in Jordan: 46% are below 100 m² (including only 6 % below 50 m²), 32% between 100 and 150 m², and 22 % above 150 m². The median area is around 120 m², which is larger than in most European countries. The housing stock is made of 73% apartments and 25% individual houses. In cities apartments represent more than 80 % of the stock. Jordan cities associate pockets of density with empty (un-built) areas. The housing demand is officially estimated at 32,000 units per year (combining needs for new units and replacement-upgrading of existing units). Housing production seems to be almost sufficient as in average 30,000 units are completed each year. The private sector delivers 88 % of the new units (subdivided in 40% by developers, 60 % by home-owners) and this ratio is growing.

However, the quantitative correspondence between supply and demand is misleading. In fact the price range of new units (JD 30,000-60,000, median: JD 45,000) makes them unaffordable to the low-income class and below middle class, while some expensive apartments remain unoccupied. Indeed the key indicator of housing sector performance, the Price-to-Income ratio is around 8 (this means that the median price of housing equals eight years of median income). This is very high by international standards. Ideally this ratio should be around 5, which implies that the median housing price should be in the order of JD 30,000. Addressing this mismatch would require resolute actions in three main directions: reduction of land prices, reduction of apartment sizes and better performance of the building industry (developers and builders).

The construction sector contributes 5 % of the GDP and provides 7 % of the employment. This is an important contribution to the economy. However it seems that at the moment the public works sector is more dynamic than the housing and real estate sector.

INSTITUTIONAL STRUCTURES

Knowing the demand and supply sides represent a first step (quantitative) in any overall analyze of the housing sector. The second step is to understand the respective

roles of the different actors and to assess the quality of their relations. In most countries the institutional set-up of the housing sector is complex and involves many partners. Jordan is no exception. The following stakeholders can be identified:

On the Government side five institutional actors are important: the MoPWH, the HUDC, the MoMA, the Ministry of Finance, and the Central Bank of Jordan. The Minister of Public Works and Housing is the chairman of HUDC which is the public body in charge of the housing sector. As the Ministry of Public Works and Housing focuses essentially on the massive public works programs underway in Jordan, HUDC is in charge of all national housing policy functions. It was created in 1992 (by merging the Housing Corporation established in 1967 and the Urban Development Department established in 1980) as a follow-up to the adoption of the National Housing Strategy in 1989.

Jordan was in fact one of the first country to have designed a National Housing Strategy, in the aftermath of the adoption by the United Nations General Assembly of the Global Strategy for Shelter to the Year 2000 in 1988. HUDC is the cornerstone of the housing sector and its core mandate has not changed since the 1996 reform project, supported by the World Bank. Its two main functions have been:

- To develop comprehensive housing policies (normative function),
- To implement housing projects and develop residential land (sites and services) part of which to be allocated to beneficiary households and the other part to be sold to private developers through Public-Private-Partnerships (PPP)

HUDC is in principle financially autonomous but is not authorized to sell on plans, prior to construction, to individual households. Therefore it faces recurrent cash-flow problems and needs financial advances from public sources. The reform of 1996, while associated with the structural adjustment doctrine of the World Bank at that time, introduced new and important thinking regarding the housing delivery system in Jordan. Some ideas have been implemented (secondary mortgage facility based on the American and Malaysian models), others have been partly applied, some remained on the shelves. One fundamental aspect of the reform was to gradually reduce public sector activities to “policy, planning, research and upgrading works”. Other aspects were to reduce regulatory barriers to encourage the private sector’s involvement in land and housing development, and to reform subsidy mechanisms to better target disadvantaged groups. These issues are still on the agenda.

The second important governmental actor is the Ministry of Municipal Affairs (MoMA). It includes an Urban Planning Department who designs and approves land-use plans for all municipalities with the exception of Amman and Aqaba. Zoning regulations are strict and rigid, with four standard plot sizes (250, 500, 750 and 1000 m²), and usually respected. Informal settlements are small and slums are almost non-existent. MoMA is also in charge of collecting annual property taxes. A main problem is the lack of taxation of undeveloped or un-built urban land, resulting in land speculation and shortages. This issue should deserve careful attention because land management constitutes a fundamental component of any affordable housing strategy. The vast majority of urban land is private with prices reaching JD 500,000+ per donum (1.000 m²) in some urban areas (West Amman in particular). This is currently the major inflationary factor in the housing sector.

The Ministry of Finance is the third ministry influencing housing supply and demand. In many countries this is the place where housing subsidies are defined and managed. Some of the subsidies are transparent and well recorded, others are indirect and difficult to evaluate. In Jordan most housing-related subsidies are indirect and do not appear as specific lines in the national budget. Public housing (in small numbers) is generally subsidized while private projects only benefit from some tax exemptions (depending on the type of housing concerned). Sale tax and registration fees are collected by the Department of Lands and Survey of the Ministry of Finance. The sale tax represents 5 % of the value, registration fees amount to 4 %, but there are exceptions to the rule (for instance for apartments below 150 m²). The Department of Lands and Survey gets more than JD 200 million per year from these transactions, which go to the national budget. This source of funds could justify in return a budgetary support to the housing and real estate sector.

Finally an important public actor is the Central Bank of Jordan (CBJ) which fixes the reference interest rates and consequently has a direct impact on the mortgage rates offered by commercial banks. In most of 2011 the discount rate of the CBJ was 4.5 %.

At the local level Municipalities are important public players. The Greater Amman Municipality in particular is very autonomous. It has its own Planning Institute and is able to manage the city with very limited interference from the central government. Smaller municipalities with less capacity need more support from MoMA and other national partners such as HUDC.

Due to the fact that MoMA follows up Municipalities' performance in details, the Ministry is naturally overwhelmed by this administrative task and the planning and zoning activities occupy only a small part of its daily work.

The banking sector is active in Jordan, with more than 20 registered banks. The country has probably the most developed mortgage market in the Arab States (mortgages represent 10 % of the GDP). Mortgages are available to middle-income families (with variable interest rates, around 9% at the moment, over 30 years, monthly payments averaging JD 100 to 200). The differential between the CBJ discount rate and the commercial mortgage rates looks quite high (4.5 % against 9 %). Sometimes developers themselves provide short term loans (5-7 years) to buyers. But household savings are not systematically mobilized and down-payments are sometimes insufficient (sometimes they are even nil) to ensure financial sustainability and affordable loan reimbursements. By international standards and learning from the sub-prime crisis in the USA it is highly advisable not to allow Loan-to-Value (LTV) to be over 80 %. LTV being what the banks are willing to lend against the value of properties, this means that down payments should represent at least 20 % of such value.

A secondary mortgage facility (Jordan Mortgage Refinance Company) was established in 1996 (with World Bank support) to issue corporate bonds for refinancing housing loans. It provided a peak of JD 119 M in 2008, JD 65 M in 2010 out of a total of JD 540 M of loans over 15 years. This is relatively modest. JMRC hopes that bonds revenue could be tax exempted in the future to become more attractive to investors (this was the initial idea in 1996). It has to be noted that the mobilization of institutional savings (through the issuance of bonds) does not prevent the simultaneous mobilization of household savings (through a savings and loans system, see below).

“Rent and own” systems have been initiated (leasing finance). Islamic banks are active, based on profit sharing (murabha, financially equivalent to post-facto interest) with the borrowers. Innovations exist but they essentially target the upper middle-class.

Many private developers are involved in real estate, in total 1.400 according to the Jordan Housing Developers Association (JHDA). They delivered a total of USD 1 billion in 2007 (before the crisis) and 0.7 billion in 2011. They focus on building housing units and not on land development. Their main problem is to access affordable land in acceptable locations. Accessing short-term loans (at 7 %) does not seem to be an issue of great concern. Building companies are also active but, as it could be expected, more interested in large programs and high standards than in low-cost housing.

Service providers appear to be generally efficient in the areas of water, sewage, transport, energy, schools, health center. Housing schemes usually benefit from a decent level of services. Architects, engineers, research institutes are well qualified and committed. A number are working abroad, particularly Gulf countries. Jordan is becoming a knowledge-based economy in several areas, including in architectural design and engineering. NGOs, CSOs and FBOs are expanding but are more active in local initiatives in existing neighborhoods than in community development of new housing projects.

HOME OWNERSHIP VS. RENTAL HOUSING

In many countries home ownership is a main feature of the middle-class. Lower-income groups are unable to buy a decent housing unit due to the affordability gap. Decent housing is simply too expensive and there is no miraculous financial solution to bridge the gap between limited incomes and housing prices. Micro-credit for instance can be used to buy a small portion of a house or to repair/extend an existing unit, but it cannot cover the full cost of even a tiny apartment. Banks are not charities wishing to subsidize the urban poor and governments don't have the resources to offer free housing to their populations. Therefore low-income groups have two main options: un-decent housing (too small, too far, unhealthy, without secure tenure...) or rental housing. Of course not all rental housing units are decent but in Jordan a majority of them are acceptable. Indeed 23% of the housing stock is rented out and this percentage could be higher if proper support were provided by the authorities. At the moment the average monthly rent is between JD 60 and 100, affordable by low-income groups (below JD 330/month, 20% of the population). Only private-individual owners are renting out. Institutional owners, organized renting companies are not present in Jordan. Rent control regulations are still in force for old units and have to be phased out. The challenge is to attract more investments in rental housing. Increasing supply will result in more competition and lower rents. A rental law reform was introduced in 2000 which resulted in some increase in the supply of rental housing. But there is still need for more governmental efforts to encourage the rental sector.

URBAN UPGRADING

The proportion of slums and informal settlements is rather small in Jordan, less than 10 % of the total housing stock. A slum is characterized by deteriorated housing and inadequate access to basic services. 98 % of the urban population has access to improved sanitation facilities. An “informal” settlement on the other hand is only

defined by its legal status, it could be well off in term of housing quality but is officially non-authorized. A National Housing Policy should not only encourage the production of new units, it should also support the improvement of existing neighborhoods - particularly of below-standards units that are found in some peri-urban areas -, as well as the regularization of informal settlements.

Upgrading projects, including (Palestinian) camp upgrading, have been implemented by HUDC between 1998 and 2005, consisting essentially in infrastructure improvement without direct cost recovery from the beneficiaries and with limited community involvement. This pilot initiative known as the "Community Infrastructure Program" attracted external funding and reached 450.000 inhabitants. Upgrading costs averaged JD 1.000 per family. Unfortunately this program was not expanded to address other aspects of urban upgrading (house improvements, local development through micro-credit, security of tenure) and was not replicated. Municipalities will have to take the lead in future urban upgrading as they are supposed to serve and be accountable to their constituencies.

POLICY

Based on the above analysis, six policies have been agreed.

National Housing Strategy - In view of the changes which occurred in the last 15 years, a new National Housing Strategy will be prepared (MoPWH/HUDC, MoMA, Finance). This would include the following actions:

- Establish a Committee of experts to evaluate what has been done since 1992;
- Review the land regulatory framework to unfreeze/unlock un-built urban land;
- Refocus the mandate and responsibilities of HUDC (see II.6 below);
- Prepare legislative reforms (on land-use, fiscal incentives, housing finance, rental sector, savings and loans, developers, new actors...);
- Prioritize and target housing subsidies among (i) savings and loans system, (ii) allocations to poor tenants, (iii) incentives to investors in rental housing and (iv) community upgrading.
- Empower HUDC to follow up the formulation and implementation of the NHS.

Savings and Loans System: In many developed countries the mobilization of household savings has contributed tremendously to the expansion of the housing sector by stabilizing the demand and reducing the risks perceived by lending institutions. The principle of a S&L scheme is simple: interested clients should save for 3 to 5 years (for instance JD 100 per month) by contract with a commercial bank. After the savings period they are entitled to get a soft loan the amount of which is linked to the accumulated savings. The money saved is used as a down-payment. The loan could be over 20 years instead of 30, particularly if it benefits from governmental subsidies. This idea is not new in Jordan as HUDC introduced and implemented in the nineties a "Saving for Housing" program which precisely helped beneficiaries provide down payments qualifying them for affordable bank loans. The following actions would be required:

- Carry out a feasibility study for a Savings and Loans System attractive to Middle-Income households (including a study tour to appraise the continental European model);

- Involve the Banking Sector who should manage the system;
- Involve the Ministry of Finance in identifying the best ways to subsidize the beneficiaries. It is estimated the Ministry could envisage a total input in the range of JD 20 million per year to lower interest rates to 5 or 6 %.

National Housing Fund: In the case of Jordan it would certainly be possible to initiate such a system by focusing first on Public Sector Employees who would contribute 5% of their salaries (forced savings on a monthly basis) to the Fund. Loans/grants would then be available to employees (after at least 10 years of contribution) to improve their access to credit. Money could also be used for upgrading and/or to increase the retirement pension.

The following actions could be undertaken:

- Discuss with selected Ministries to test their interest;
- Prepare a feasibility study;
- Submit a structured proposal to interested Ministries and trade unions for discussion.

Rental Housing: As already mentioned rental housing constitutes the ideal option for those families who can't afford to purchase a house or are not yet ready to consider such a big investment. In Western Europe rental housing is extremely popular (more than 50 % of the housing stock in Germany) and attracts a lot of investments. In Jordan rental housing should benefit from more attention and support because it plays an essential social function (housing the urban poor) as well as a financial investment function (channeling the savings of upper middle-class and upper class investors). In the future it is hoped that institutional investors could enter this sub-sector and that modern rental companies could emerge for both low-cost and medium-cost housing estates. The following actions are required:

- Discuss with private developers, banks and potential investors, options to increase investments in the rental sector through fiscal incentives;
- Adjust the rent control regulations to allow annual increases linked to the evolution of the Consumer Price Index (CPI);
- Promote and facilitate the creation of private and municipal rental companies;
- Assist poor tenants (income below JD 330 per month) through modest cash subsidies. It is estimated that the Ministry of Finance could envisage a total input of JD 30 million per year (JD 25 per month to 100.000 families).

Urban Upgrading Facility - Urban upgrading should respond to local initiatives of organized communities and municipalities. It should follow a bottom-up approach, starting from expressed collective interests and requests. It should not apply a technocratic top-down approach centered only on physical improvements. A good option would be to create a National Facility accessible by organized communities and municipalities. The following actions are recommended:

- Design a facility able to provide small grants and micro-credits, for improving basic services and employment opportunities in poor urban areas;
- Establish a secretariat of this Facility;
- Involve communities at all stages of project design and implementation;

- Make technical assistance available (HUDC and its partners)

As projects will be demand-driven the initial input could be relatively modest, around JD 10 million of seed capital. External assistance could complement national resources.

Revitalization of HUDC - HUDC should not be dismantled but revitalized. It is therefore recommended to focus its mandate and tasks on the following priorities (ranked by order of importance):

- A key function of HUDC must remain Housing Policy-Making, including studies, monitoring & evaluation. This normative task should be entirely financed by the Government;
- A second function of HUDC would be Detailed Physical Action Planning in collaboration with MoMA and municipalities for selected urban areas;
- A third function would be the development of serviced land and whole sale of large plots to private developers acting as retailers (who could then apply flexible HUDC regulations on plot sizes);
- A fourth function could be to support interested communities and municipalities in pilot upgrading initiatives.

Functions 2 and 3 should be financed by HUDC clients (essentially private developers), function 4 by the projects themselves. It would also be advisable to appoint a full-time Chairman of the HUDC Board of Directors to release HUDC from the Project Orientation of MoPWH and to revitalize the human and financial resources of the agency (capacity development plan to be elaborated, based on an in-depth audit).

It would also be advisable to consider merging HUDC with the Urban Planning Department of MoMA into an autonomous institution to ensure a good synergy of housing and zoning activities, away from both the project orientation of MoPWH and the administrative orientation of MoMA.

4. IMPLEMENTING, MONITORING AND EVALUATING THE STRATEGY

Implementation of the Poverty Reductions Strategy will be of critical importance. Research shows that the majority of strategies are not fully implemented and, therefore, do not achieve their full objectives. There are a variety of factors which lead to sub-optimal implementation. These include

- lack of buy-in by policy-makers and senior public service management
- lack of communication with both public sector staff and management, and with other key stakeholders and the general public
- strategies not linked to budgets, and
- lack of reporting structures

It is essential that these issues should be addressed if the Poverty Reduction Strategy is to deliver on its full potential. This section outlines

- (i) The implementation and reporting structures which will apply to the PRS;
- (ii) The development of a detailed Action Plan with related key performance indicators and costings;
- (iii) The development of a communications strategy;
- (iv) Jordan Integrated Outreach Program;
- (v) Promoting voice and accountability in civil society; and
- (vi) International co-operation.

IMPLEMENTATION AND REPORTING STRUCTURES

Implementation of this Strategy will require a mobilization of resources across a range of Ministries and public agencies. The Government of Jordan recognizes that new institutional arrangements are required.

A PRS Unit will be established and will work with DoS to ensure that the necessary data and technical supports are in place to enable development, monitoring and evaluation of this strategy. The Unit will work closely with public agencies to ensure availability of necessary data, to facilitate improved measurement of policy outcomes, and to develop synergies.

MoPIC will provide detailed training on monitoring and evaluation to the new unit and will generally support MoSD in the implementation of the PRS.

Given the cross-cutting nature of poverty and the necessary policy responses, a PRS Implementation Group will be established consisting of senior public servants from the key public agencies involved in the implementation of the strategy. This will be chaired by the Prime Minister, and include representatives of:

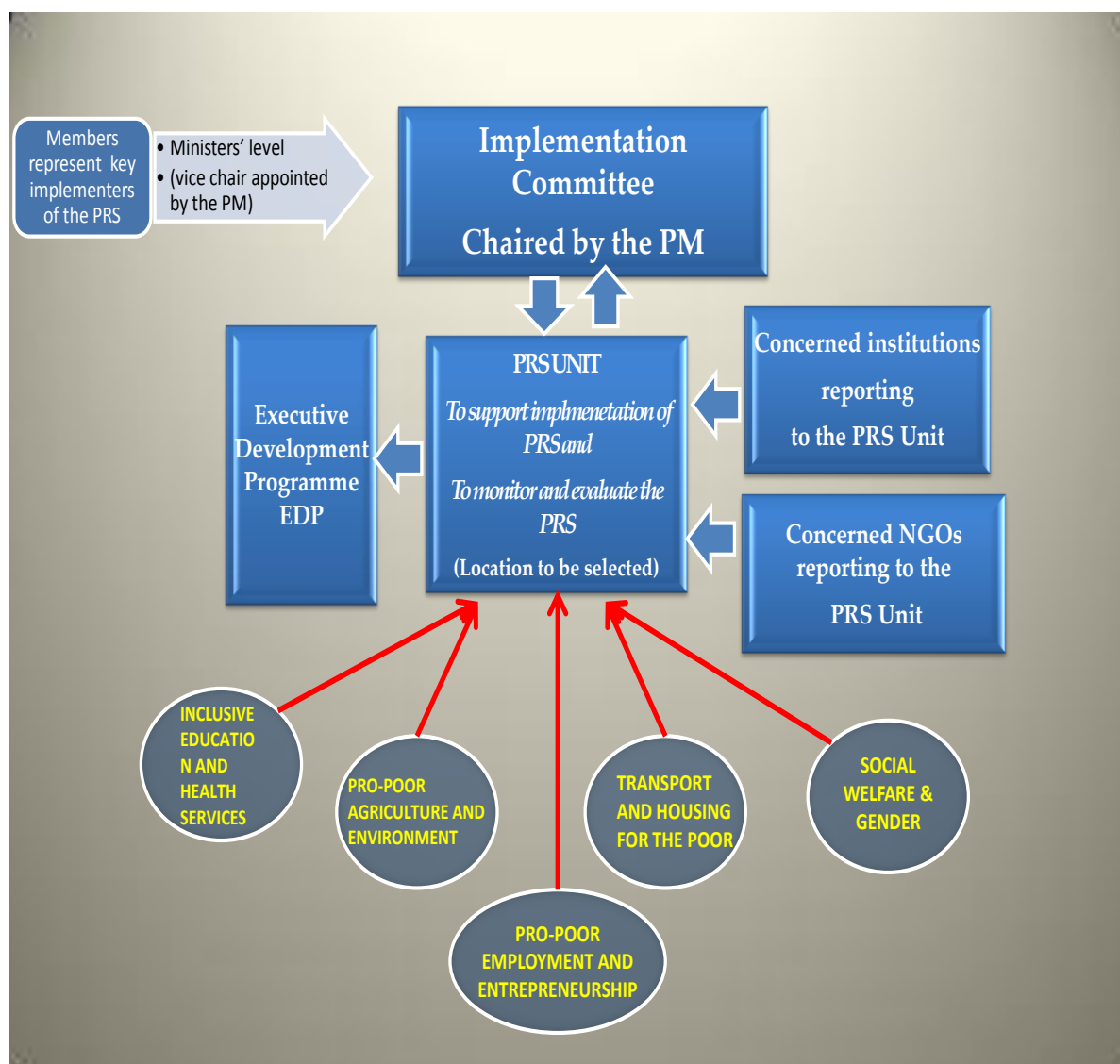
- Ministry of Planning and International Co-operation (vice-chair)

- Ministry of Social Development Ministry of Finance
- Ministry of Labor
- Ministry of Health
- Ministry of Education
- Ministry of Public Works and Housing
- Ministry of Transport
- Ministry of Municipal Affairs
- Ministry of the Interior
- National Aid Fund
- Social Security Corporation
- Department of Statistics

Each public agency will report on a quarterly basis to the PRS unit on progress in relation to the implementation of those aspects of the PRS falling within its remit. These reports will be based on the performance indicators and timeframes agreed in the Action Plan. The PRS Unit will compile an overview report and will report quarterly to the GoJ which will consider the report and, where necessary, take decisions in relation to implementation.

The Implementation Group will meet on a monthly basis with an agenda prepared by PRS. The Group will consider cross-cutting aspects of the implementation of the PRS, will identify key challenges to its implementation and will develop a work plan to address those challenges in areas where co-ordinated action across public agencies is necessary. The Implementation Group will, where necessary, establish sub-groups to address specific issues.

Figure 4.1: PRS Implementation Structure



ACTION PLAN

A detailed Action Plan will be developed, following agreement of the PRS. This will set out, in detail, the specific actions to be taken and will identify the agency (or agencies) responsible for implementation of different actions, the key performance indicators against which implementation will be assessed; and will identify the costs and resources required (see Annex for format).

The Action Plan will also include a general poverty reduction indicators for the overall Strategy and broad performance indicators (based on each policy measure) and broad outcome indicators (based on the goals of PRS), and relevant MDGs.

The reporting structure, set out above, will report on the extent to which these key indicators are being achieved.

COMMUNICATIONS STRATEGY

The PRS Unit will develop a communication strategy for the Poverty Reduction Strategy

- i) To ensure that all managers and staff in agencies involved in the implementation of the Strategy are aware of the key features of the PRS and of progress in its implementation; and
- ii) To ensure that the public and wider stakeholders are kept informed of progress and that there is widespread knowledge and awareness of poverty reduction initiatives and investment across a wide range of public agencies aimed at improving quality of life and providing options to remove people from poverty, and in particular, the outcome of these initiatives; and
- iii) Ongoing trends and challenges in relation to poverty and their impact on vulnerable group in Jordan.

The communications message will be targeted at both the national and local level and good practice will be highlighted so that it can be replicated where possible.

Public awareness research will be undertaken on a periodic basis, commencing in 2013, in order to gauge the effectiveness of the communications strategy.

JORDAN INTEGRATED OUTREACH WORKER PROGRAM

The Integrated Outreach Worker Program was the one in a series of recommendations made by the Earth Institute in early 2012, the result of a comprehensive analysis of the conditions and risk factors for poverty to inform Jordan's National Poverty Reduction Strategy. The mandate of the Program is to address the "last mile" implementation challenges of government programs and policies by providing household-level, tailored support through trained outreach workers, thus filling a critical gap in the existing provision of services to the most vulnerable and impoverished members of society. At the request of MoPIC and MoSD, Columbia University and the Jordan Hashemite Fund for Human Development (JOHUD) are working together to create the Integrated Outreach Worker Program for the Government of Jordan.

The use of outreach workers in both developing and developed country contexts has been a longstanding practice for health, agriculture, and social welfare programs. The Integrated Outreach Worker Program is a variation of the traditional models because it combines several components, including rapid training and deployment, while providing integrated interventions to improve access to employment and higher incomes as well as planned voluntary fertility reduction. The characteristics that define Jordan's poor – mismatch of job availability and expectations, motivation to work, cultural barriers to female labor market participation, cultural and social traditions that encourage high fertility rates, and limited attainment of higher education – require solutions that assure the acquisition and understanding of information on job opportunities and government programs, improved and assisted access to service systems, and resulting behavioral change. Because these are complex and interrelated issues, it is important that outreach workers are trained in and use evidence-based assessment and culturally congruent intervention skills that can empower individuals and households during these transitions aimed at sustainability.

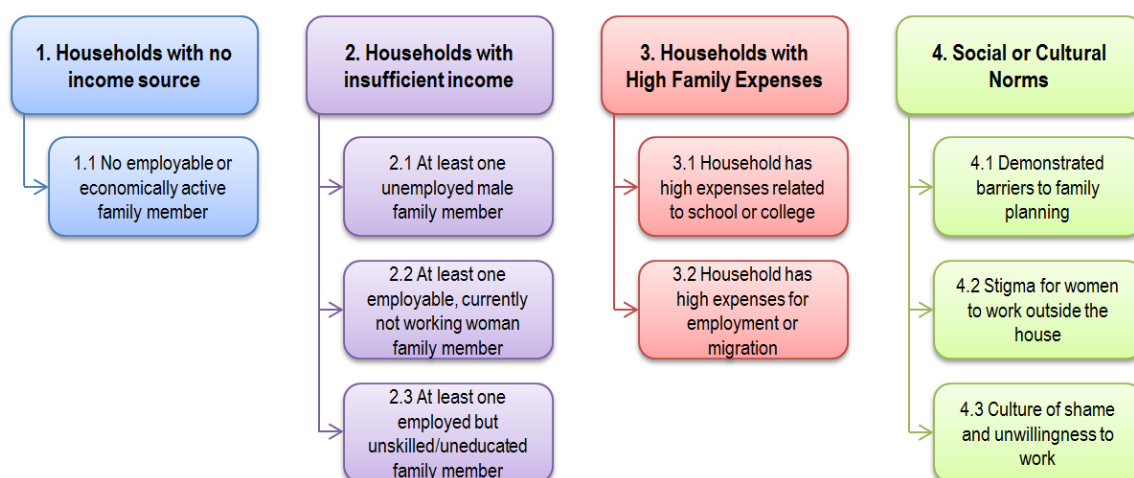
The Government of Jordan has put in place a number of strategies and policies to address poverty issues in Jordan. Many of these policies (for example, the establishment and extension of the National Aid Fund, the efforts at increasing access to microfinance, the policies to extend vocation training etc.) have helped a large number of Jordanians improve their economic situation. The government's focus on public spending for health and education has already yielded results in the form of near universal school enrollment and coverage of primary health services. However the challenge of poverty has persisted despite these efforts.

The analysis undertaken by the Earth Institute to inform the drafting of Jordan's 2012 National Poverty Reduction Strategy has shown that poverty in Jordan is strongly associated with risk factors at the household level. These risk factors – educational attainment, number of children, employment status (especially of women), and geographical location - are strongly correlated to households remaining in poverty. Therefore, efforts to reduce poverty will require multiple interventions aimed at the household and addressing these many constraints in an integrated manner.

The Integrated Outreach Worker Program hinges on a new operational model for outreach to target households below poverty and also to improve implementation of existing government programs and policies. The Program brings a number of innovations to poverty reduction programs. First, it builds on a rigorous typology of households in poverty, making it possible to tailor poverty reduction solutions to the specific needs of the households, and to make government programs much more responsive to the evolving needs of households. Second, it works with the household as the unit of analysis as opposed to individuals, making it possible to provide multiple solutions to get families out of poverty. Third, by relying on well-trained outreach workers who work directly with households, it solves the "last-mile" connectivity problem of most government policies and programs, improving the impact of existing policies.

The analysis conducted by the Earth Institute on the risk factors and indicators closely correlated with poverty rates facilitated a deeper understanding of the different economic and social challenges that keep households in a cycle of poverty, which were categorized into the following household typology.

JOHUD is a likely implementer because of the infrastructure on ground, but others can be selected in different areas based on a compatible process.

Figure 4.2: Household Typology based on Initial EI Analysis

Households may demonstrate more than one profile represented in the typology. Through the Outreach Worker Program, the process of diagnosis to determine where a family falls within the typology will facilitate a tailored program of intervention and a more systematic referral process to relevant government services and programs.

The overall goal of the program is to bring a significant reduction in the number of households living below the poverty line, as well as to provide those households with a pathway for a sustained increase in net household income. The specific outcome indicators will be identified collaboratively with the involved parties, but there are seven broad program objectives linked to the typology of households provided above:

1. To help destitute families receive government support through programs like the National Aid Fund and other public programs
2. To support poor families in increasing household incomes by facilitating their access to resources around employment, skill development, and finance
3. To support families in managing expenditures that keep them in poverty, such as education beyond primary school and transportation
4. To help change behavioral norms around gender roles, informed reproductive choices, and motivation to work
5. To evaluate the efficiency of welfare programs based on local need and usage in order to continuously improve programs.
6. To determine the infrastructure/HR policies and procedures that are essential for sustained effectiveness with welfare organizations.
7. To determine opportunities for new interventions to best serve specific communities.

The model will employ evidence-based training on social work practice and ongoing supervision and data collection and analysis to ensure that engagement, assessments, and interventions are used effectively with households in order to create incentives and opportunities which empower individuals and families to move out of poverty. The outreach workers, based at JoHUD's community development centers, will use handheld electronic devices which will provide decision trees that will aid in assessment while also collecting data in real time that will be used to (1) create base-line data used to determine impact; (2) supervise outreach workers; (3) monitor household progress; and (4) continuously improve the Program and other welfare services based upon intermediate outcome data. The decision tree will be designed prior to the its implementation and will include culturally congruent assessment activities.

The Program will be launched in phases, first in urban areas to take advantage of higher population density and higher absolute numbers of households in poverty. The first steps will involve the assessment and documentation of available services and referral systems using evidence-based community assessment tools in tandem with developing the train-the-trainer model which will incorporate ongoing supervision and follow-up trainings to assure quality control and development of household selection criteria. To effectively identify, classify, and assign households to outreach workers, comprehensive baseline data will be collected for households within the identified impact area using real-time mobile surveying technology. This initial survey will help to determine the unique combination of risk factors the household is demonstrating in order to assess the appropriate referrals and action plan. Concomitantly, the human resource policy and procedural requirements that can most expeditiously facilitate sustainable outcomes will be assessed.

The intervention activities will be conducted face-to-face, employing multi-session and ongoing monitoring to ensure the desired outcomes for each family. Because each household will need different interventions, the time that an outreach worker will spend with a household may vary from 1-2 hours per week to 1 hour per month, dependent on the portfolio of interventions and activities. The gradual scaling back of engagement and ultimate graduation from the Program will be decided on an individual household basis in consultation with the supervisor.

Supervisors based at each center will be responsible for their assigned outreach worker and their respective households. As such, it will be imperative to the success of the program that they use the data collected at the household levels in conjunction with weekly supervision sessions to monitor both the work of the outreach worker and the household's progress. Supervision sessions will also serve to positively and continuously reinforce performance expectations and to augment an outreach worker's professional development.

In order to maintain quality control of the supervisor-outreach worker-household interactions, it is proposed that the ratio between the three entities remain at or below an average of 1:20:20. That is, one supervisor for each 20 outreach workers; each outreach worker works with 20 households.

PROMOTING VOICE AND ACCOUNTABILITY

A key element of the implementation of the PRS will be to promote voice and accountability. The context relevant to social inclusion and voice and accountability, includes the following key points:

The Societies Law No. 51 of 2008 (with amendments) and Public Gathering Law 2008 (with amendments). The two pieces of legislation that most greatly regulate Civil Society Organizations (CSOs) are the Societies Law and, up until recently, the Public Gatherings Law. The Societies Law places significant boundaries on the types and composition of organizations that can be registered as official societies. The amendment in 2009 was welcomed but still constraints are faced with the law. Moreover, the 2011 amendment to the Public Gatherings Law meant that gatherings could be convened without the approval of the Governor (although he/she must still be notified) – this no longer acts as a constraint to CSOs facilitating collective action. It should be noted that the Societies Law is not the only framework for the registration of CSOs. For example, ‘not-for-profit’ companies are registered with the Ministry of Trade and Industry, religious associations with the Ministry of Awqaf and Islamic Affairs, and Unions with the Ministry of Labor.

The State of Jordanian Civil Society: Jordan has a long history of collective action. This history is succinctly summarized as follows:

In Jordan, civil society developed in parallel with the state. The first generation of civil society organizations (CSOs) emerged in the early 1920s and expanded with [the] integration of Palestinian communities during 1948 – 1967. Most were charitable societies or trade and professional unions. The range of issues later broadened to include more development-oriented CSOs. The end of martial law and resumption of Parliament in 1989 eased restrictions on rights of assembly and associational activity. Some previously dissolved CSOs resumed and new types, such as student unions and human rights organizations, appeared. With Jordan’s growing participation in the global economy in the 1990s, more business and trade organizations emerged, as well as CSOs devoted to youth, community development, and social service delivery in a wide array of sectors. CSOs have become more visible in public debates and are increasingly seen as partners in promoting citizen efforts to address Jordan’s social and economic problems. (USAID, 2012: 1).

Mapping of CSOs: A recent mapping study of CSOs²¹¹ found that in Jordan CSOs were of four kinds: (i) Grassroots community-based organization (CBOs), which operate locally and with limited outreach. They tend to be membership and volunteer based and mainly deliver welfare services; (ii) Non-Governmental Organizations (NGOs), that operate at national and governorate levels. They normally have paid staff and mainly deliver technical services and have objectives that relate to policy dialogue; (ii) Umbrella organizations, they are elected or appointed to represent the interests of specific groups of CSOs. They have few paid staff but are able to mobilize thousands of members. They have a strategic policy role in their sector; and (iv) Thematic alliances and coalitions, who bring together civil society actors around areas of common interest

²¹¹ Williamson, W and Hakki, H, 2010.

and have a significant role in the public policy arena. The vast majority of CSOs are found in the first category mentioned above, where smaller organizations predominate. Moreover, there are few umbrella organizations and thematic alliance/coalitions in existence, of which very few were formed or function independently.

Numbers of (Active) CSOs: Presently, the Registry of Societies (RoS) has over 3,200 CSOs on record – beyond this some CSOs remain informal and/or unregistered. The majority of these CSOs (approx. 2,000) have charitable social welfare services, whilst the remainder are political, environmental, cultural and tourism societies. Following the enactment of the Societies Law an additional 1,000 societies were registered. It is estimated that of these 3,200 registered societies approx. 2,000 operate on a regular basis.

CSO Capacity: Capacity, to manage projects and conduct advocacy, in the sector is deemed generally as very low. There are also concerns regarding the ability of many CSOs to manage funds with integrity. Moreover, many small CSOs are seen as representing the interests of specific families and elites at local levels. However, a number of CSOs, engaged in social development and political activities, as well as the ‘royal’ NGOs, established by royal decree have significant capacity, in different areas. From a government perspective, priorities for capacity building target core administrative functions (i.e. human resources, financial management, procurement and reporting) and project management skills. However, there is a clear need for the development of strategic planning, sustainable models of operation, and communications and advocacy skills.

Challenges in the Sector: In addition to the above mentioned low capacity and questionable financial management a number of challenges exist in the sector. These include: (i) CSOs not having established constituencies and not understanding the priorities of their constituencies; (ii) a lack of networking and strategic alliances between CSOs; (iii) the limited evaluation of NGO effectiveness and absence of minimum operating standards, certification, and a recognized code of conduct; and (iv) the role of the government, that while accepting of CSOs, strongly controls the sector through registration, regulation and monitoring.

MoSD’s Key Programs with CSOs: MoSD has two main forms of engagement with CSOs. First, through its NGO Department the Ministry contracts national NGOs to carry out functions on behalf of the Ministry. Secondly, as a result of the Societies Law No. 51 of 2008 (with amendments), a Registry of Societies (RoS) was established at MoSD. This RoS incorporates two main functions: (i) registration of societies; and (ii) the management of the Societies Support Fund (SSF). The SSF is a fund (valued at 1.5 million JD in 2012) that finances a small number of social development projects in each Governorate across the Kingdom (i.e. 3-4 projects, valued at approx. 20,000 JD, per governorate). Finally, with the support of the USAID-funded Civil Society Program (CSP, see below) the registry is establishing an automated information technology system linking the Registry to all MoSD offices, and relevant ministries. Presently, the establishment of the RoS within the MoSD—as stated by the law—significantly affects its ability to operate autonomously, which is essential to carry out its mandate effectively.

MoPIC's Key Programs with CSOs: MoPIC has two main forms of engagement with CSOs. First, it contracts national NGOs to carry out functions on behalf of the Ministry. Secondly, as part of the Enhanced Productivity Program (EPP) MoPIC initiated in 2007 the Qudorat Program. The program, not unlike MoSD's current SSF, included the commissioning of projects Kingdom-wide. However, two tiers of training were offered to CSOs before project bidding began, these included: (i) training for the development of core capacities; and (ii) training for investments and grants management. The vast majority of CSOs targeted by the Qudorat Program were cooperatives. The Qudorat Program was discontinued in 2011 due to unsatisfactory results. Moreover, the EPP staff found that projects had fundamental problems in design and implementation did not focus on the poorest members of target communities, and that CSO financial management was below the required standard. Currently, the EPP is looking for alternative methods to carry out local economic development projects.

The International Community's Key Programs with CSOs: Two major donors support civil society sector reform in Jordan, while many donors work with individual CSOs. The two major donors in the field are the United States Agency for International Development (USAID) and the European Union (EU). USAID, through its Civil Society Program (CSP, a five-year program begun in October 2008), works in three main areas. Firstly, it works to strengthen the capacity, credibility and sustainability of CSOs and to facilitate the professional development of civil society leaders nationwide. Secondly, CSP promotes advocacy and outreach. Thirdly, CSP contributes to producing an enabling environment for civil society. As part of their efforts to produce an enabling environment for civil society CSP provides technical assistance to the RoS, at MoSD, to establish an automated information technology system and to establish the SSF.

The EU from 2007 to 2010 supported the development of civil society and participatory democracy. To achieve this they: (i) undertook a mapping of CSOs; (ii) strengthened and established civil society umbrella and networking organizations; and (iii) expanded the capacity of these organizations to engage with CBOs, and government and parliamentary representatives.

The following policies have been agreed to promote voice and accountability through developing civil society. They are as follows.

Undertake a participatory review of the Societies Law No. 51 of 2008. Key stakeholders, from both the public sector and civil society, should be involved in identifying the current weaknesses in the Societies Law. This participatory process would be managed to build a consensus on a set of mutually beneficial amendments to the existing law, which would respond to the oversight requirements of the government and the operational requirements of CSOs.

Establish a semi-autonomous National Registry of Societies; review registry membership; assess membership needs; and develop standardized and mutually beneficial operating procedures to further public sector-civil society partnerships. A National Registry of Societies—that has financial and administrative autonomy—would be established to oversee the public-civil society partnerships across government. It is suggested that the current RoS housed at MoSD be evolved into the National Registry. All government engagement with CSOs—and the related disbursement of (government) funds—would be managed and monitored through the

registry. The registry would conduct a thorough review of existing (and new) societies dissolving inactive²¹² CSOs from the registry. A detailed mapping and assessment of the needs of CSO members would also be conducted. Finally, a set of standardized (across government) and mutually beneficial operating procedures would be developed, to guide the manner by which the government commissions work from CSOs. These operating procedures would govern the main aspects of public sector-CSO partnerships, including registration, commissioning of work, capacity development, monitoring and evaluation, complaints, and the disbursement of funds. Putting this policy into action would require long-term commitments from the GoJ, some additional funding, and the provision of technically capable staff members to operate the registry.

Expand support to the Societies Support Fund through the provision of technical assistance; lessons learned; improved monitoring and evaluation capabilities; the addition of capacity building components; and the establishment of a resource and training centre. The existing SSF, based at MoSD, would be supported over the period of the PRS (till 2020) with technical assistance and continued funding. In particular, monitoring and evaluation of CSO activities and project implementation would be improved. It is important that SSF develop a long-term vision for the capacity development of the CSOs with which they partner. Moreover, SSF should exploit the lessons learned from MoPIC's engagement with CSOs, through the EPP.

The SSF would also be supported to develop a capacity development component in the fund that would: (i) assist partner CSOs in developing a strategic plan; (ii) develop the core financial, human resources and administrative functions of partner CSOs; (iii) equip partner CSOs with technical and program cycle management skills; and (iv) support partner CSOs to undertake, and act upon, an assessment of their constituent's needs and priorities. Finally, the SSF would be provided a resource and training facility that would support the above mentioned capacity development processes.

Putting this policy into action would require a long-term financial commitment from the GoJ. An annual commitment to the SSF would be required. Moreover, the provision of technically capable staff members to operate the fund would be required. Finally, an agreed standpoint would have to be developed and stated from the GOJ regarding engagement with CSOs.

Undertake a process—in partnership with civil society—to identify and enact formalized and accountable mechanisms for the genuine and full participation of civil society organizations and citizens in the formation and review of national level strategic planning. The *meaningful* involvement of CSOs and community members in national strategic planning processes—whether facilitated by MoPIC or other ministries—should be ensured to develop policy that responds better to local realities in Jordan. Not only would such policies benefit from the potential of community participation during implementation and contribute to social inclusion, but the government would also be perceived as better serving the needs of its citizens. Under this policy a process would be initiated with CSOs and citizens regarding the most appropriate way to ensure their participation and review in national-level strategic

²¹² It is very important however that the definition of 'active/inactive' is carefully assessed. Many CSOs may appear—or be considered—'inactive' from a government perspective, and yet they may be fulfilling an important role at local levels. This would require further research.

planning. This process would be coordinated by MoPIC, and would ultimately deliver a formalized mechanism by which citizen participation could be guaranteed.

Encourage Municipalities to develop innovative partnerships with civil society to create a permanent engagement with communities with regard to planning and follow-up. At local levels *constructive* engagement between Municipalities and communities should be encouraged to deliver more responsive service delivery and project implementation. It could also stimulate local ownership and contribute to the perception that the government is receptive to the needs of its citizens. Municipalities should be encouraged to support the mobilization of local communities by CSOs. This could include sourcing additional funds (for CSOs) and support from donors. Moreover, flexibility should be incorporated into municipal-level planning procedures to allow for the integration of priorities identified through civic engagement. Finally, engagement with communities should be structured and innovative, and be undertaken in a sustained manner incorporating community involvement in planning, implementation and monitoring phases of service delivery and project implementation.

INTERNATIONAL CO-OPERATION

The GoJ recognizes and welcomes the support and assistance which has been provided by its international partners in the field of poverty reduction and social protection, including the support provided in the drafting of this Strategy. In drawing up the Action Plan and in its implementation of the Strategy, the GoJ will engage in a participatory approach and will discuss with these partners the role which they can play in the implementation of the Strategy and how they can support specific aspects of the Strategy. The GoJ is particularly keen to draw on the expertise and experience of its international partners so as to assist in building capacity in the Jordanian public service and drawing on best international practice in reducing poverty.

MID-TERM AND FINAL REVIEW

The GoJ will carry out a mid-term review of the Strategy in consultation with key stakeholders in 2016. This review will examine the progress which has been made in meeting the objectives of the Strategy. The Strategy will be revised to take account of developments in the period since its formulation. The GoJ will commission evaluations of the main governmental programs/funds (e.g. NAF, Zakat Fund, SSC, DEF, VTC, and Enhanced Productivity Program etc) in the first half of the PRS in order to feed into the mid-term review of PRS. A final evaluation of the PRS will be carried out in 2020 in order to feed into the planning and development of a new PRS.

CONCLUSION

This Strategy recognizes the importance of a comprehensive approach to poverty and the necessity that such a strategy be developed and implemented using consultation and evidence based planning. To become a true national strategy, all sectors of

Jordanian society – public bodies at national and local level, employers and workers, communities and families – must play their role in ending poverty. The Government of Jordan, for its part, undertakes to continue the focus on eliminating poverty as a priority and to mobilize the resources necessary to achieve this aim.

ANNEX 1: ACTION PLAN

STRATEGIC PILLAR ONE: SOCIAL WELFARE AND GENDER

[Insert whether national or governorate-level measure]

POLICY MEASURE	ACTION	EXECUTORS RESPONSIBLE	BASELINE INDICATOR	OUTPUT INDICATOR	NEW FUNDS AND RESOURCES REQUIRED
1. ...	1...	...	...	...	...
	2...	...	...	...	...

STRATEGIC PILLAR TWO: EDUCATION, EMPLOYMENT AND ENTREPRENEURSHIP

[Insert whether national or governorate-level measure]

POLICY MEASURE	ACTION	EXECUTORS RESPONSIBLE	BASELINE INDICATOR	OUTPUT INDICATOR	NEW FUNDS AND RESOURCES REQUIRED
1. ...	1...	...	...	...	...
	2...	...	...	...	...

5. ANNEXURE

ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
ALMPs	Active Labor Market Programs
AS	Agricultural Sector
ASEZA	Aqaba Special Economic Zone Authority
BEST	Building Extending Skills Training System
BMI	Body Mass index
CBJ	Central Bank of Jordan
CBOs	Community Based Organizations
CEO	Chief Executive Officer
CGE	Computable General Equilibrium
CHI	Civil Health Insurance
CIT	Corporate income Tax
CLS	Child Labor Survey
CPR	Contraceptive Prevalence Rate
CSB	Civil Service Bureau
CSOs	Civil Society Organizations
CSP	Civil Societies Program
CSR	Corporate Social Responsibility
CUMERC	Colombia University Middle East Research Centre
DEF	Development and Employment Fund
DHS	Demographic and Health Survey
DOS	Department of Statistics
EI	Earth Institute
EMAF	Export Market Access Fund
EPP	Enhanced Productivity Program
ESCWA	Economic and Social Commission for Western Asia
ESP	Essential Services Package
ETVET	Employment and Technical & Vocational Education and Training
EU	European Union
EUS	Employment and Unemployment Survey
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FP	Family Planning
FPD	Family Protection Department
GAM	Greater Amman Municipality
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GIS	Geographic Information System
GoJ	Government of Jordan
GST	General Sales Tax
HRBA	Human Rights Based Approach
HCH	Higher Council for Health

HCPD	Higher Council for Affairs of Persons with Disabilities
HFA	Health For All
HIV	Human Immunodeficiency Virus
HVP	Healthy Villages Program
ICT	Information and Communication Technology
IMF	International Monetary Fund
IUD	Intra-Uterine Device
NCFA	National Council for Family Affairs
HDI	Human Development Index
HEIS	Household Expenditure and Income Survey
HPI	Human Poverty Index
HUDC	Housing and Urban Development Corporation
IHS	Integrated Household Survey
ILO	International Labor Organization
IOM	International Organization for Migration
IT	Information Technology
ITS	Intelligent Design Systems
JAAH	Jordan All Against Hunger
JD	Jordanian Dinar
JEDCO	Jordan Enterprise Development Corporation
JHDA	Jordan Housing Developers Association
JIC	Jordan Job Compact
JLMPS	Jordan Labor Market Panel Survey
JNCW	Jordan National Commission for Women
JOHUD	Jordan Hashemite Fund for Human Development
JPFHS	Jordan Population And Family Health Survey
JRF	Jordan River Foundation
LAM	Lactational Amenorrhea Method
LPG	Liquid Petroleum Gas
LTRC	Land Transport Regulatory Commission
LTV	Loan-to-Value
M&E	Monitoring & Evaluation
MDGs	Millennium Development Goals
MENA	Middle East and North Africa
MF	Microfinance
MFI	Microfinance Institution
MIS	Management Information Systems
MoA	Ministry of Agriculture
MoAIA	Ministry of Awqaf and Islamic Affairs
MoC	Ministry of Culture
MoE	Ministry of Education
MoEMR	Ministry of Energy and Mineral Resources
MoEnv	Ministry of Environment
MoF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MoH	Ministry of Health
MoHESR	Ministry of Higher Education and Scientific Research
MOI	Ministry of Interior
MoIT	Ministry of Industry and trade

MoJ	Ministry of Justice
MoMA	Ministry of Municipal Affairs
MoPIC	Ministry of Planning and International Cooperation
MoPSD	Ministry of Public Sector Development
MoPWH	Ministry of Public Works and Housing
MoSD	Ministry of Social Development
MoT	Ministry of Transport
MoTA	Ministry of Tourism and Antiquities
MoWI	Ministry of Water and Irrigation
MPI	Multidimensional Poverty Index
MPI	Multi-Dimensional Poverty Index
MSME	Micro, Small and Medium Enterprises
MWRA	Married Women of Reproductive Age
NA	National Agenda
NAF	National Aid Fund
NCFA	National Council for Family Affairs
NER	Net Enrollment Rate
NES	National Employment Strategy
NET	National Employment Training Company
NGOs	Non-governmental Organizations
NHF	Noor Al Hussein Foundation
NPC	National Poverty Census
OECD	Organization for Co-operation and Development
PES	Public Employment Services
PIT	Personal Income Tax
PMT	Proxy Means Test(ing)
PoPs	Policy Options Papers
PPP	Public-Private Partnership
PPV	Participatory Poverty and Vulnerability (Study)
PRC	Peer Review Committee
PRS	Poverty Reduction Strategy
PWDs	People with Disabilities
PWP	Public Works Programs
QA	Quality Assurance
QIZ	Qualifying Industrial Zone
QLI	Quality of Life Index
R&D	Research and Development
RH	Reproductive Health
RHAP	Reproductive Health Action Plan
RMS	Royal Medical Services
RoS	Registry of Societies
RSCN	Royal Society for the Conservation of Nature
SCC	Social Security Corporation
SMEs	Small and Medium Enterprises
SPF	Social Protection Floor
SSC	Social Security Corporation
SSF	Societies Support Program
TFR	Total Fertility Rate
TVET	Technical & Vocational Education and Training

UN	United Nations
UNDP	United Nations Development Program
UNESCO	United Nations Educational Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNHABITAT	United Nations Human Settlements Program
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees
USAID	United States Agency for International Development
VAT	Value Added Tax
VCT	Vocational Training Corporation
WB	World Bank
WEF	World Economic Forum
WFP	World Food Program
WHO	World Health Organization
ZF	Zakat Fund

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6.2 POLICY OPTIONS PAPERS AND BACKGROUND PAPERS

Policy Options Papers

Strategic Pillar	Pillar Focus	Policy Issues Addressed in Papers	Paper Prepared by
1. Social Welfare and Gender	Cash Transfers	1. How should the GoJ reform the NAF? How do they better target the selected beneficiaries?	UNDP (Naysan Adlparvar)
		2. How should the GoJ reform the NZF? How do they better target the selected beneficiaries?	UNICEF Consultant (Lorraine Blank)
		3. Should the GoJ make cash transfers conditional, and if so how?	UNDP (Vladimir Mikhalev/Naysan Adlparvar)
	Subsidies	4. Should the GoJ reform subsidies? If so, how?	UNDP (Naysan Adlparvar)
	Social Care	5. How can the GoJ improve the types, coverage and provision of social care to better serve the poor, women and girls, and members of vulnerable groups including the disabled?	UNICEF Consultant (Hala Lattouf)
	Social Insurance and Security	6. How can the GoJ improve the types, coverage and provision of social insurance and security to better serve the poor?	UNDP Consultant (Mel Cousins)
	Gender	7. How can the GoJ counter	UNDP Consultant (Hala Lattouf) with

		human rights violations against women, children and the disabled?	UNICEF support
2. Pro-Poor Employment and Entrepreneurship	Pro-Poor Employment	8. How can the GoJ promote the employment of the poor and vulnerable, particularly the poor youth, while also eliminating child labour?	UNDP Consultant. Ibrahim Saif)
		9. How can the GoJ promote women's economic participation, while also eliminating child labour?	UNDP Consultant (Ibrahim Saif)
		10. How should the GoJ engage with the 'informal economy' to reduce poverty?	UNDP (Naysan Adlparvar) with support of UNDP Governance Unit
	Vocational Training	11. How can the GoJ improve provision of vocational training to better serve the poor?	UNDP consultant with ILO support
	Micro, Small and Medium Enterprises	12. How can the GoJ improve the impacts of micro, small and medium enterprises in reducing poverty?	JEDCO (Hana Uraidid)
	Micro Finance	13. How can the GoJ improve the performance of micro and	GIZ Consultant (Jerry Grossman) with UNDP support

		small finance in reducing the social and economic aspects of poverty?	
	Tax	14. Should the GoJ reform tax to be 'pro-poor'? If so, how?	UNESCWA (Dr. Abdallah Al Dardari and his team)
3. Inclusive Health and Education	Access to Education for the Poor	15. How can the GoJ improve access (physical and social) to education for the poor, the disabled and for women and girls?	UNDP (Sharif Mustafa)
	Access to Health for the Poor	16. How can the GoJ improve access (physical and social) to health services for the poor, the disabled and for women and girls?	WHO (Sana Naffa)
		17. How can the GoJ improve access (physical and social) to sexual and reproductive health services for women and girls?	UNFPA (Issa Masarweh)
4. Pro-Poor Agriculture, Environment and Rural Development	Pro-Poor Agriculture and Rural Development	18. How can the GoJ promote pro-poor agriculture and rural development?	UNDP (Awni Taimeh)
	Environment	19. How can the GoJ promote pro-poor adaptation to the effects of climate change and environmental degradation?	UNDP (Batir Wardam)

5. Transport and Housing for the Poor	Housing for the Poor	20. How can the GoJ best enable the poor to obtain suitable and affordable housing? Which locations and which beneficiaries should be prioritised to benefit from identified pro-poor housing initiatives?	UN-HABITAT
	Transport for the Poor	21. How can the GoJ improve transport services to benefit the poor?	Ministry of Transport with UNDP support (Naysan Adlparvar)

Background Papers

PRS Scope	Poverty Measurement and Targeting	1. How should the GoJ define poverty in the PRS? Who are the poor and vulnerable in the PRS? What mechanism will identify them?	UNDP (Naysan Adlparvar)
PRS Guiding Principles	Equality and Inclusiveness, and Voice and Accountability	2. How should the GoJ promote voice and accountability, and forms of local organisation?	UNDP (Naysan Adlparvar)